

8th March 1939

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

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NINTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1939



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1939

9—10

Legislative Assembly.

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MR. N. M. JOSHI, M.L.A.

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LEGISLATIVE ASSEMBLY.

Wednesday, 8th March, 1939.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

FOREIGN EXPERTS IN THE GOVERNMENT OF INDIA SECRETARIAT AND ITS ATTACHED OFFICES.

844. *Mr. K. S. Gupta (on behalf of Mr. C. N. Muthuranga Mudaliar): Will the Honourable the Home Member please state:

- (a) the number of officers in the Government of India Secretariat and its Attached Offices who are 'experts', or who have been recruited to fill technical posts, because they possess specialised knowledge of particular subjects;
- (b) how many of them are Europeans; and how many of these Europeans are on contract;
- (c) whether in the case of these foreign 'experts' it has been laid down as part of their contracts or otherwise that they should train up Indians to take their place in due course;
- (d) whether there are any 'experts' who are not Indians whose period of contract expired or expires this year, and if so, the case or cases where an extension of employment has been granted and the reasons for it;
- (e) the number and names of European officers holding posts in the Government of India and its Attached Offices whose period of employment expires during the next three years from 1st December 1938; and
- (f) whether the Government of India propose to consider the desirability of granting no extension to the officers referred to in part (e) above?

The Honourable Sir Reginald Maxwell: (a) to (f). The necessary information is being collected and a statement will be laid on the table of the House in due course.

REDUCTION OF THE STAMP DUTY ON USANCE BILLS.

†845. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Finance Member state:

- (a) whether the Reserve Bank has pleaded with the Government for the reduction of the stamp duty on Usance Bills; and

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

- (b) whether Government have taken or propose to take any steps in the matter?

The Honourable Sir James Grigg: (a) and (b). A representation on this subject has recently been received from the Reserve Bank and transmitted to the Provincial Governments for consideration. When the replies of the Provincial Governments have been received the question of the action to be taken will be considered.

Mr. Brojendra Narayan Chaudhury: I have been authorised to put Mr. Sham Lal's questions.

Mr. President (The Honourable Sir Abdur Rahim): The Chair understands it is a sort of general authority for the rest of the Session. That cannot be allowed.

Mr. Brojendra Narayan Chaudhury: No, Sir, not for the rest of the Session: only for the 7th, 8th, 9th and 10th of this month.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot have a general power of attorney like that. The Chair will allow it this time, but not in the future.

RECRUITMENT OF MEMBERS OF SCHEDULED CASTES IN THE GOVERNMENT OF INDIA DEPARTMENTS.

846. *Mr. Brojendra Narayan Chaudhury (on behalf of Mr. Sham Lal): Will the Honourable the Home Member be pleased to state:

- (a) whether posts meant for members of scheduled castes are being filled up temporarily in different Departments of the Central Government by others all over India in the event of suitable candidates not readily forthcoming from these classes at different times of different selections; and
- (b) if not, so far, how the claims of scheduled castes to different posts and services are to be satisfied in future for permanent appointments?

The Honourable Sir Reginald Maxwell: (a) and (b). I would invite the attention of the Honourable Member to the replies given to Pandit Sri Krishna Datta Paliwal's starred questions Nos. 900 and 901 on the 22nd March, 1938. There is no specific reservation for members of the scheduled castes but in making appointments to the Central Services due regard is paid to the provision of paragraphs 3 and 7 (1) (vi) of the Resolution of 4th July, 1934, with a view to securing to members of the scheduled castes a fair degree of representation in the Services.

Mr. Brojendra Narayan Chaudhury: Are any posts temporarily kept in abeyance with a view that they may be filled up in future?

The Honourable Sir Reginald Maxwell: No posts are kept in abeyance.

Mr. Abdul Qaiyum: May I know if the Government of India have classified all these castes, and it is possible for the officers of the Government who are filling up these posts to find out whether a certain person belongs to a scheduled caste?

The Honourable Sir Reginald Maxwell: I believe so; but the question is being looked into to see whether the scheduled castes are being given full opportunities.

Mr. Abdul Qaiyum: May I know if there is an all-India classification or whether the classification is by provinces?

The Honourable Sir Reginald Maxwell: I should require notice of that.

ABDUCTION OF FEMALES.

847. *Mr. Brojendra Narayan Chaudhury (on behalf of Mr. Sham Lal): Will the Honourable the Home Member be pleased to state:

- (a) whether it is a fact that married and unmarried females are being abducted from British Provinces to Indian States and *vice versa*;
- (b) whether there is a delay in the restoration of a good many of such females owing to different police jurisdictions; and
- (c) if so, whether any steps are intended to be taken in the matter to have such cases dealt with expeditiously?

The Honourable Sir Reginald Maxwell: (a) I have no reason to think that the facts are as stated so far as Chief Commissioners' Provinces are concerned. The Central Government have no information in respect of Governors' Provinces.

(b) and (c). Do not arise.

Mr. Abdul Qaiyum: In as much as the Central Government deal with the Indian States, may I know if the Government of India have received information about such cases of abduction from Governments of the provinces?

The Honourable Sir Reginald Maxwell: The Central Government do not deal with the Indian States.

Mr. Brojendra Narayan Chaudhury: Is not Delhi one of the British provinces?

The Honourable Sir Reginald Maxwell: Delhi is a Chief Commissioner's province, and I gave information about the Chief Commissioner's province in my reply to the question.

Mr. Brojendra Narayan Chaudhury: But the question is about the British provinces!

ACCEPTANCE OF ENTERTAINMENTS BY OFFICERS OF THE CENTRAL GOVERNMENT.

848. *Mr. Brojendra Narayan Chaudhury (on behalf of Mr. Sham Lal): Will the Honourable the Home Member be pleased to state:

- (a) whether Government officers of the Central Government are authorised to accept entertainments from their subordinate officials on their tours, or whether they are required to report to their higher officers the circumstances under which these entertainments had to be accepted; and

- (b) whether there are Government instructions making the position of Government officers and their subordinates clear on the subject?

The Honourable Sir Reginald Maxwell: (a) and (b). There are no orders specifically prohibiting entertainment by Government servants of one another provided that the entertainment is substantially private and informal, nor have any instructions been issued in the precise sense mentioned by the Honourable Member. But Government desire to discourage entertainments leading to substantial expenditure by subordinates and believe that their views on the subject are well known to all concerned.

Mr. Lalchand Navalrai: May I know what is meant by "private"? If a Government servant were to call others into a public garden in order to meet and have refreshments, can that be said to be private or not?

Mr. President (The Honourable Sir Abdur Rahim): That is a matter of opinion.

Mr. Lalchand Navalrai: May I know if any limit has been fixed on the number of guests who can take part in these gatherings?

The Honourable Sir Reginald Maxwell: The matter is not one which is capable of precise definition in that way.

MILITARY BUILDINGS AND FORTIFICATIONS UNDER CONSTRUCTION AT THAL IN THE KOHAT DISTRICT.

849. ***Mr. Abdul Qaiyum:** Will the Defence Secretary please state:

- (a) whether a number of military buildings and fortifications are under construction at Thal, Kohat District, North-West Frontier Province;
- (b) whether the above buildings are being put up in private lands which have neither been acquired, nor has any valuation been fixed for the same;
- (c) whether Government propose to pay the owners in accordance with the law;
- (d) whether it is complained that contractors are helping themselves to sand, stones, etc., from lands owned by private owners without payment and in spite of protests;
- (e) whether military officials have justified the conduct of those contractors; and
- (f) whether the Honourable Member is prepared to hold an immediate inquiry into this matter and compensate the owners?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) and (c). Certain buildings are being erected within the Thal Fort area and others on uncultivable (village owned) waste land. In the latter case, the permission of the local civil authorities was obtained to start construction pending the actual payment of the valuation of the land to the owners in accordance with the law.

(d) Yes.

(e) Yes, because under the terms of the *Wajib-ul-Arz* of Thal, Government have the right to collect sand, stones, etc., from uncultivable waste.

(f) In view of my reply to parts (b) to (e) Government see no necessity for holding any enquiry.

Mr. Abdul Qaiyum: With reference to part (c) of the question, may I know when that permission was obtained from the civil authorities?

Mr. C. M. G. Ogilvie: I shall require notice of that. It was obtained.

Mr. Abdul Qaiyum: With reference to the same part of my question, may I know if Government ascertained as to who were the owners of this waste uncultivated land because there is no land in this country which is not owned?

Mr. C. M. G. Ogilvie: No doubt.

Mr. Abdul Qaiyum: May I know why building operations were started before actual acquisition of such lands by Government in accordance with the law?

Mr. C. M. G. Ogilvie: It was desired to get on with them quickly, while the acquisition proceedings were being taken.

Mr. Abdul Qaiyum: May I know if it is permissible for the Government of India to trespass on other peoples' land and put up buildings without starting proceedings in accordance with the Land Acquisition Act?

Mr. C. M. G. Ogilvie: I thought I had explained carefully enough to the Honourable Member in answer to parts (b) and (c) of his question that the permission of the local civil authorities was obtained by the Government of India before any such buildings were started.

Mr. Abdul Qaiyum: In view of the fact that the local civil authorities did not own this land, and that the land is owned by private persons, the local civil authorities had no *locus standi*, and, therefore, have the Government of India actually obtained the permission of the owners for such an illegal act on their part?

Mr. C. M. G. Ogilvie: I am not acquainted with any reason why the Government of India should go any farther than the Local Government. They asked the local authorities as to whether there was any objection, and they said "no".

Mr. Abdul Qaiyum: I should like to know if the Government of India think that it is correct on their part to build on other peoples' land without their permission? That is the position, because there is a lot of agitation in Thal.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can draw his own inference.

Mr. Lalchand Navalrai: I would like to know whether the local civil authorities obtained permission of the owners or gave them any notice?

Mr. C. M. G. Ogilvie: I suggest that the Honourable Member inquire from the local civil authorities concerned.

Mr. Abdul Qaiyum: May I ask. . . .

Mr. President (The Honourable Sir Abdur Rahim): Next question.

Mr. Abdul Qaiyum: I again request the Chair to allow me to put one question only: the Government contractors here are helping themselves to other peoples' property and. . . .

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member is not going to put the next question, the Chair will pass on to the next after that.

†850*.

RECRUITMENT TO THE POOL OF OFFICERS FOR THE FINANCE DEPARTMENT.

‡851. **Mr. T. S. Avinashilingam Chettiar:** Will the Honourable the Finance Member state:

- (a) whether any persons have been recruited for the pool of officers for the Finance Department;
- (b) if so, how many of them belong to the Indian Civil Service, and of these how many are Indians; and
- (c) whether any posts have been reserved for the Indian Civil Service, if so, what are those posts?

The Honourable Sir James Grigg: (a) to (c). I would refer the Honourable Member to the replies given to his starred question No. 236 on the 9th February and to Mr. K. Santhanam's starred question No. 504 on the 18th February, 1939.

RELATIONS OF THE RESERVE BANK WITH SCHEDULED BANKS.

852. ***Mr. M. Asaf Ali** (on behalf of Mr. Manu Subedar): (a) Will the Honourable the Finance Member please state what was the circular sent out by the Reserve Bank of India on the 1st September, 1938, regarding the nature of the relation between the Reserve Bank and the scheduled banks?

(b) Have Government seen the explanatory memorandum issued later regarding the conditions under which the scheduled banks could obtain advances and discounts from the Reserve Bank under section 17 of the Reserve Bank of India Act?

(c) What were those conditions?

(d) Will Government place a copy of these documents on the table of the House?

† This question was postponed to be answered on the 22nd March, 1939.

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

(e) Has the Reserve Bank suggested an amendment of section 17 with a view to give advances on documents of hypothecation with the scheduled banks for goods lying in the warehouse of (i) borrowers, and (ii) banks?

The Honourable Sir James Grigg: (a) to (d). These documents were originally marked 'confidential', but as they have been widely circulated and their contents are generally known, I am, with the concurrence of the Bank placing copies on the table.

(e) From the earliest days of the Reserve Bank it was recognised that the Reserve Bank Act did not permit of advances against the hypothecation of goods but only against documents of title to goods. The Bank, however, considered that it would be premature to suggest amending or extending its powers in this respect until the Act in its existing form, as drafted in conformity with the usual central banking practices in other countries, had received a full trial. It was on this basis that the explanatory memorandum referred to in part (b) of the question was issued.

RESERVE BANK OF INDIA,

CENTRAL OFFICE,

Ref. No. A. C. D. St. 464/57-38.

Bombay, 1st September, 1938.

To

ALL SCHEDULED BANKS,

DEAR SIRS,

The recent suspension of business by the Travancore National and Quilon Bank has brought to the front a variety of important problems connected with the relations of scheduled banks with the Reserve Bank. As this was the first occasion since its foundation when the Reserve Bank was called upon to assist some scheduled banks in temporary difficulty, its role as a Central Bank has been subjected to a certain amount of public criticism. Under ordinary circumstances, such criticism would be all to the good and highly welcome, but we are afraid that much of it has been due to a misunderstanding about the nature and extent of the financial assistance which scheduled banks may expect in times of difficulty or crisis, and we feel that it is desirable to clarify the position so as to avoid similar misunderstanding in future.

2. At the outset it seems desirable to define the functions of a Central Bank in this respect. The first is to pool the resources of the banks and use them for the regulation of the general credit policy of the country so that it may be in a position to render effective help at times when the resources of the member banks have been exhausted. Its second responsibility is to assist individual member banks when in difficulty, so long as it is satisfied that they are sound. A Central Bank is not an ordinary commercial bank lending money to enable the borrower to extend his business in normal times or to permit him to operate on narrower margins than would be permissible under the usual orthodox banking practices. So far as the second function is concerned, there is also the obvious difficulty that the Reserve Bank is being asked to help a bank in circumstances in which the credit pool of the country has not been exhausted, when other banks have funds but are not prepared to lend to it, in short, when the problem is as to the solvency of a particular bank or group of banks, and not a dearth of money in the credit system as a whole. In such circumstances it is obviously desirable that any scheduled bank which visualizes the possibility of its requiring assistance should maintain much closer contact with the Reserve Bank in ordinary times so that intimate relations can be established, and in case of difficulty the assistance of the Reserve Bank can be obtained without delay. The purpose of this circular is to lay down a policy for the guidance of those scheduled banks that may want to take advantage of it.

3. The first and most important preliminary to any active assistance of a bank in distress is that the Reserve Bank should have full knowledge that the bank seeking help is sound and is therefore deserving of such help. At present the only information which the Reserve Bank has about the affairs of the scheduled banks is the published balance sheet and the weekly statements of time and demand liabilities. This information is clearly inadequate to enable the Reserve Bank to form any real opinion about the true financial condition of a scheduled bank. We have already suggested certain changes in the form of balance sheets submitted by the banks so as to make it more useful from this point of view. But even the information which will be available from such a revised balance sheet will be quite insufficient for the purpose we have now in view, and this lacuna in our information will have to be supplemented by voluntary information. Scheduled banks which expect ready assistance from the Reserve Bank in times of difficulty should keep the Reserve Bank continually posted with enough information to enable it to have a clearer idea of their position and working. On the principle that prevention is easier than cure, such information should also enable the member bank to ward off trouble by the receipt of timely advice or warning from the Reserve Bank. To this end we propose that such scheduled banks should send us periodical returns about their investments and advances. The advances might be shown in two sections :

- (i) On paper eligible for rediscount by the Reserve Bank; and
- (ii) Other advances.

We would also like these returns to classify the loans and advances into various classes, e.g., advances against commodities, against gold, against bills, against promissory notes and against other securities. A similar classification should also be made for investments. We append a specimen form of return and invite your comments on it.

4. Even information of this kind, which will naturally relate to a given point of time, will not be enough to give us a complete picture. We would therefore suggest that this return should be sent twice a year, once at the height of the busy season and the other in the slack season. These two statements together would give us a fairly clear idea of the range of working of the bank

5. One method of rendering financial aid to a bank in distress is by discounting bills. For this purpose the Reserve Bank will naturally require information about the standing of the parties whose names appear on the bills. It would be highly undesirable to wait to collect this information in a hurry at the time when it is required. References to our agents would be necessary and at that time such references might be unwelcome. We therefore suggest that scheduled banks should supply us with a list of the parties to whom they lend on bills and promissory notes and give the necessary information about these parties in a standard form (specimen form attached). The banks should also make periodical reports about the loan operations of these parties so that this information may be kept up to date. It goes without saying that the Reserve Bank will be free to take separate measures to verify this information if it thinks it necessary. If such a procedure were adopted, the Reserve Bank would have continually at its disposal an up to date list of the parties with information as to their standing and would therefore be able to deal with the bills more expeditiously without having to collect information in a hurry at the last minute.

6. There appears to be some doubt regarding the kind of paper with which the Reserve Bank is authorised to deal under its Act. We are therefore preparing a memorandum in which we describe the kind of paper which under section 17 of the Act the Reserve Bank is authorised to discount and against which they are authorised to advance. When the position is thus made clear, it is hoped that the scheduled banks will no longer be under any doubt as to what kind of security will be acceptable to the Reserve Bank, so that they may allocate their resources and arrange their loan policy accordingly.

7. At the same time, it must be thoroughly understood that the Reserve Bank has full discretionary power to decline to purchase paper of a scheduled bank even though it may be technically eligible. Ordinarily, a bank should so conduct its business as to maintain a sufficiently large portfolio of first class securities as an insurance against times of difficulty, and the Reserve Bank wishes it to be understood that it is not prepared to countenance a state of affairs where banks will allow their holding of Government securities to be unduly depleted in the hope that in times of difficulty they can rely upon the Reserve Bank discounting their paper. It is difficult in the

variable conditions of India to state definitely what should be the minimum limit for such holdings, but ordinarily in the absence of an open market for first class commercial bills it would not seem desirable for commercial banks to hold less than 30 per cent. of their time and demand liabilities in the form of either cash or approved securities of ready marketability, and an even greater margin would seem desirable unless their other business is of a very liquid nature. The primary object of developing a bill market is to broaden the credit base and to enable credit to be extended more cheaply and in a more regulated manner for the financing of trade, commerce and agriculture, and not to enable scheduled banks to work on an unduly narrow margin.

8. The points dealt with above are merely offered as suggestions at the present stage, as it is recognised that circumstances vary from place to place and it is undesirable to lay down rigid conditions without an examination of particular circumstances. For this reason, the Reserve Bank considers that the most promising avenue of approach would be for those scheduled banks which consider that they may be likely to require assistance, or which are in doubt as to any of the other points above, to ask us to send an officer to discuss the matter with them. They can be assured that any such consultation or advice will be regarded as highly confidential, and any returns or references which they may make from time to time will also be treated with the same degree of confidence.

9. It seems to the Reserve Bank that in this way relationships can be built up which will make for a sounder banking system in India than would be possible by more rigid methods of control, possibly reinforced by legislative sanction. Frank confidential discussions, supplemented by occasional visits by our touring officers, or discussions with our Managers at our various centres, would enable us to maintain that intimate connection which is essential if trouble and difficulty are to be forestalled. We should, therefore, be glad of an early reply on the suggestions set out in this letter, and, in particular, whether you would wish us to depute an officer to visit your head office and discuss matters with you.

Yours faithfully,

Deputy Governor.

Statement of Loans and Advances.

	Total amount of loans.	Market value.
*I. Secured—		
(a) Bullion		
(b) Government obligations		Do.
(c) Shares of Joint Stock Companies, etc. (group by industries).		Do.
(d) Various commodities like cotton, oilseed, jute, rice, wheat, etc.		Market Value. Please state amount of collateral in Bank's custody and hypothecated.
(e) Real Estates (group under headings, agricultural land, industrial fixtures, commercial estates and properties.)		Estimated or Assessed value (not over two years old.)
(f) Fixed Deposits :		
Other Banks	
Bank's own Deposits	

*State whether the collateral is free or encumbered.

II. Unsecured :

(a) Usance Trade Bills	Group by rates of discount.	Average Maturity.
(b) Clean Advances	Total amount granted	Do.
(c) Clean Advances under guarantee	Do.	Do.

III.

(a) Bad debts . . . . .	....
(b) Doubtful debts . . . . .	....
(c) Deceit debts . . . . .	....

Statement of Investments.

Market value..

*I. (a) Government of India loans . . . . .	....
(b) Provincial Government loans . . . . .	....
(c) Treasury Bills . . . . .	....
(d) Other Trustee Securities . . . . .	....
(Item C of group I can be discounted at any time with the Reserve Bank.)	

*II. Shares, stocks, debentures, etc., of Joint Stock Companies	Do.
(Please group holdings by industries which they represent).	

Rate of Interest..

*III. Fixed Deposits
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*IV. Immoveable property :

(a) Estimated or assessed worth (should not be over two years old)
(b) State how acquired . . . . .	....
(c) Income . . . . .	....

*State whether the securities are free or encumbered.

Credit Information on Makers of Bills.

Name _____

Other Trade Names _____

1. Branches
 2. Whether Individual business, joint Hindu family, unlimited liability partnership, or limited company
 3. Names of Managers, Partners, or Directors
 4. Estimated liabilities and assets
 5. Worth of partners outside business
 6. Location and value of real estate (Is it mortgaged ?)
 7. Nature of business
 8. Business reputation
 9. Present condition of business
 10. How is business conducted
 11. Bank references and Bank lines
 12. Credit lines of the maker with the scheduled bank
 - *13. Amount of bills outstanding on the name of the maker on the date of application
 - *14. Rate of interest charged by the scheduled bank
 - *15. Statistical résumé
- | | Highest out-standing. | Lowest out-standing. | Annual turnover. |
|---|-----------------------|----------------------|------------------|
| *16. Operating experience of the bank | | | |

REPORTS AND MARKET CHECKINGS.

*Information to be supplied at the commencement of the season every year.

Name-

[illegible]

Confidential.

RESERVE BANK OF INDIA.

DISCOUNTS FOR AND ADVANCES TO SCHEDULED BANKS.

I. INTRODUCTION.

The several kinds of business which the Reserve Bank is authorised to transact, and the bills and securities against which the Bank may make advances and which it may purchase, sell and rediscount, are governed by sections 17, 18 and 19 of the Reserve Bank of India Act, 1934. It will be noticed from these sections that the business which the Reserve Bank is permitted to do is much narrower in scope than that permitted to commercial banks under the Companies Act and by section 19 of the Act the Bank has been prohibited from undertaking any other business. This is partly because the Legislature rightly decided that the Reserve Bank should not be able to compete in day to day business with the scheduled banks and partly because the very nature of its functions requires that the business which the Reserve Bank undertakes should be liquid short-term and generally self-liquidating.

Circumstances in which accommodation from the Reserve Bank may be required by Scheduled Banks.

There are, in particular, three types of circumstances in which the Reserve Bank may be called upon to assist the Scheduled Banks :

(i) To meet some unexpected and temporary demand for funds, to meet an expansion of its business by a scheduled bank, e.g., financing of unexpected movements of gold or of commodities for which the scheduled bank may not have been able to make provision in advance. In such cases advances from the Reserve Bank will naturally be of short duration and will be repaid in a few days or at the most a few weeks when the scheduled bank is able itself to correct its position.

(ii) The assistance of the Reserve Bank may also be required to meet seasonal needs. During the busy season there is usually a stringency in the money market. The Reserve Bank will, as far as possible, itself take steps to counteract any seasonal stringency and the scheduled banks may also expect the Reserve Bank to help them at such times.

(iii) When owing to peculiar circumstances affecting one bank or a group of banks (e.g., a slump affecting the trade or industry with which certain banks are more particularly concerned, or a scare imperilling the banking habit in one particular part of the country), such bank or banks find themselves in need of assistance although money conditions in the country as a whole are easy. The Reserve Bank will endeavour to prevent such emergencies arising by advice and warning when things are apparently running smoothly but, in spite of these endeavours, emergencies may arise when the scheduled banks may require assistance from the Reserve Bank.

From the foregoing paragraphs it will be apparent that all scheduled banks may at one time or another find themselves in need of assistance from the Reserve Bank. It is therefore desirable that when making their investments they should see that they invest a sufficient amount of their funds in assets which can be used for obtaining accommodation from the Reserve Bank.

General characteristics of eligible securities.

As will be seen below in more detail, any security offered to the Reserve Bank must be eligible under the Act and the title offered to the Reserve Bank to such security must be clear, complete and inalienable until released by the Reserve Bank on the liquidation of the debt. A security is of no use to the Reserve Bank unless it is such that it can be legally segregated if the borrowing bank has to close its doors, so that in the event of liquidation the Reserve Bank will become a fully secured creditor of the borrowing bank. This is particularly important in the case of loans and advances made under Section 17(4) when the security is collateral, and is not, as in the case of purchases and rediscounts under Section 17(2) implicit in the document itself. Collateral documents [e.g., a trust receipt, the registration of a charge under Section 109(e) of the Indian Companies Act, etc.] cannot be utilized to render a security admissible if it would not be admissible without them. The cases in which collateral documents may be accepted by the Reserve Bank under the Act are set out in Section 17(4). From motives of business prudence the Reserve Bank may also require collateral to supplement a security which is technically admissible under the Act.

In part II we analyse the relevant sections of the Reserve Bank of India Act and indicate against what kind of paper the Reserve Bank is able to grant accommodation.

Lending Policy of the Reserve Bank.

In conformity with the usual practice of Central Banks in other parts of the world and with a view to promoting the development of banking on sound lines in this country, the Reserve Bank in extending its credit to the scheduled banks will take into consideration not only the nature of the security offered to it but also the general character of the investments of the applying bank, the manner in which its business as a whole is being conducted, whether, for instance, it offers excessively high rates of interest in order to attract deposits, whether it seeks help from the Reserve Bank in normal times when funds in the money market are ample, whether it has been overtrading and extending an undue amount of credit for speculative purposes in commodities or securities or indulging in unsecured business to an excessive extent. The Reserve Bank will take these and similar points into consideration before fixing its credit lines for any scheduled bank. It is to be noted in this connection that the Reserve Bank is empowered by the Act to grant only temporary accommodation and not credit to be used for capital purposes, for speculation or overtrading. With a view to ascertaining that its credit facilities are not abused in any way the Reserve Bank may call for such information or impose such conditions on the borrowing scheduled bank as it may consider necessary and obviously a scheduled bank requiring assistance from the Reserve Bank will have to supply such information as may be called for.

Like any other bank, the Reserve Bank of course reserves discretion as to whether it will rediscount paper of a particular scheduled bank without assigning a reason. But scheduled banks which are run on sound lines may always expect to receive ready assistance from the Reserve Bank in the circumstances enumerated above and subject to their offering suitable securities.

II. DISCOUNT, PURCHASE OR SALE OF BILLS OF EXCHANGE AND PROMISSORY NOTES FOR SCHEDULED BANKS.

(a) *Bills of exchange and promissory notes drawn on India or Burma and payable in India or Burma.*

Section 17(2)(a) authorises the Reserve Bank to "purchase, sell and rediscount bills of exchange and promissory notes, drawn on India or Burma and payable in India or Burma and arising out of *bona fide* commercial or trade transactions bearing two or more good signatures, one of which shall be that of a scheduled bank or a Burma scheduled bank and maturing within ninety days from the date of such purchase or rediscount, exclusive of days of grace." The Reserve Bank is therefore in a position to discount for any scheduled bank, by virtue of the powers granted by this sub-section, any promissory note or bill of exchange which meets the following requirements :

(i) It is a bill of exchange or a promissory note as defined in the Indian Negotiable Instruments Act and drawn and payable in India or Burma.

(ii) It arises out of *bona fide* trade or commercial transactions. This means that it must be a bill drawn for financing the movement or marketing of goods or produce and not a bill of exchange or a promissory note, the proceeds of which are to be used for fixed or permanent investments or for speculative purposes. When accepting a bill the Reserve Bank will expect the scheduled bank concerned to supply the Reserve Bank with continuous information relating to the parties from whom they take these bills, their credit, standing, the line of business in which they are engaged, and for which each bill is drawn, their other liabilities so far as is known to the borrowing bank from time to time and other relevant data so as to enable the Reserve Bank to maintain a continuous check both as to the soundness of the security and the nature of the transaction to which it relates. The Reserve Bank, naturally, reserves the full right to make an independent investigation of the standing of the party and of the nature of the transaction through any other available agency open to it.

(iii) It bears two or more good signatures, one of which is that of a scheduled bank.

(iv) It has a fixed maturity, not exceeding ninety days, excluding days of grace, from the date of purchase or rediscount by the Reserve Bank. In other words a bill of exchange or a promissory note must, at the time of rediscount or purchase by the Reserve Bank, have a definite currency embodied in the instrument itself and in case such an instrument is payable on demand it should be accompanied by a

separate written agreement modifying the terms of the instrument to render it acceptable under this section. The Reserve Bank cannot obviously accept a demand promissory note or a bill of exchange alone, as these instruments have no fixed maturity.

NOTE.—For the purposes of this sub-section, a pronote drawn by a customer of a scheduled bank in respect of an advance against gold is *not* a pronote “arising out of *bona fide* commercial or trade transaction.”

(b) *Agricultural Paper.*

Section 17(2)(b) authorizes the Reserve Bank to purchase, sell and rediscount agricultural paper which satisfies the conditions laid down in this section. *viz.*,

- (i) that they are drawn and payable in India or Burma,
- (ii) that they bear two or more good signatures, one of which is that of a scheduled bank or a Provincial Co-operative Bank,
- (iii) that they are drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and
- (iv) that they mature within nine months from the date of purchase, or rediscount by the Reserve Bank exclusive of days of grace.

In the case of this paper also the same general conditions apply as in (a) above, *mutatis mutandis*.

(c) *Bills of exchange and promissory notes drawn for the purpose of holding or trading in Government Securities.*

Section 17(2)(c) authorizes the Reserve Bank to “purchase, sell and rediscount bills of exchange and promissory notes drawn either in India or Burma bearing the signature of a scheduled bank or a Burma scheduled bank, and issued or drawn for the purpose of holding or trading in securities of the Central Government, a Provincial Government, or the Government of Burma, or such securities of States in India as may be specified in this behalf by the Central Government on the recommendation of the Central Board, and maturing within ninety days from the date of such purchase or rediscount exclusive of days of grace.” The Reserve Bank is therefore in a position to discount bills of exchange or promissory notes which satisfy the provisions of this section, *viz.*—

- (i) they are drawn and payable in India or Burma,
- (ii) they bear the signature of a scheduled bank,
- (iii) they have a stated and fixed maturity at the time of rediscount by the Reserve Bank, not exceeding ninety days exclusive of days of grace,
- (iv) they are issued or drawn for the purpose of holding or trading in securities of the Central Government, a Provincial Government or the Government of Burma or such securities of States in India as are specified in this behalf by the Central Government. It is to be noted that advances made by the Reserve Bank against Government or other gilt-edged securities are made at present not under this sub-section but under sub-section 17(4)(a). This sub-section was devised for the contingency of the development of a bill market which would finance dealing in Government securities and is therefore inapplicable in the absence of such a market.

(d) *Bills of exchange drawn in or on a place in the United Kingdom.*

Section 17(3)(b) authorizes the Reserve Bank to “purchase, sell and rediscount bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, provided that no such purchase, sale or rediscount shall be made in India, except with a scheduled bank or in Burma except with a scheduled bank or a Burma scheduled bank”. This section is self-explanatory and requires no further comment.

III. ADVANCES TO SCHEDULED BANKS.

(a) *Advances on Trustee Securities.*

Section 17(4)(a) authorizes the Reserve Bank “to make to scheduled banks loans and advances repayable on demand or on the expiry of fixed periods not exceeding ninety days, against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any Act

of Parliament or by any law for the time being in force in British India or Burma". The Reserve Bank is accordingly in a position to make advances against trustee securities which satisfy the provisions of this sub-section. These securities must in particular be readily marketable and whether they are so is a question which will be determined by the Reserve Bank in each particular case. At present the Reserve Bank makes advances under this sub-section repayable on demand but in due course will be prepared to make them for fixed periods not exceeding ninety days.

(b) *Advances against bullion.*

Section 17(4)(b) authorizes the Reserve Bank "to make to scheduled banks loans and advances, repayable on demand or on the expiry of fixed periods not exceeding ninety days, against the security of gold or silver or documents of title to the same". Advances against gold under this sub-section can be made at margins to be ascertained from time to time from the Reserve Bank on gold duly weighed and assayed by one of His Majesty's Mints in India or coin or bars issued by some recognised institution and deposited with the Reserve Bank. The Reserve Bank though technically permitted, cannot under this sub-section make advances to a scheduled bank (which is prepared to give its demand promote for the amount advanced) against gold which has been pledged with the scheduled bank by its customer as a security for an advance and which the scheduled bank concerned wants to transfer to the Reserve Bank. This is because the original lender (i.e., the scheduled bank) cannot transfer more title to the gold than he has himself, and has to release the gold on repayment of the original debt. Physical delivery of the gold would also be required and it would be clearly impossible for the Reserve Bank to develop an organisation which would enable it to take physical possession of gold throughout India. In the circumstances the title of the Reserve Bank to the gold could not be clear. The only documents of title which the Reserve Bank could regard as admissible would be those conveying a full title, e.g., receipts issued by some institution or party which had taken the gold into its possession and which was able to convey to the Reserve Bank a full legal title to the same.

(c) *Advances on bills of exchange and promissory notes.*

Section 17(4)(c) authorizes the Reserve Bank "to make to scheduled banks loans and advances repayable on demand or on the expiry of fixed periods not exceeding ninety days, against the security of such bill of exchange and promissory notes as are eligible for purchase or rediscount by the Bank." It will be noticed from this sub-section that the Reserve Bank is precluded from making advances to scheduled banks on their promissory notes supported by the demand promissory notes of their constituents inasmuch as such demand promissory notes are not, as shown above, eligible paper under section 17(2)(a).

(d) *Advances against promissory notes supported by documents of title to goods.*

Section 17(4)(d) authorizes the Reserve Bank "to make to scheduled banks loans and advances repayable on demand or on the expiry of fixed periods not exceeding ninety days, against the security of promissory notes of any scheduled bank, Burma scheduled bank, Provincial Co-operative bank or Burma Co-operative bank, supported by documents of title to goods which have been transferred, assigned or pledged to any such bank as security for a cash credit or overdraft granted for bona fide commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops". The Reserve Bank is accordingly able to make advances to a scheduled bank against its (the scheduled bank's) promissory note which meets the requirements specified in this sub-section.

The word "which" in this sub-section refers to "documents of title to goods" and not to "goods" because if the goods themselves have been transferred to a scheduled bank by its customer the document of title will have to be created by the scheduled bank which had made the advance and it is not possible for a scheduled bank legally to create such a document in respect of goods pledged with it, inasmuch as though it is in possession of the goods of its customer, it is not his mercantile agent as defined by section 1 of the Indian Sale of Goods Act. Further, the Reserve Bank of India Act does not contemplate that the Reserve Bank should take possession of goods and look after their warehousing. It follows therefore that the scheduled bank must have given an advance to its customer against documents of title to goods and not against goods themselves if it is to pass this paper to the Reserve Bank for obtaining accommodation from it. Documents of title to goods as defined in Section 2 of the Indian

Sale of Goods Act include a "bill of lading, dock warrant, warehouse keeper's certificate, wharfinger's certificate, railway receipt warrant or order for the delivery of goods and other documents used in the ordinary course of business as proof of the possession of or control of goods or authorising or purporting to authorise either by endorsement or by delivery the possessor of the document to transfer or receive goods thereby represented". Of such documents only those which are fully negotiable instruments are eligible for collateral under this sub-section.

It is also necessary that the cash credit or overdraft referred to above shall have been granted by the scheduled bank for *bona fide* trade or commercial transactions or for the purpose of financing seasonal agricultural operations or the marketing of crops.

(c) In connection with any advance granted under (a) or (b) above, the Reserve Bank may require such additional collateral as it deems advisable or necessary in any particular case.

RESERVE BANK OF INDIA,

CENTRAL OFFICE,

BOMBAY,

Dated the 7th December, 1938.

Mr. M. Asaf Ali: With reference to part (e) of the question, have Government taken any action on the suggestion made by the Reserve Bank as regards the amendment of section 17?

The Honourable Sir James Grigg: The only question at issue is not the representation from the Reserve Bank to the Government, but the circular issued by the Reserve Bank to other Scheduled Banks.

DIFFICULTIES OF THE RESERVE BANK IN MAKING ADVANCES TO SCHEDULED BANKS.

853. *Mr. M. Asaf Ali (on behalf of Mr. Manu Subedar): (a) Will the Honourable the Finance Member please state whether the Reserve Bank of India made a representation that one of the difficulties in making advances to the scheduled banks during times of crisis was the absence of a sufficient quantity of rediscountable assets with them?

(b) Has the Reserve Bank considered it extremely desirable to stimulate and encourage the banks to build up a stronger portfolio of eligible paper by increasing the amount of bills traded in by them?

(c) As a means of doing this, has the Reserve Bank repeatedly represented to the Government of India that one of the obstacles was the incidence of high stamp duty on usance bills and, therefore, the present rates of stamp duty should be reduced?

(d) Have the European and Indian commercial community and Chambers of Commerce also made such a representation?

(e) What are the reasons, which have prevented the Government of India from accepting this suggestion for the encouragement of banking in this country?

(f) Have Government taken any other steps of any kind during the last five years for the encouragement of banking in India?

The Honourable Sir James Grigg: (a) to (c) and (e). I would refer the Honourable Member to the relevant remarks in the Annual Report of the Reserve Bank published in the Gazette of India of the 2nd February, 1939,

and to my reply to Mr. Avinashilingam Chettiar's question No. 845 of today. Incidentally that was not asked, but if you so direct I will read that answer out if the Honourable Member so desires.

(d) Yes.

(f) The Reserve Bank of India has been constructed for this very purpose.

CAPITAL OUTLAY IN GOVERNMENT SALT WORKS IN THE PUNJAB AND RAJPUTANA.

854. *Mr. M. Asaf Ali (on behalf of Mr. Manu Subedar): (a) Will the Honourable the Finance Member please state what is the capital outlay in Government salt works in the Punjab and Rajputana?

(b) Are full commercial accounts maintained, and is depreciation on machinery being regularly provided?

(c) Is a detailed audit done by the Auditor General's Department?

(d) What was the total gross expenditure of the Salt Department, and what was the cost of production per maund of salt during the last three years and (if available) the first nine months of this year?

(e) Have Government found that the phenomenal fall in the price of salt in the Calcutta market has endangered Government capital sunk in salt works and has raised the cost per unit of the salt produced in Government salt works?

(f) Have Government considered the proposal to appoint a committee for investigating these matters from the point of view of the safety of Government capital and Government revenue?

The Honourable Sir James Grigg: (a) The Capital account stood at Rs. 1,05,03,018 at the end of 1937-38.

(b) Yes.

(c) Yes.

(d) A statement is laid on the table.

(e) No.

(f) Does not arise.

I.—Cost of production of salt per maund.

Salt Source.	Cost 1935-36.	Cost 1936-37.	Cost 1937-38.
	As. P.	As. P.	As. P.
Sambhar	3/6·38	3/8·94	4/2·87
Didwana	4/10·00	3/10·01	3/8·63
Pachbhadra	5/6·01	3/10·33	3/2·17
Khewra	4/4·79	4/0·44	3/9·58
Warcha	3/4·46	2/10·28	2/5·20
Kalabagh	3/11·45	3/1·16	3/0·60

II.—Cross expenditure of the Salt Department on production of salt at the above sources.

	1935-36.	1936-37.	1937-38.
	Rs.	Rs.	Rs.
Total Expenditure	31,86,270	30,96,651	29,06,264

NOTE.—The information for first nine months of 1938-39 is not available as the accounts are prepared after the close of the year.

SALT PRODUCED AT GOVERNMENT SALT WORKS IN THE PUNJAB AND RAJPUTANA

855. *Mr. M. Asaf Ali (on behalf of Mr. Manu Subedar): (a) Will the Honourable the Finance Member please state what was the total quantity of salt produced at Government works in the Punjab and in Rajputana during the last three years and during the first nine months of 1938-39?

(b) What has been the cost of administration of the Salt Department during the same period, and is it a fact that this cost is increasing per unit of production?

(c) Have Government considered the methods, particularly in the way of transport eastward, as suggested by the Salt Survey Committee of 1931, and if so, with what results?

(d) Has the range of Sambhar salt in the markets of the United Provinces and Bihar been extended?

(e) Have Government made any investigation as to whether the phenomenal fall in the price of salt in the Calcutta market has not led to foreign salt reaching higher up in the interior and displacing the Sambhar salt in some places in Bihar and the United Provinces?

The Honourable Sir James Grigg: (a) and (b). A statement is laid on the table.

(c) Yes. The Railways have reduced freights for crushed salt from Sambhar and Khewra to the minimum and as a result certain kinds of Sambhar salt are finding a market in Bihar.

(d) and (e). No. I would also refer the Honourable Member to my answer to part (c) of Mr. Manu Subedar's question No. 496 on 18th February, 1939.

Salt Sources in the Punjab and Rajputana.

Year.	Total quantity of salt produced.	Total cost of Adminis- tration.	Cost of salt per maund.
	Mds.	Rs.	As. p.
1935-36	12,156,202	31,86,270	4 2·32
1936-37	11,774,021	30,96,651	4 2·49
1937-38	11,301,961	29,06,264	4 1·48
1938-39	13,347,178	Information not yet available.	
(April to December.)			

RELATIONS OF THE RESERVE BANK WITH SCHEDULED BANKS.

856. *Mr. Abdul Qaiyum (on behalf of Mr. S. Satyamurti): Will the Honourable the Finance Member please state:

(a) whether his attention has been drawn to the leading article in the *Hindu* of the 7th February, 1939;

- (b) whether his attention has been specifically drawn to the charge in the article:

“The Reserve Bank thinks that it is a sort of benevolent patron of the scheduled banks and not an authority charged with the responsibility for controlling the credit of the country—a responsibility which it could not discharge unless it is able to enlist and enjoy the co-operation of the joint stock banks”; and

- (c) whether Government are taking any steps in this direction, that is to say of intensifying the relation between the Reserve Bank and scheduled banks so as to control the credit of the country and place it on a stable basis; if so, what those steps are?

The Honourable Sir James Grigg: (a) and (b). Yes.

(c) I would refer the Honourable Member to my reply to Mr. Satyamurti's question No. 1267 on the 15th November, 1938, and the supplementaries arising therefrom.

ENROLMENT OF MORE MEMBERS TO THE UNIVERSITY TRAINING CORPS OF THE ALLAHABAD UNIVERSITY.

857. *Mr. Abdul Qaiyum (on behalf of Mr. S. Satyamurti): Will the Defence Secretary please state:

- (a) whether his attention has been drawn to the severe criticism of the Government of India's policy towards the Allahabad University Training Corps by its Vice-Chancellor, reported in the *Tribune* of the 11th February;
- (b) whether it is a fact that the Allahabad University has not been allowed, despite several representations, to have a junior division of training corps;
- (c) whether it is a fact that there is no direct recruitment to the army from the University Training Corps in India, whereas in England quite a fair proportion of officers of the British army are recruited direct from the University Training Corps;
- (d) whether it is a fact that in India membership of University Training Corps has no value for recruitment in the army; if so, why;
- (e) whether the army authorities are unwilling to allow the Allahabad University to enrol more members under the University Training Corps to form companies in centres like Cawnpore and Bareilly; if so, why; and
- (f) whether a resolution was passed by the University Conference in Delhi in the presence of the Defence Secretary for further increase in the enrolment in the University Training Corps, and what the answer of Government to that is?

Mr. C. M. G. Ogilvie: (a) Government have seen the Press report referred to.

(b) No representation of the kind has been received in Army Headquarters.

(c) Yes. The only channel of entry to Indian commissioned rank in the Army is through the Indian Military Academy. In this connection, I refer the Honourable Member to the speech by His Excellency the Commander-in-Chief on the Resolution moved by the Honourable Pandit H. N. Kunzru in the Council of State on the 20th September, 1937.

(d) No. Service in the University Training Corps is taken into account in considering the applications for admission to the Indian Military Academy by open competition.

(e) If representations to this effect were received, they would be duly considered.

(f) The resolution in question was passed by the University Conference held in Delhi in 1934, at which, incidentally, the Defence Secretary does not appear to have been present. Such applications as have been received since that date have been duly considered. Apart from other considerations however, financial stringency has for the past few years militated against expansion.

Mr. Abdul Qaiyum: With regard to part (c) of the question, may I know, Sir, if in the corresponding University Training Corps in England such persons who undergo training receive preferential treatment for admission in the army?

Mr. C. M. G. Ogilvie: I think the Honourable Member is or should be aware that there are University Commissions to the Army in the United Kingdom, and one of the conditions for University Commission is service in the Officers Training Corps.

Mr. Abdul Qaiyum: May I know, Sir, if the Government of India will consider the question of amending the rules in India so as to bring them on par with the rules existing in England?

Mr. C. M. G. Ogilvie: I would refer the Honourable Member to the speech I quoted where the matter is dealt with in some detail, but at present there is no intention of amending the rules for admission to the Indian Military Academy.

Mr. J. D. Boyle: Can the Honourable Member give me an idea as to when the rules for University Commissions to the Army in England were introduced?

Mr. C. M. G. Ogilvie: I can give no exact date, but certainly a great many years ago, I should say probably as a guess some time in the eighties of the last century.

DEFERMENT OF DRAWING OF PAY IN THE MILITARY ACCOUNTS DEPARTMENT.

858. *Mr. Abdul Qaiyum (on behalf of Mr. S. Satyamurti): Will the Honourable the Finance Member please state:

- (a) whether it is a fact that the Indian clerks of the Military Accounts Department are not allowed to defer the drawing of their pay for purposes of lower income-tax;
- (b) whether it is a fact that other military officers are so permitted; and

(c) what are the reasons for this distinction?

The Honourable Sir James Grigg: (a), (b) and (c). The Finance Department have on more than one occasion in the past called the attention of other Departments to the practice referred to and suggested that, although it could not be actually forbidden on account of the fact that it was not illegal, it should be officially disapproved of. Some Departments issued a notice to this effect, others refrained from doing so. In any case the legal position has now been adjusted by the Income-tax (Amendment) Act, 1939, and no question of difference of treatment can possibly arise in future.

POOL SYSTEM FOR THE FINANCE AND COMMERCE DEPARTMENTS.

859. *Mr. Abdul Qaiyum (on behalf of Mr. S. Satyamurti): Will the Honourable the Finance Member please state:

- (a) whether in regard to the actual working of the pool system for the Finance and the Commerce Department, there is any departure on any point of importance from the recommendations of the Wheeler Committee; if so, what they are;
- (b) whether roughly half the total number of posts will be reserved for the Indian Civil Service; if so, why;
- (c) whether the reservation of specific posts, such as, Finance Secretaryship of the Government of India, for the Indian Civil Service is proposed to be abolished;
- (d) whether any senior men belonging to the Audit and other non-Indian Civil Service services are being invited to join the pool;
- (e) whether all the top places will be first filled with Indian Civil Service Men, thus effectively barring the Audit men on ground of seniority, from occupying prize posts for some years to come; and
- (f) how many Indians are now serving in superior posts in the Finance Department of the Government of India?

The Honourable Sir James Grigg: (a) No, except a slight departure on the question of tenure.

(b) and (c). Yes. I would refer the Honourable Member in this connection to paragraph 4 (b) of the Resolution on the subject published recently.

(d) and (e). The attention of the Honourable Member is invited to the reply I gave to part (c) of starred question No. 236 asked by Mr. T. S. Avinashilingam Chettiar on the 9th February, 1939.

(f) Two.

CREDIT TICKETS ISSUED TO SOLDIERS BY THE COFFEE SHOP CONTRACTORS OF CERTAIN REGIMENTS.

+860. *Mr. Mohan Lal Saksena: (a) Will the Defence Secretary be pleased to state whether it is a fact that the Coffee Shop Contractors of the "Royal Berkshire Regiment" and the "Royal Welsh Fusiliers" give credit tickets otherwise known as blue lights to soldiers?

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

(b) Is it a fact that the value of credit tickets given by these contractors to soldiers is realised by deductions from the weekly pays through Company Officers?

(c) Is it also a fact that as a result of the issue of these credit tickets the soldiers get very little cash payment every week?

(d) Are Government aware that on account of this issue of credit tickets, the shopkeepers in Lucknow Cantonment are loosing a good deal of trade, which is practically a monopoly for Coffee Shop Contractors?

(e) What steps do Government propose to take in the matter?

Mr. C. M. G. Ogilvie: (a) No. Company Commanders issue to soldiers of their Companies credit tickets known as "Blue Lights" on the unit institute contractor.

(b) The value of those credit tickets which is restricted to Rs. 3 per week is recovered from the soldier monthly through the Company accounts.

(c) No.

(d) No.

(e) None are necessary.

CONTRACTS FOR CARRIAGE OF MILITARY AND MARINE PASSENGERS BETWEEN CERTAIN PORTS.

†861. ***Mr. Mohan Lal Saksena:** (a) With reference to his answer to starred question No. 383 on the 14th February, 1939, will the Defence Secretary be pleased to state whether tenders for carriage of military and marine passengers from and to Indian ports were invited before the agreement was entered into with the British India Steam Navigation Company? If so, how, and which companies, if any, sent tenders?

(b) Do Government propose to consider the advisability of giving notice of termination of the contract to the aforesaid company and of calling fresh tenders before renewing the contract?

(c) How long has the contract been in force?

Mr. C. M. G. Ogilvie: (a) The reply to the first part is in the negative. The second part does not, therefore, arise.

(b) I refer the Honourable Member to my reply to the first supplementary question asked by Mr. Santhanam to starred question No. 383, dated the 14th February, 1939.

(c) Since 1906.

FOREIGNERS IN INDIA.

862. ***Mr. K. S. Gupta** (on behalf of Mr. C. N. Muthuranga Mudaliar): Will the Honourable the Home Member please state:

(a) the number of foreigners in India;

(b) the number of Germans, Spaniards, Italians, Hungarians and Japanese;

(c) whether there are any restrictions imposed on the nationals referred to in part (b); and

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

- (d) whether there are any restrictions to which Indians are subject in Germany, Spain, Italy, Hungary and Japan?

The Honourable Sir Reginald Maxwell: (a) Government have no information about the number of foreigners in India beyond such as may be obtained from Tables VI, XV and XLX of Part II of Volume I of the Census of India, 1931, to which the Honourable Member is referred. According to the census figures there were in 1931 in India, excluding Burma but including Aden, 438,155 persons who were born in specified countries outside His Majesty's Dominions. There were in addition 17,705 persons who were born outside India but whose country of birth was not specified. These figures of course do not include foreigners born in India.

(b) Of 6,012 persons who were recorded at the census as having been born in specified countries in Europe, 951 were born in Germany, 168 in Spain, 775 in Italy, and 8 in Hungary. There were, however, 5,370 persons who were born in Europe, whose country of birth is not recorded, and there are reasons to believe that the great majority of these persons were European foreigners.

The number of persons who were recorded as having been born in Japan was 1,764.

(c) No special restrictions are placed on the nationals of the countries referred to in part (b).

(d) I would invite the Honourable Member's attention to the reply given to him by the Foreign Secretary on the 15th February, 1939.

Mr. President (The Honourable Sir Abdur Rahim): Before the Honourable Member is called upon to put the next question, the Chair would point out that this authority is also in very general terms, that is to say, Mr. Mudaliar authorises Mr. Gupta to put questions standing in his name during his absence. This sort of indefinite authority cannot be accepted. The whole object of allowing an Honourable Member who is absent to ask some other Honourable Member to put questions in his absence is that, if any Honourable Member happens to be unavoidably absent, then the information he wanted might be supplied to another Honourable Member, and not that a Member is authorised to put down questions, say, for a series of 10 or 12 days or may be for a month, as it does happen. and then absent himself and let somebody else ask the questions.

The authority should be sent to the office. The proper course is to mention the dates when the Honourable Member expects to be absent for unavoidable reasons, but it cannot be that an Honourable Member should absent himself for a number of days and ask some other Honourable Member to put his questions.

Mr. Lalchand Navalrai: May I know, Sir, if authority will be required for each day separately?

Mr. President (The Honourable Sir Abdur Rahim): That is certainly the proper course, but in certain exceptional cases it may be for two or three days, that is, for a reasonable period, but it should not be an indefinite authority.

**COMMISSIONERS, ASSISTANT COMMISSIONERS AND INCOME-TAX OFFICERS IN
THE INCOME-TAX DEPARTMENT.**

†863. ***Mr. H. M. Abdullah:** Will the Honourable the Finance Member please state the total number of posts of Commissioners, Assistant Commissioners and Income-tax Officers in the Income-tax Department in each Province? How many posts of each of the three services are held by Muslims in each Province?

The Honourable Sir James Grigg: A statement is laid on the table.

Statement showing the position as on the 1st February 1939.

	Commissioners of Income-tax.		Assistant Commis- sioners of Income-tax.		Income-tax Officers.	
	Total.	Muslims.	Total.	Muslims.	Total.	Muslims.
Bombay	1	0	9	2	49	4
Madras	1	0	5	1	50	4
Bengal	1	0	6	1	50	14
Punjab	1	0	5	0	46	14
United Provinces	1	0	3	1	35	11
Central Provinces	0	0	2	0	15	2
Bihar and Orissa	1	0	3	0	18	3
Assam	0	0	1	0	6	2

**EFFICIENCY BAR FOR ASSISTANT COMMISSIONERS OF INCOME-TAX AND
INCOME-TAX OFFICERS.**

†864. ***Mr. H. M. Abdullah:** Will the Honourable the Finance Member please state at what stage of service the efficiency bar is imposed upon the Assistant Commissioners of Income-tax and Income-tax officers?

The Honourable Sir James Grigg: There is no efficiency bar in the scale of pay of Assistant Commissioners of Income-tax. Efficiency bars for Income-tax Officers vary in Provinces: for the Punjab in whose scales the Honourable Member is presumably interested, the bars are at Rs. 450 and 600 in the revised scale and at Rs. 500 and 700 in the old scale.

RESTRICTION ON THE IMMIGRATION OF FOREIGNERS INTO INDIA.

865. ***Mr. K. S. Gupta** (on behalf of Shrimati K. Radha Bai Subbarayan): Will the Honourable the Home Member be pleased to state:

- (a) the number of aliens—men, women and children, and their nationalities who have migrated into this country during the last five years ending 31st December, 1938;
- (b) the profession or work of these immigrants;
- (c) how many of them have applied for naturalisation and how many of them have been granted naturalisation certificates;

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

- (d) if the Government of India, or the British Government, have given any kind of assistance to foreigners to enter and settle down in this country;
- (e) if the answer to part (d) be in the affirmative, their reasons for doing so;
- (f) if he is aware that private organisations in Great Britain assist the migration of refugees from European countries into India; and
- (g) whether in view of the poverty and widespread unemployment in this country and the ban against Indian immigration into foreign countries, the Government of India have any intention of restricting the immigration of foreigners into this country?

The Honourable Sir Reginald Maxwell: (a) and (b). The information asked for is not available.

(c) The information could not be obtained without an elaborate inquiry. I may, however, point out that as five years residence within His Majesty's Dominions is required for naturalisation very few of those aliens who have entered the country during the period referred to would be qualified.

(d) As regards Jews who are not British subjects, I refer the Honourable Member to part (b) of the reply which I gave to Sardar Mangal Singh's starred questions Nos. 240 and 256 on the 9th February, 1939. As regards other foreigners, the answer is that the Government of India have given no assistance in any form.

(e) Does not arise.

(f) The only organisation of this kind, of which I am aware, is the Council of German Jewry in England. The position in regard to this body was explained in the reply which I gave on the 6th February, 1939, to part (a) of Mr. Thirumala Rao's starred question No. 139.

(g) Government do not consider that the number of foreigners who are immigrating into India is sufficiently large to make it necessary to impose any special restriction on the number at present.

Mr. Brojendra Narayan Chaudhury: Have Government any idea of the approximate number that are entering India?

The Honourable Sir Reginald Maxwell: I have given the Honourable Member such information as was available. But as I have explained, the information is not up to date, and at the present moment we have no means of obtaining full information about the number of foreigners in this country.

DELEGATIONS TO THE ADVISORY COMMISSION ON CHILD WELFARE AND TRAFFIC IN WOMEN AND CHILDREN OF THE LEAGUE OF NATIONS.

866. *Mr. K. S. Gupta (on behalf of Shrimati K. Radha Bai Subbarayan): Will the Honourable the Home Member be pleased to state:

- (a) whether the Government of India send every year a delegation to attend the session of the Advisory Commission on Child Welfare and Traffic in Women and Children of the League of Nations and whether they intend to send one this year and if so, what its personnel will be;

- (b) whether the delegation submit any reports on the work of the sessions of this Commission and if Government will place on the table of the House a copy of the report of the delegation to the session of 1938; and
- (c) whether Government give any attention to the recommendations of this Advisory Commission and if they take any steps to give effect to them?

The Honourable Sir Reginald Maxwell: (a) A representative has been sent every year since 1934. The Government of India intend to send one woman representative this year also but have not yet nominated any one.

(b) Yes. I lay a copy of the report of the delegate to the 1938 session on the table of the House

(c) The report of the Advisory Commission is examined by the Government of India in regard to the recommendations with which the Central Government are concerned. A copy of the report is sent to the Provincial Governments for such action as they may consider necessary.

LEAGUE OF NATIONS ADVISORY COMMITTEE ON SOCIAL QUESTIONS.

SECOND SESSION 21ST APRIL TO 5TH MAY, 1938.

Report by the representative of India, Mrs. K. Bose.

First Meeting.

Dr. Estrid Hein (Denmark)—*Chairman.*

M. de Bie (Netherlands)—*Vice-Chairman.*

Mr. S. W. Harris (United Kingdom) was unanimously appointed Rapporteur to prepare the Report of the Committee.

New countries represented on the Committee were Ireland (delegate—Mr. H. A. MacCarthy) and Yugoslavia (delegate—Mlle. Milena Atanatskovitch).

It was agreed that the public should be admitted to the proceedings of the Committee.

The Chairman, in her opening speech, said that twenty-three Governments and twenty-one corresponding associations were represented at the present session, while six other associations had applied for membership. This was proof of the growing interest taken in the Committee's work, the practical effects of which, she trusted, would in due course become apparent in the countries concerned.

The provisional Agenda, prepared by the Sub-Committee, was adopted except for slight modifications in the order of the items.

Miss Whitton (Canada), on behalf of her Government, proposed that a place should be found in the Committee's Agenda for the discussion and re-affirmation of the Declaration of Geneva on the status of the child. When this declaration was first made at the close of the World War, it had vividly impressed the imagination of the world generally and had been the inspiration of very valuable developments, national and international. The ideals then promulgated had been somewhat lost sight of, and it would be all to the good that they should be reiterated and re-affirmed by the Social Questions Committee.

It was decided that this subject should be placed on the Agenda and when it came up for discussion it was unanimously agreed that re-affirmation of the Declaration of Geneva should be made by the Advisory Committee on Social Questions.

In the absence of Mr. Ekstrand, Major G. Abraham had been appointed Acting Director of the Social Questions Section.

Second Meeting.

The Report by the Director of the Social Questions Section on the progress of work then came up for discussion. The following points were dealt with:

(a) *Reports of Correspondent Members.*—Mr. Harris (United Kingdom) asked for information regarding the way in which documents were circulated to persons who

were not corresponding members. The documents occasionally seemed to have received a somewhat wide circulation. A friend of his in Scotland for instance had already received a copy of the report on the recreational aspects of the cinema for the young which he himself was about to submit to the Committee. He thought there should be some definite rule regarding the distribution of documents.

Dr. Hein replied that documents were communicated by the Secretariat only to members of the Committee and corresponding members.

Mr. Harris then suggested that documents intended only for the Committee should not be sent even to corresponding members. He asked the Acting Secretary (Major Abraham) whether that could not be made the rule in future.

Mr. Maus (Belgium) and M. Gorgé (Switzerland) objected to this procedure on the ground that excessive secrecy on major questions was undesirable since consultation with international organisations and competent departments and experts was productive of useful information.

The Chairman said that in future judgment would be reserved as to whether documents should be sent to corresponding members depending on the nature of the document in question.

(b) *League of Nations Review of Social Questions.*—M. Gorgé (Switzerland) and Miss Guilan (Mexico) pressed the question of publishing the proposed bulletin in other languages than English and French, the latter delegate proposing Spanish. Major Abraham replied that it was a matter of finance and said that it would be wiser to see what success the Review met with when printed in English and French. Mr. Harris (United Kingdom) enquired as to the contents of the Review. Major Abraham said that it is intended that the proposed bulletin should contain (a) papers on social questions of general interest to the man in the street—or, perhaps he should say, to the enlightened man in the street—and (b) articles by outside experts on special questions. Information concerning laws and reports of Governments will be supplied as hitherto by the Information Centre. Miss Whitton (Canada) and Miss Castendyck (United States) both urged that every precaution should be taken to ensure that the Review would attain a very high standard.

(c) *Conference of Central Authorities in Eastern countries.*—The Chairman noted that no decision has yet been taken with regard to the establishment of a bureau in the East to serve as a centre of information relating to the traffic in women and children and to co-ordinate measures taken by the responsible authorities, which was proposed by the Bandoeng Conference.

Third Meeting.

Mr. Cohen (Expert), rapporteur on Rehabilitation of Adult Prostitutes, gave an informative review of the contents of his Report which contained an account of the progress made since the last meeting. He recalled that, as had already been indicated in the progress report, the Committee last year had been of the opinion that the Rapporteur, in conjunction with the Secretariat, should proceed with the publication of certain parts of the report on the Rehabilitation of Adult Prostitutes. The Assembly of 1937, confirmed that view, and considered that an early publication of the information concerning the provision of social services during a cure for venereal disease would be of value to countries contemplating the creation or extension of such services.

The first section, entitled "Social Services and Venereal Disease", had now been published and distributed to Members of the League. It would ultimately form Part II of the final report. He wished to emphasise the necessity for all States to make it possible for the booklet to be in the hands of all medical officers engaged in venereal disease work, as well as of social workers attached to private organisations working in close contact with venereal disease clinics, hospitals and institutions. Part I deals with the subject of antecedents of prostitutes based on the report of 1935/36, and especially with preventative measures with regard to minors and will shortly be published. In considering the subject of rehabilitation one was bound to take into consideration the legislative and administrative measures adopted by various countries for the punishment of those who exploit prostitution. Mr. Cohen explained that Part III of this Report is being prepared now and will be available before the Committee meets next year and will complete the study of the question of rehabilitation.

Unanimous appreciation was expressed of this comprehensive report, the contents of which Mr. Cohen had outlined. Various points were raised during the discussion which followed which included the danger of young women of 20 or 30 mixing with old prostitutes in anti-venereal dispensaries; the importance of vocational training to enable the women to re-enter normal life; and the importance of choosing staff for

clinics and institutions so that people imbued with a missionary spirit and having an intimate knowledge of the problem should be recruited. Mr. Maus (Belgian) spoke of the need of financial assistance for private institutions and said that Governments should be asked to provide subsidies.

Fourth Meeting.

Discussion on the question of the rehabilitation of adult prostitute continued. Mlle. Guillen (Mexico) and Mme. Huici (Spain) in describing the efforts being made in their respective countries to face this problem laid stress on the economic aspect since unemployment or ill-paid work, were factors leading women to adopt a life of prostitution. In conclusion Mlle. Guillen said she trusted that the Committee would concentrate on the two chief aspects of the problem of rehabilitation, *viz.*, (1) the finding of employment for, and (2) the re-introduction into society of rehabilitated prostitutes. Mme. Huici welcomed the stress laid in Mr. Cohen's report on the problem of "demand" and agreed that if there were no demand there would be no prostitutes. This raised the question of the necessity of educating the younger generation in these matters and the effectiveness of such education.

Mme. Grabinska (Poland) considered that social assistance fell into three stages: (1) awakening a desire in prostitutes for rehabilitation; (2) social assistance proper, to be regarded as a transitional period between the old life and re-entry into normal society; and (3) period during which assistance is necessary for stabilisation of prostitutes in normal conditions of life.

The delegate for India then joined in the discussion and said how interested she had been to hear what was being done in other countries. Conditions in India are so different that the matter must be dealt with in other ways. Appalling illiteracy exists in India and efforts were being made to introduce compulsory primary education. The social custom made it very difficult for women who had abandoned their homes to return to normal life. Once they entered that life they were considered social outcasts. The unfortunate position of the widows was confined among certain classes among Hindu Communities. The modern educational movements are trying to create from among these unfortunate women trained nurses, teachers and social workers. There are signs of public opinion being awakened in passing of the following Bills: the Sarda Act, prohibiting child marriage; the Devadassi Bill, doing away with temple girls and the Remarriage of Widows Bills. Taking the whole groups of prostitutes in the East personal responsibility on the part of the victim is to a large extent non-existent and circumstances over which she has no control force her into prostitution in spite of her disposition. Hence a great share of the responsibility falls upon society which must employ different measures to deal with prostitution in the East from those employed in other parts of the world. It is therefore natural that the exponents of society, the authorities, should play a far more important role in dealing with this problem than is the case in other parts of the world. In India it was a question of group prostitution and not of individuals. In some parts of India prostitution was an hereditary profession. She emphasised the fact that most of the responsibility lay with society and the authorities. She referred to the Act recently passed concerning the removal of temple girls; to the Child Marriage Restraint Act which does away with child marriage and to the Act, allowing the remarriage of widows. Vocational training for these women, *e.g.*, as nurses and social workers, was being undertaken, but in India women cannot be employed in the same way as in the West as there are fewer openings for them. Stress was laid on the importance of educating public opinion and the delegate for India said that until this took place society must bear the responsibility for the canker which is eating into the heart of the national life of every country.

The Japanese Delegate (M. Usami) said that legislation was in force in Japan dealing with the matter of venereal disease and that a Bill was before his Parliament giving the authorities supervision and direction of social problems as a whole.

The Committee was informed that the booklet on Social Services and Venereal Disease would be distributed free, and that all Governments would be entitled to ask for as many copies as they required. If the present edition is exhausted, the Government desiring a further supply would be asked to pay the printing cost of the new edition which, however, would be very small, amounting probably to about half a franc per copy.

Fifth Meeting.

Mr. Johnston (Liaison officer with the International Labour Office) submitted his report on those aspects of the work of that Organisation which would seem to be of interest to the Committee. He wished to draw the attention of the Committee to

the provision for revision of the conventions regarding the minimum age for employment. That was a particularly valuable example of collaboration between international and national bodies. The first convention which fixed an age-limit was regarded as a very bold step. Various countries, however, gradually recognised the principles embodied therein and fixed the age-limit at 14; and certain States immediately went further, fixing it at 15 or 16 years of age. The International Labour Conference considered that conventions on this subject required to be brought into line with modern developments, and their action last year was the result. The progress which had been made was possible owing to the growing sensitiveness of the social conscience in this matter.

Discussion followed during which Dr. Hein (Denmark) enquired what was the position with regard to the possible revision of the Minimum Age Convention relating to agriculture. In reply Mr. Johnston said that the Governing Body of the International Labour Office decided that that Convention, which was originally adopted in 1921 should also be revised, but, in view of the special difficulties that arise in connection with the raising of the minimum age for employment in agriculture, the Governing Body thought it necessary that in the first place the Permanent Agricultural Committee of the International Labour Office should be consulted on the point. That Committee met a month ago and submitted a report drawing attention to the position in various countries and to the difficulties of minimum age legislation in agriculture. To a certain extent children were protected by school attendance laws, and it should also be remembered that children who worked in agricultural districts were as a rule employed by their own parents. As soon as possible measures would be taken with a view to raising the minimum age in agriculture.

Mr. Harris (United Kingdom) referred to the remarks in Mr. Johnston's Report with regard to the organisation of workers' spare time. Last year, the Committee found they were to a certain extent debarred from dealing with a number of questions for fear of encroaching on the activities of other bodies. They had considered that the question of the utilisation of leisure, and in particular the provision of holiday homes and youth hostels, was a question with which they could deal. The Report appeared to show that the International Labour Office was also intending to do work in this connection. The Committee were anxious that their activities should not conflict with those of the International Labour Office and hoped it would be possible to ensure collaboration between them.

Mr. Johnston said in reply that the field of organisation of leisure and recreation was not a new one as far as the International Labour Conference was concerned. It had already adopted a recommendation on the subject in 1924. The question had, however, recently acquired a new importance owing, firstly, to a movement in certain countries towards a reduction in working hours and, secondly, owing to the movement in favour of annual holidays with pay. The I. L. O. had therefore decided to make a special study of two aspects of the problem, namely, the provision of special facilities for workers during holidays with pay and the organisation of holiday camps. It was studying the latter question in accordance with a resolution of the Labour Conference held at Santiago de Chile in 1936. The I. L. O. did not wish to conflict in any way with the Advisory Committee, they were, on the contrary, anxious to collaborate with it. The Governing Body were contemplating holding a meeting in October of experts on the utilisation of leisure, and intended inviting representatives of the Social Section to be present.

Mrs. Bose said that she wished to bring to the notice of the Committee that in India the minimum age for employment is 13 and she would like to know why the age limit in India cannot be raised to 14. Mr. Johnston said that at the International Labour Conference last year, at which India was fully represented, agreement was reached that in accordance with the precedent established when the original Convention was adopted in 1919, it was decided that a lower age should be fixed in India than in other countries.

Miss Whitton (Canada) reminded the Committee that, after the Mixed Commission on Nutrition had completed its work and published its Report, the Assembly invited the Council to arrange for annual meetings between the representatives of the various national committees on nutrition. The Advisory Committee suggested at its first session that collaboration between it and the Nutrition Committee should continue if annual meetings of the latter were held. The Council approved of this suggestion last May. It would therefore be advisable for the Committee to make arrangements to appoint a liaison officer in case such meetings were held before the Committee's next session. Mr. Harris (United Kingdom) proposed the appointment of Miss Whitton which was duly seconded. The Acting Secretary (Major Abraham) requested the Committee to postpone a decision until he was in a position to discuss

the matter with competent persons concerning matters affecting such a decision. The Mixed Committee on Nutrition had ceased to exist, and it had not been decided what was to take its place. A certain number of national nutrition committees might be invited to send representatives to a meeting, but what the views of the members of any such meeting might be with regard to collaboration with the Advisory Committee was, of course, not yet known.

Sixth Meeting.

The Report of Miss Whitton (Canada) as Rapporteur for the Placing of Children in Families was presented to the Committee. This Report was prepared in collaboration with Miss Castendyck (United States) and Mme. Vajkai (Expert), and in the discussion which ensued delegates paid tribute to its excellence.

Miss. Whitton stressed the importance that every other possible means of providing for the child's welfare should be tried before the family was broken up. Children should not be removed from their homes owing to poverty or because of considerations connected with the status of their birth. The whole problem was social rather than strictly juridical. In her final remarks Miss Whitton said that the aim of child welfare was not merely to provide adequate housing, food and clothing for the child but to ensure its spiritual development whereby the child would become a thinking person and the best type of citizen.

Miss Castendyck (United States) in giving a general outline of the chapters in the Report for which she was responsible said that in considering different types of home, it was found that in all except ten countries preference was given to rural as opposed to urban homes. The Report showed that children were boarded with persons in very different walks of life. As to the probable lines of future development, 24 countries stated that on the whole the system of boarding in families had proved satisfactory. Such a statement was, however, too general in character and further study would be necessary before a final opinion could be expressed.

Mme. Vajkai said that the advantages of urban placement were the facilities which it afforded of supervision, hygienic care and educational and vocational guidance. As against these advantages town life was in general less healthy than rural life, that the provision of proper playgrounds was difficult and that insecurity of employment led to frequent shifting of families from one place to another which involved insecurity for the child.

Various delegates described the efforts being taken in their respective countries with regard to the placing of children in families. M. de Bie (Netherlands) said that the report now submitted would prove a valuable document and suggested that, as in the case of the proceedings of the Bandoeng Conference, a popular summarised edition of the study might be published for the use of child welfare workers themselves, leaving the complete report to form a standard work of reference for public departments.

At the close of the meeting an interesting film was shown by Miss Whitton illustrating the type of home chosen in Canada for the placing of children in families, the supervision exercised by the authorities, and the children themselves, most of whom ranged from one to six years.

Seventh Meeting.

The meeting commenced with a continuation of the discussion on the Report on the Placing of Children in Families. Mlle. Guillen (Mexico) expressed the view that the recommendation in the Report that religious instruction should be given should be amended and the word "moral" substituted for the word "religious" in order to take account of the position in countries where the Church was separate from the State, a suggestion which was endorsed by Mme. Huici (Spain).

M. Hoo Chi-Tsai (China), after expressing appreciation of the Report, said that in China the question of the placing of children in families was a vital one as a result of the war now in progress in that country. He went on to say that in such conditions it was impossible to apply the principles of the Report, which presupposes a state of peace, though in view of the fact that there are already 1½ million children under 15 who have been deprived of a home or parents, measures were being taken so far as were possible.

He remarked that he had been rather struck by one passage in the Report which reads :—

"For a number of reasons the placing of a child with persons of a different colour or race is likewise avoided, one of the least obvious but most potent of these reasons being the fact that the child will probably wish to marry in the group with which he is brought up. Even if the difference in colour is not apparent in the present generation, the off spring of such a union may be so emphatically different as to create intolerable embarrassment."

M. Hoo Chi-Tsai ventured to ask whether the Committee felt that that passage represented the opinion of the Committee as a whole and said he would like also to ask what 'intolerable embarrassment' is likely to ensue as a result of a union between two races. Is it of a social, psychological or physiological character?

The delegate for India said she would like to add her voice to China's request for a wider explanation of the sentiments just referred to. She did not know whether the whole Committee endorsed them but India naturally looked to the League of Nations to bring about better international relations and understanding between different countries, and if racial questions were brought in she did not feel very hopeful nor would it pave the way to a better understanding between different countries. Mrs. Bose paid tribute to the magnificent report drawn up by Miss Whitton and her collaborators but said that the system outlined therein was not in force in India. Two Acts had been passed in Bengal and Bombay which provided for the placing of children in responsible families as domestics. In the United Provinces an Act had been passed for the protection of the Naik girls who take to the profession of prostitution, to board them out in families and look after them up to the age of 18 years. She said that India had always recognised the influence of the mother in a family but education was very far behind and it was necessary to have more schools for mothers to enable them to get better instruction and also institutions to introduce domestic science. Last but not least, she would again mention the need for more money to be spent on education in India.

Dr. Estrid Hein (Denmark) said that the question of mixed marriages was a difficult one and she could not speak for the Committee as a whole since very different opinions were represented. Science, she was in a position to assert, knew nothing of the alleged disadvantages. She suggested that the sentence in question should either be omitted or amended in such a way as to show that it only referred to eventual social disadvantages.

Mme. Huici (Spain) said that comparable conditions existed at the present time in her country as described by the delegate for China, and in considering the question of children suffering from the terrible consequences of war it should be remembered that although to-day it was her country to-morrow it may be some other country. She thought that the experience gained by one country in these conditions with regard to providing safety provisions for children during war would prove helpful to other countries.

Miss Whitton (Canada) expressed sincere apologies for having unwittingly given cause for offence with regard to the passage in her report to which objection was raised by the delegates for China and India. The objective of child placement was the provision of a home life for the child approximating as closely as possible to what his own would have been, and the point of the passage in question was to draw attention to the undesirability of placing a child of one race with a person of mixed or different race. It was generally agreed that the passage should be deleted.

With regard to the question of religious instruction agreement was reached that the passage should be amended to the effect that the child should receive religious instruction or such training for moral and spiritual development as would accord with the practice of his country or family.

Eighth Meeting.

The Chairman announced that she had just received a letter from the Director of the Social Section sent from Buenos Aires on April 15th, expressing his best wishes for the success of the Committee's 1938 session. He regretted keenly his inability to take part in the Committee's work on this occasion, but trusted that the mission to the Latin-American countries in which he was participating would also constitute a valuable contribution to that work.

Measures of prevention of prostitution, especially with regard to Minors.—Mrs. Cohen (Expert) presented his Report on this subject. The Committee were informed that, technically speaking, the study of this subject would form the concluding

part of the study on measures of rehabilitation undertaken by the Advisory Committee. The following principles had been taken as the starting point. Prostitution can be reduced by social action, which had been confirmed by the transformation which prostitution had undergone in the Occident as a result of social, medical and economic developments in the last twenty years. The change in the social status of women, their growing economic independence and the improved treatment of venereal diseases. Greater public interest in health and hygiene and the abolition of licensed and tolerated houses in a number of countries.

A study of preventive measures must take these recent changes into account and any attempt to prevent prostitution must include consideration of demand as well as of supply and measures to combat the influence of the *souteneur*. As long as there is a demand for prostitutes a supply will somehow be found to meet it. Prostitution by minors and juvenile delinquency are often due to the same causes. The problem of preventing juvenile delinquency has already been investigated in the studies on neglected and abnormal children. Detailed investigation of the psychology of prostitutes and their families and a comparison of the results with data from other families would be of great value and also a study of the advantages of early psychiatric examination and of early identification of the types concerned.

The Chairman then introduced Dr. Kemp, who has recently been appointed professor of human genetics at the University of Copenhagen, and who had been asked to come to Geneva to advise the Committee in the discussion of preventive measures.

Dr. Kemp spoke of the measures taken in Denmark to fight prostitution. The principle adopted was to begin the study of every case of prostitution with a psychiatric examination of the prostitute. According to the result of that examination the women were either classified as feeble-minded and placed in an appropriate institution or given social assistance or placed on probation for one to three years. In the latter case it was essential for the prostitute to accept regular employment or reside permanently in an approved home in a country district. The measures most effective in any campaign against prostitution could only be decided after a thorough investigation of the forms of prostitution practised. Further, certain fundamental conditions must be complied with before any general improvement could be achieved. These conditions included the abolition or regulation of brothels and the punishment of third-party profiteers, adequate provision for the institutional care of the insane and feeble-minded, and the introduction of social legislation to prevent women having to prostitute themselves for a livelihood. The root of the evil must be attacked on the above lines before any benefit can be derived from other measures. The result of his own study of the question had shown that 70 per cent. of such women were mentally abnormal and either lacked ability for social adjustment or were anti-social. They might not be abnormal enough to warrant their confinement in institutions but they certainly should not be left at large.

The present methods of dealing with such individuals did not answer their purpose, and he wished the Committee would take steps to convince Governments that this was so. Great lack of insight had been displayed by parents and guardians, school teachers, police authorities and courts of law in the past. What was now needed was (a) fuller information on cases dealt with; (b) better facilities for psychiatric treatment of the persons concerned, and (c) more extensive use by the courts of the psychiatric reports on cases. Women discharged from homes, reformatories, prisons and the like should be kept under closer observation than they are at present. At the same time, efforts should be made to detect mentally defective children while at school, and to keep them under supervision after compulsory school attendance ceased.

Dr. Kemp stressed the importance of a knowledge of mental hygiene and eugenics, and the desirability of better co-operation between police and public welfare institutions: the ultimate replacement of the former by the latter was necessary. Prostitution fines and sentences of imprisonment were neither suitable nor necessary. The only effective method was a system of supervision, protection, guidance and re-education.

As a result of a recommendation by Mr. Harris (United Kingdom) that since the study of preventive measures covered such an enormous field rigid limits should be laid down in preparing a plan of future work, a sub-committee was formed for this purpose.

M. Pimlott (United Kingdom) as Rapporteur for the sub-committee reviewed the plan of work which calls for (1) a concise account of the causes of prostitution; (2) a study of preventive measures which should provide for early detection of ill-adjustment or mental defectiveness; (3) supervision of minor girls living away from

home, employment of women police, control of dance halls and cafés and better organisation of leisure time.

Ninth Meeting.

M. de Bie (Netherlands) presented his report on the position of the illegitimate child, the first part of which gave an historical outline of social aspects and legislation.

Mme. Vajkai (Expert) spoke of the lack of responsibility on the part of the father and said that legislation was necessary to compel the father to take responsibility. She urged that the work of the Committee should be directed to making preparation for good legislation and to the study of legislation in force in some countries and the possible effect of their application in other countries with different conditions both historical and social.

Count Carton de Wiart (Belgium) said that attention should be directed to means of facilitating marriage, more particularly in the case of foreigners, as in most countries serious obstacles of national administration lay in the way of marriages between foreigners and nationals. Some international agreement was necessary which would simplify marriage between foreigners and nationals, especially with regard to persons who had no financial resources. Count Carton de Wiart showed how the future of children had been ensured through the action of certain forms of workers' insurance in Belgium.

Mme. Huici (Spain) spoke of the tendency to lay too much stress on the legal standpoint as opposed to the moral. From the point of view of the rights of the child there should be no such thing as an illegitimate child: irregularity of legal status applied to the parents and should be their responsibility and not a burden upon the child.

M. Gorgé (Switzerland), though acknowledging that the study of the question of the illegitimate child submitted by the Rapporteur was an able summary of matters of law and of fact, said that what was even more necessary was a survey not only of the juridical but of the social position. If the Committee was to do useful work in this field in the future they must set forth not so much a statement of the present position but a declaration of what might be done in the light of the modern conception of the rights of the child. The jurist made a distinction between the legitimate and the illegitimate child; the sociologist saw only the child, and this was the view which should motivate the Committee's work in this field. M. Gorgé suggested that a supplementary report should be prepared presenting a study of the social aspect of illegitimacy and stressing possibilities for future action.

The Indian delegate then took part in the discussion and remarked that after hearing the last speaker she did not know whether she was justified in giving the legal aspect of the question in India. She said there were some independent organisations in India which were trying to do work in connection with the care of the illegitimate child and to whom the expectant mother could go for help. But the position of the mother was that after the child was born, though in some cases she could return to her family—provided she did not bring the child with her;—the majority are not recognised and in that case the woman has to bring up the child herself. Unless public opinion could be roused and the assistance of the authorities obtained, this particular work would continue to be placed at a great disadvantage and could not make any progress. Mrs. Bose then described the situation under Hindu and Moslem law with regard to the status of illegitimate children, their right to maintenance, enquiry into parenthood, right to inherit and relative position with the legitimate children of the same family.

Miss Whitton (Canada) endorsed the view expressed by M. Gorgé (Switzerland). She suggested that if the study of the social aspects of this problem was to be amplified, examination should be made of the illegitimate child between the ages of 13 and 21 who had remained with its mother. During this period the child becomes aware of his special social position and is forced to make adjustments to it. Every social worker was obliged to meet this problem and it would be extremely useful to have a comparative survey of experience in this regard.

Tenth Meeting.

During the continued discussion on the subject of illegitimate children, the Committee were in agreement that unless special circumstances existed it was important that children should not be separated from their mothers and that the position of the unmarried mother and her child in the community called for very careful study.

It was decided that the present report, after submission to Governments for revision, should be published as the first of a series of publications, and that a sub-committee should be formed to study the social aspects of the question which would submit a report before the 1939 session.

Eleventh and Twelfth Meetings.

Professor Parisot (France), Liaison Officer with the Health Organisation presented his report for the year 1937. He described the work being done by the Health Organisation to improve public health in rural areas. The object of this work was not merely to combat the diseases prevalent in rural areas or to deal with medical problems exclusively; the purpose was to raise the standard of life. Hence they sought to achieve co-operation between the medical and health services on the one hand and on the other sanitation and sanitary engineering and rural reconstruction. Professor Parisot reviewed the agendas for the Conference of American countries on Rural Life to be opened in Mexico on November 10th of this year and the European Conference on Rural Life to be held in 1939. He described the preparatory work being done for these Conferences, in particular with regard to studies on the treatment of Malaria, Nutrition, Housing, the training of public health officers, physical education and institutions and services concerned with the protection of mothers and infants in a number of European countries. He welcomed the closest co-operation between the Health Committee and the Advisory Committee on Social Questions.

The Committee then examined the report of the Sub-Committee on Future Work submitted by Mme. Brunschwigg (France), Rapporteur. Three subjects had been chosen for study by the Committee:

- (a) the principles adopted in the administration and organisation of welfare work among the young, including social assistance;
- (b) the training of persons engaged in social work; and
- (c) family desertion.

After some discussion of the lines and methods to be followed in the study of these subjects, the report on Future Work was adopted.

Mr. MacCarthy (Ireland) as rapporteur for the Standing Sub-Committee on Traffic in Women and Children spoke briefly on the two items which had formed the agenda for the Sub-Committee, viz:—

- (a) Summary of annual reports on traffic in women and children and on obscene publications for the year 1936/37; and
- (b) Suggestions with regard to the changes to be made in the questionnaire on traffic in women and children.

With regard to (a) it was noted that more reports had been received during the year 1937/38 and it was hoped that the increase would continue.

Reference was made to the position in regard to the ratification of international conventions for the Suppression of Traffic in Women of Full Age. The delegate for India stated that in regard to international conventions affecting internal administration it was now customary to make a reservation excluding the Indian States. Owing to the relationship which exists between British India and Indian States, which, under the definition of Article 1 of the 1933 Convention, would be treated as foreign countries, India did not feel herself in a position to accede relative to British India to that Convention, though hopes were entertained that this political barrier would soon be removed. Mrs. Bose went on to say that the Advisory Committee in 1936 recommended that the Conference of the authorities responsible in Eastern countries for measures to prevent traffic in women and children should be held under the auspices of the League of Nations. The Government of India was not at first willing to participate as it felt that India was not concerned with international traffic, but at the earnest request of the League she reconsidered her decision. Mrs. Mukherjee of the All India Women's Conference was appointed to represent India at the Conference which took place at Java in 1937 and at which she was elected Vice President. At that Conference the conclusion was reached that it would be very beneficial if a bureau could be established which would be able to collect all information on traffic in women and children in the Eastern countries. It was also decided that all educational measures should be introduced to raise public opinion. India may be classified as totally abolitionist as they have neither regulation of prostitution nor licensed brothels, though tolerated brothels exist in certain parts of India.

Thirteenth and Fourteenth Meetings.

The Report on the Recreational Aspects of the Cinema and the Young was submitted by Mr. Harris (United Kingdom). This report was based on information received from forty-four countries and referred to the cinema as a means of recreation for young people up to the age of 21. In drawing his conclusions Mr. Harris said that the result of his enquiries had shown the necessity for positive as well as negative measures in dealing with the problem of the recreational cinema and the young and for close co-operation between the cinematograph trade, public authorities, teachers and interested social organisations, and also parents. He felt that there was a tendency to over-emphasise the influence of the cinema on the mental and moral make-up of young people since experts and magistrates of children's courts were in agreement that juvenile delinquency was seldom the outcome of what children had seen at the cinema. The teaching of film appreciation in schools was one of the best means of encouraging motion picture discrimination. Mr. Harris mentioned the publication both by the Canadian and Belgian Governments of a monthly review of current films which in particular drew attention to films which contained incidents which might frighten or be harmful to children.

In the discussion which followed M. Chodzko (Poland) pointed out that censorship does not raise the standard of films. He drew attention to the need for the development of the historical film and said in this connection that producers should be urged to present such films with greater care as to the actual historical facts.

Count Clauzel (France) observed that in his view censorship to be effective should be exercised at an early stage in production when scenarios are submitted.

Other points raised by delegates included the desirability of the production of more musical films and films accurately based on books, and the position of non-producing countries who were dependent on the films supplied by producing countries.

Mrs. Bose said that in India there were no special films for children apart from educational films shown in schools, and for that reason India was particularly concerned with the raising of the standard of films as a whole. The Indian authorities would like to see some international understanding for the restriction from circulation of objectionable or harmful films. The best solution for Eastern countries would be for them to produce their own films. She urged that more women should be represented on Censorship Boards.

Mr. Hoo Chi Tsai (China) deprecated the tendency to misrepresent people of other countries on the screen, from the point of view of the importance of international understanding.

It was decided to publish the Report after careful editing by the rapporteur as a result of the discussion, and, in view of the difficulty of reaching final conclusions at the present stage, it was agreed that the subject should again be placed on the agenda at some future date.

Fifteenth Meeting.

The Chairman introduced Mr. Oliver Bell, Director of the British Film Institute, who had come to assist the Committee in the study of the question of Recreational Films for the Young.

Mr. Bell laid down as general principles that no children's performance should last for more than two hours and no single film more than one hour; that the programme should contain a feature film which should be full of action, a comedy or cartoon, an "interest" film showing how things are done or how other people live, an instalment from a thrilling serial and a news reel—in which it had been found that children were specially interested. Anything which tends to make the child afraid should be avoided at children's matinees, as also weird and sudden noises, exaggerated fairy stories and sheer horror pictures. International exchange of news reels would have potential value in bringing countries together. Mr. Bell pointed out that the problem of the adolescent in regard to films was different from the problem of the child. The British Film Institute had made some tentative enquiries and had found that the effect of the films on adolescents was of the same order as the effect on the adult but was inclined to be more extreme. Finally, Mr. Bell expressed the hope that the Advisory Committee on Social Questions would help to bring into being bodies with adequate resources to educate public taste to demand good recreational and instructional films, and to facilitate the supply and exchange of suitable films all over the world.

An interesting programme of the types of films shown to children in England was given in the League Cinema Hall which was specially arranged by Mr. Bell.

Sixteenth and Seventeenth Meetings.

The Rumanian delegate submitted a recommendation for the creation in every belligerent country of neutral zones in which children could be maintained and provided with the necessary medical attention by their respective Governments and where they would be immune from bombardment, gas and all other perils of war.

Though not on the Agenda, the question of the protection of children in time of war was felt by all delegates to be a subject which required urgent consideration. At the stage of the proceedings of the Committee when the re-affirmation of the Declaration of Geneva had been agreed upon, the French Delegation referred to Paragraph III which says that "the child must be the first to receive relief in times of distress" and expressed the hope that this great principle of humanity might be made applicable to the case of war beyond and above all considerations of race, nationality and creed.

Miss Whitton (Canada) urged that in view of present critical times the Committee should go further than draft resolutions with regard to the safety of children in time of war. They should appoint a sub-committee to study the problem of child victims of disaster not only from the aspect of war but in times of famine, flood, fire, etc. She said she could not support the proposal to create neutral zones for children since it would involve the separation of the child from its family and also because in her opinion the position of children could not be considered apart from that of the civil population. If the Committee was to fulfil its mission of protecting child life, they would have to take action at this time.

The delegate for India strongly supported Miss Whitton and said that the protection of the life of the child was obviously the first care in the study of questions of child welfare. She therefore hoped that the Committee would decide to set up a Sub-Committee and if possible that India should be represented on it.

Mme. Huici (Spain), speaking from her experience of the war now in progress in Spain, said that neutral zones were of little practical value. Instead of marking neutral zones, refugee camps or hospitals in the hope that they would be recognised and spared during bombardments, the Spanish authorities were finding it necessary to camouflage them.

Many delegates took part in the discussion from which two concrete proposals emerged.—

- (1) that the International Red Cross Association should be asked to study the problem and find what possibilities there were for practical measures to be taken to ensure the safety of children in time of war; and
- (2) that the matter should be brought to the attention of the Council of the League with the same object.

Mr. Harris (United Kingdom) said that while the problem was one of tragic urgency it was impossible for members of the Committee to make definite proposals without having specific instructions from their Governments.

Although the Committee were in agreement that in view of conditions prevailing in the world immediate action was necessary, no common ground could be found as to what form such action should take. Many delegates felt that the question involved political issues which did not come within the purview of a Committee on Social Questions and were in agreement with Mr. Harris that they were not in a position to voice the opinions of their respective Governments.

It was finally decided to entrust to Mr. Harris the task of drafting a passage for the Report which would record the sentiments of the Committee.

Eighteenth Meeting.

The budget was examined and adopted.

It was decided that the date of the next session should be 19th June, 1939.

Nineteenth Meeting and Twentieth Meeting.

The draft report of the work of the Committee prepared by Mr. Harris was examined and finally adopted.

Votes of thanks were passed in appreciation of the able work of the Chairman and the assistance rendered by the Secretariat, and the Chairman declared the session closed.

PROMOTION OF OFFICERS OF THE PROVINCIAL POLICE SERVICE TO THE INDIAN POLICE.

867. *Mr. Brojendra Narayan Chaudhury (on behalf of Mr. Kuladhar Chaliha): Will the Honourable the Home Member be pleased to state:

- (a) whether the attention of Government has been drawn to the notification by the Government of India in the Home Department, No. 63/38-Ests., dated New Delhi, the 12th December, 1938;
- (b) whether the rules made thereunder regarding reserved posts (Indian Police) Rules 1938, affect the promotion of officers of the Provincial Police Service to the Indian Police;
- (c) Is it a fact that in the past a certain number of posts in the Superior Services of the Indian Police Service were reserved for members of the Provincial Police Service to be filled up by promotion in the different Provinces;
- (d) what is the number of such posts in different Provinces of India; and
- (e) how the rules referred to above will affect their position now?

The Honourable Sir Reginald Maxwell: (a) The notification was issued by Government.

(b) No.

(c) Yes.

(d) Madras	8
Bombay and Sind	10
Bengal	13
United Provinces	12
Punjab	9
Bihar and Orissa	7
Central Provinces	6
Assam	3
North-West Frontier Province	2

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(e) The rules in question will not affect their position in any way. These officers will as before be eligible for promotion to the Indian Police in the rank of Superintendents of Police specified in the Rules up to the number indicated in (d) above.

Mr. Brojendra Narayan Chaudhury: Is it a fact that under the old rules a Deputy Superintendent of Police could be promoted direct to the post of Superintendent, whereas under the new rules a Deputy Superintendent could only be promoted to the post of Assistant Superintendent of Police?

The Honourable Sir Reginald Maxwell: No, Sir. I have already explained that the notification referred to in the question makes no change in the previously existing practice.

ACTION ON THE RESOLUTION RE HAND-MADE MATCHES.

868. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Finance Member please state what steps Government intend to take to give effect to the Resolution passed in this House during this Session regarding encouragement of match industry in cottages with hand appliances?

The Honourable Sir James Grigg: The attitude of Government was fully explained during the debate on the Resolution referred to.

Mr. Brojendra Narayan Chaudhury: May I know whether, since the passing of that Resolution, Government have taken into consideration the fact that the Resolution was passed by an overwhelming majority which consisted amongst others of certain Members of this House who generally see eye to eye with Government?

The Honourable Sir James Grigg: All relevant facts are taken into consideration before deciding to confirm or vary a decision or an attitude previously taken.

PROCEEDS FROM EXCISE DUTY ON SUGAR, ETC.

869. *Mr. K. S. Gupta (on behalf of Mr. C. N. Muthuranga Mudaliar): Will the Honourable the Finance Member please state:

- (a) the total proceeds from excise duty on sugar during 1937-38 and 1938-39, the number of factories which paid taxes, and the total amount of sugar manufactured in the country; and
- (b) the amount of import duty on sugar during 1937-38 and 1938-39?

The Honourable Sir James Grigg: I would refer the Honourable Member to the reply given by me on the 27th February, 1939, to Seth Haji Sir Abdool Haroon's starred question No. 728. The information for the year 1938-39 is not yet available, the year being not yet out.

EXAMINATION FOR RECRUITMENT OF THIRD DIVISION CLERKS IN THE CENTRAL SECRETARIAT.

870. *Bhai Parma Nand: Will the Honourable the Home Member please state:

- (a) whether an examination was held in December, 1937, for the recruitment of Third Division Clerks in the Imperial Secretariat and its Attached Offices during the financial year 1938-39;
- (b) the number of candidates who sought admission to the said examination;
- (c) the number of vacancies which have actually occurred during this financial year so far;
- (d) whether any of these posts have been withheld under the Government of India economy orders issued in October, 1938; if so, how many;
- (e) whether Government contemplate offering these banned posts, even if they are filled at some future date, to the deserving candidates of the 1937 examination; and

- (f) whether, in view of the large number of candidates who took chance at this examination, the Government contemplate some means for absorbing the usual number of candidates?

The Honourable Sir Reginald Maxwell: (a) Yes.

(b) 2,249 candidates sought admission but only 1,858 who were qualified appeared at the examination.

(c) and (d). The information is being collected and will be laid on the table in due course.

(e) and (f). The question is under consideration.

Mr. Lalchand Navalrai: Will the Honourable Member kindly throw some light on the question whether those candidates who have not been absorbed now shall have to pass another examination if such examination takes place shortly?

The Honourable Sir Reginald Maxwell: That part of the question is under consideration.

Sardar Sant Singh: May I know from the Honourable Member if it is a fact that when the last but one examination was notified by the Public Service Commission it was given out that about 72 vacancies would be filled up?

The Honourable Sir Reginald Maxwell: No. I cannot give the Honourable Member the exact figure specified by the Public Service Commission.

Sardar Sant Singh: May I know if the Honourable Member proposes to absorb those at least up to the number notified by the Public Service Commission before the qualified candidates at the subsequent examination are taken?

The Honourable Sir Reginald Maxwell: That is also part of the question which is under consideration. But the examination was held to fill vacancies expected to occur in the year 1938-39.

Sardar Sant Singh: Does the Honourable Member propose to take into consideration the fact that most of the candidates who appear at such examinations have to pay a very handsome fee to the Public Service Commission which probably is not meant to be a source of revenue to the Government?

The Honourable Sir Reginald Maxwell: In any case the fee which they pay to the Public Service Commission is only to cover the expenses of the examination and not be a source of revenue to the Government.

SHOWING OF ADVERSE ENTRIES IN THE OFFICERS' CHARACTER ROLLS TO THEM.

†871. ***Khan Bahadur Shaikh Fazl-i-Haq Piracha:** (a) Will the Honourable the Home Member please state if the Government of India, or the Federal Public Service Commission, issued instructions to the effect that the adverse entries in officers' character rolls should be shown to them when they are recorded?

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

(b) What is the object of these instructions?

(c) Do these instructions apply to ministerial servants as well? If so, are they observed in the office of the Central Board of Revenue and other Departments of the Government of India and their Attached Offices where character rolls are maintained?

The Honourable Sir Reginald Maxwell: (a) The standing instructions of the Government of India are that as a general rule no officer should be kept in total ignorance for any length of time of such defects as are remediable.

(b) The object is to give the officer concerned an opportunity of rectifying his defects.

(c) For ministerial officers employed at the headquarters of the Government of India the orders provide that the substance of an unfavourable report will, at the discretion of the Branch Officer, be communicated to the person concerned, and that he will be informed in what respects improvement is necessary. I understand that these orders are *generally* observed in the Secretariat and Attached Offices.

RELEASE OF MOPLAH POLITICAL PRISONERS AND INTERNEES.

872. *Maulvi Muhammad Abdul Ghani: Will the Honourable the Home Member please state:

- (a) the number of Mopla political prisoners and internees in connection with the Mopla rising of 1921 or 1922, and their whereabouts;
- (b) the number and names of internees at present in the Province of Bihar;
- (c) whether any Mopla is interned in the district of Saran; if so, his name and offence; whether he is not allowed to settle or reside in any one place for more than a short period of, say, two months;
- (d) whether any of the Moplas so interned get any allowance from Government; if so, the amount given to each Mopla;
- (e) whether the Mopla interned in the district of Saran gets any allowance; if not, why not; how he maintains himself;
- (f) whether he represented to the local officer to be allowed to stay for a considerable period, say, of more than three years in one place; if so, whether he has been allowed to settle in one place for such a period; if not, why not;
- (g) whether the Government of Madras made any representation for the release and return of the Mopla political prisoners and internees of the national movement of freedom of the country in 1921 to 1922; and
- (h) whether there has been proclaimed general amnesty for the release of the Mopla political prisoners and internees; if so, whether the Honourable Member will lay a copy of the proclamation on the table?

The Honourable Sir Reginald Maxwell: Sir, with your permission I propose to answer questions Nos. 872 and 873 together.

The release of Moplah prisoners, convicted or otherwise detained in connection with the disturbances of 1921-22, is a matter for the Provincial Governments concerned and not for the Central Government.

RELEASE OF MOPLAH POLITICAL PRISONERS AND INTERNEES.

†873. ***Maulvi Muhammad Abdul Ghani:** Will the Honourable the Home Member please state:

- (a) the number of political prisoners released up to date, Province by Province;
- (b) whether the cases of political prisoners released, as mentioned in part (a), differ from the Mopla political prisoners and internees of 1920-22; if so, in which respect; and
- (c) whether Government intend to release all the Mopla political prisoners and allow the Mopla political internees to return to their home; if so, when; if not, why not?

CERTAIN CRIMES IN DELHI.

874. ***Mr. Brojendra Narayan Chaudhury:** Will the Honourable the Home Member please state:

- (a) the number of cases of serious attacks on person, life and property, such as, murder, kidnapping, grievous hurt, robbery, lurking, house trespass and attempts thereat, in the city of Delhi (Old and New combined) during the current year;
- (b) whether the above figures have been compared with similar figures for Calcutta as also the populations of the two cities; and
- (c) the special steps taken or intended to be taken to check these crimes in Delhi?

The Honourable Sir Reginald Maxwell: (a) and (b). The information is not available in the form required by the Honourable Member. I am, therefore, not in a position to make the comparison.

(c) Does not arise.

Mr. Brojendra Narayan Chaudhury: Can the Honourable Member tell us whether the recrudescence of general crime in Delhi is or is not on the increase now?

The Honourable Sir Reginald Maxwell: So far as I have examined the figures for the last few years, there has not been any marked increase in the figures of crime in Delhi.

Mr. Brojendra Narayan Chaudhury: Is it not a fact that special Superintendents of Police have been appointed specially to cope with this?

The Honourable Sir Reginald Maxwell: Not specifically on account of the increase in crime. No doubt it would help to increase the efficiency of police arrangements.

† For answer to this question, see answer to question No. 872.

Mr. Brojendra Narayan Chaudhury: What were they appointed for?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has already answered that question.

Mr. Abdul Qaiyum: May I know whether the Government of India are keeping a strict watch on the people who are well known in Delhi for fomenting communal troubles?

The Honourable Sir Reginald Maxwell: The Honourable Member may rely on the police taking such precautions as may be necessary.

Mr. Abdul Qaiyum: May I know if security proceedings have been started or are intended to be started against such persons and whether the Government of India intend deporting such persons from Delhi, so that the peace of the city may not be disturbed?

The Honourable Sir Reginald Maxwell: As I have had occasion to mention in answer to previous questions during this Session, certain persons have been externed in consequence of their communal activities.

Mr. Abdul Qaiyum: I would inform the Honourable Member that if he wants to preserve peace in Delhi, he will have to extern many more.

INDIAN ARMY USED BY PROVINCIAL MINISTERS FOR KEEPING LAW AND ORDER.

+875. ***Dr. Sir Ziauddin Ahmad:** Will the Defence Secretary please state on how many occasions the Indian army was used by the Provincial Ministers for keeping law and order since July, 1936, and at which places?

Mr. C. M. G. Ogilvie: Between July, 1936 and February, 1939, troops were called out at the request of civil authorities on seventeen occasions at the following places:

1. Bombay.
2. Amritsar.
3. Cawnpore.
4. Allahabad.
5. Benares.
6. Jamshedpur.
7. Delhi.
8. Multan.
9. Tikraul (Saharanpur).
10. Dera Ismail Khan.
11. Budaun.

REPORT ON THE WORKING OF THE CRIMINAL TRIBES ACT.

+876. ***Prof. N. G. Ranga:** Will the Honourable the Home Member be pleased to state:

- (a) if any annual report is being issued, or a review is being made, on the working of the Criminal Tribes Act in various Provinces;

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

- (b) if so, whether it is published;
- (c) what is the approximate number of people to whom this Act is made applicable;
- (d) whether any representations have been received by Government for its repeal or amendment and if so, from which Provinces and how many;
- (e) whether any Provincial Government has suggested its abolition or amendment, or a conference of all the Provincial Governments through the good offices of the Central Government to review the position in the light of altered circumstances; and
- (f) whether Government propose to convene such a conference of all Provincial Ministers and other authorities concerned to consider the advisability of suitably amending the Act or repealing it altogether?

The Honourable Sir Reginald Maxwell: (a), (b) and (c). The administration of the Criminal Tribes Act is a provincial subject. I am, therefore, not in a position to give the information required by the Honourable Member. I understand that some Provincial Governments publish a report annually on the administration of the Act.

(d) and (e). No representation has been received from any Provincial Government on this subject since the inauguration of Provincial Autonomy.

(f) No such proposal is under consideration at present.

+877. *

CONSIDERATION OF APPEALS MADE TO THE GOVERNMENT OF INDIA.

†878. ***Mr. M. Ananthasayanam Ayyangar:** (a) With reference to his reply to starred question No. 2028, dated the 9th December, 1938, will the Honourable the Home Member be pleased to state the cases that are referred to the Federal Public Service Commission?

(b) What are the steps taken to ensure that all appeals received impartial consideration at the hands of the appellate authorities?

(c) How many cases of appeal were received by the Government of India from officials of the subordinate services addressed to His Excellency the Governor General during the years 1937 and 1938, respectively, and how many of these were referred to the Federal Public Service Commission?

(d) How many cases of appeal from officials of the subordinate services addressed to His Excellency the Governor General were withheld by the subordinate authorities during 1937 and 1938?

(e) Do Government propose to direct that the rules for submission of memorials be so altered that all appeals may be submitted direct to the appellate authority in the first instance, so that he can form an independent opinion of the case without being influenced by the remarks of the lower authorities and then call for the remarks of the officer whose orders are appealed against?

† This question was postponed to be answered on the 22nd March, 1939.

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

(f) Are Government prepared to direct that at least all such cases of appeal in which the complaint is that there has been an irregularity in procedure due to the non-application of rules, are referred to the Federal Public Service Commission for enquiry and report?

The Honourable Sir Reginald Maxwell: (a) The cases referred to the Commission are those in which the appellate authority is the Governor General in Council, i.e., appeals from officers of the Class I and Class II, Central Services, and those in which the appellate authority is the Secretary of State in respect of officers appointed by him.

(b) I refer the Honourable Member to rule 59 of the Classification Rules and rule 11 of the Subordinate Appeal Rules.

(c) and (d). Figures are not readily available, but the number must be small as appeals from members of subordinate services do not lie to His Excellency the Governor General.

(e) No. By the rules quoted in my reply to part (b) of the question, the appellate authority is required to weigh all the material facts and considerations before passing orders on an appeal. It will not be possible for that authority to discharge this duty without having before it the remarks of the authority from whose order the appeal is preferred, and no useful purpose will be served by requiring that authority to see the appeal twice.

(f) Government have issued instructions from time to time that the proper procedure laid down in the appeal rules shall be carefully observed. When cases come to notice in which there has been an irregularity in the procedure, the Governor General in Council is empowered to revise any order passed by an authority subordinate to him, and the Public Service Commission is consulted before orders are passed in revision.

LEGISLATION FOR THE PREVENTION OF TRAFFIC IN WOMEN AND CHILDREN IN THE CENTRALLY ADMINISTERED AREAS.

879. *Mr. K. S. Gupta (on behalf of Shrimati K. Radha Bai Subbarayan): Will the Honourable the Home Member be pleased to state:

- (a) whether legislation for the prevention of traffic in women and children is in force in centrally administered areas and, if so, where, and what are the facilities provided for the care of the inmates of the closed brothels and of destitute girls and women;
- (b) whether Government are in contact or collaborate with private organisations or institutions for the relief of these people, and if Government afford them assistance in any form; and
- (c) whether Government propose to examine fully this subject and if so, when?

The Honourable Sir Reginald Maxwell: (a) I lay on the table a statement showing the various laws for the suppression of traffic in women and children which are in force in centrally administered areas. The information necessary to answer the remainder of this part of the question has been called for from the Chief Commissioners and will be laid on the table when received.

(b) The Central Government have made a grant of Rs. 5,000 annually for three years, commencing from the 1st January, 1937, to the Association

for Social and Moral Hygiene in India, the objects of which are the suppression of this traffic and the uplift of such women generally. The Central Government are not directly in touch with any other association, but I am obtaining information from Chief Commissioners regarding such other associations which I will lay on the table when received.

(c) The matter has been and will periodically be reviewed.

Statement showing the law relating to traffic in women and children for immoral purposes and to prostitution and exploitation of prostitution in force in Centrally Administered Areas.

Acts or relevant provisions of Acts.	Areas where applied.
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LAWS OF GENERAL APPLICATION.

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| 1. The Indian Penal Code (Act XLV of 1860) sections 366, 366A, 366B, 367, 372, 373 and 498. | The whole of British India. |
| 2. The Foreigners Act, 1864 (III of 1864) as amended by Act III of 1915. Sections 3 and 3A. | The whole of British India. |
| 3. The Cantonments Act, 1924 (II of 1924), Sections 235-237 and 240. | The whole of British India. |

LOCAL LAWS.

Ajmer-Merwara.

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| 4. The Ajmer-Merwara Municipalities Regulation, 1925 (VI of 1925), Sections 167-168. | The application of these sections of the Regulation is restricted to those areas in Ajmer-Merwara which have been declared to be municipalities under the Regulation. |
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Baluchistan.

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| 5. The British Baluchistan Bazaars Regulations, 1910 (V of 1910), Section 91. | It extends to :—
(1) <i>Pishin Sadar and District Bazar</i> comprising of towns of Pishin, Yaru, Bostan, Saranan, Gulistan, Killa Abdulla and Chaman.
(2) <i>Loralai Bazar</i> consisting of towns of Loralai, Mekhtar, Smallan, Duki, Barkhan and Musakhel.
(3) <i>Sibi District Bazar</i> comprising of the town of Sibi and the villages of Kurk, Gulushahr, Khajjak Harnai, Shahrigh, Spintangi, Ziarat and Usta Muhammad.
(4) <i>Fort Sandeman Bazar</i> . Comprising of towns of Fort Sandeman, Killa Saifulla and Hindubagh.
(5) <i>Nushki Bazar</i> . Comprising of towns of Nushki, Dalbandin and Nok-Kundi. |
| 6. Quetta Municipal Law, 1896, Section 105. | It extends to the whole of the Quetta Municipality. |

Delhi.

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| 7. The Punjab Suppression of Immoral Traffic Act, 1935 (Punjab Act IV of 1935). | It extends to Delhi. |
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CASES DETECTED IN INDIA OF INTERNATIONAL TRAFFIC IN WOMEN AND CHILDREN.

380. *Mr. K. S. Gupta (on behalf of Shrimati K. Radha Bai Subbarayan): Will the Honourable the Home Member be pleased to state:

- (a) the number of cases detected in India of international traffic in women and children during the last three years ending 31st December, 1938, and the action taken by Government with regard to them;
- (b) how many of these cases were of foreigners entering this country, and their nationalities;
- (c) what are the 'Central Authorities' empowered to deal with this subject at present and the method by which they prevent this traffic; and
- (d) what steps Government take to prevent this traffic by land routes?

The Honourable Sir Reginald Maxwell: (a) The reports submitted to the League of Nations regarding traffic in women and children are compiled for the period from the 1st July to 30th June, and not for the calendar year. There were two cases involving three accused in 1935-36, and one case involving three accused in 1936-37. There was no case in 1937-38. No figures are yet available in respect of the period from the 1st July to the 31st December, 1938. The accused were prosecuted under the relevant provisions of the law.

(b) All three cases were of foreigners entering this country. In the first two cases the accused were Nepalese, while in the third the accused were Afghans.

(c) The Central authorities appointed under the International Agreement for the Suppression of the White Slave Traffic, 1904, are the Inspector General of Police, Madras, the Secretary to the Government of Bombay, Home Department, and the Commissioner of Police in Calcutta. These authorities supply to foreign countries which are parties to the agreement all information which will facilitate the suppression of the traffic at its origin. The detection of cases in India is also a part of the functions of the police.

(d) There are no special steps taken which are peculiar to the land frontiers of India, but the authorities referred to in the answer to part (c) of the question operate also in respect of such traffic across these frontiers.

GRANT OF ARMS LICENCES TO SPECIAL POLICE OFFICERS IN DELHI.

381. *Mr. K. S. Gupta: (a) Will the Honourable the Home Member please state how and on what grounds the arms licences are granted to the special police officers in Delhi?

(b) What preferential treatment, in comparison to the general public as well as the Government servants, is accorded to them and why?

(c) Are the particulars in black and white, about the family status, sound financial position, payment of income-tax and possession of landed property taken and given any consideration in their cases as well? If not, why not?

(d) Are the above mentioned matters also kept in view while renewing the licences in their cases? If not, why not?

(e) How many such licences are at present in existence separately in Karol Bagh and Saddar Bazar areas and with whom and of what arms?

(f) Is the Honourable Member aware that many of such special officers do not at all possess any of the above mentioned qualifications and yet they are in possession of arms licences?

(g) Is he prepared to have the cases examined afresh and cancel such licences of those who have not satisfactory means of living or status and do not in reality possess any property?

The Honourable Sir Reginald Maxwell: The information has been called for from the Chief Commissioner, Delhi, and will be laid on the table of the House in due course.

ABOLITION OF THE APPOINTMENT OF ASSISTANT SUPERINTENDENT OF POLICE, DELHI.

†882. *Prof. N. G. Ranga: (a) Will the Honourable the Home Member please state the number of crimes of each description that took place in 1935, 1937 and 1938 in Delhi?

(b) What were the grounds for the creation of the appointment of Additional Superintendent of Police in Delhi and what duties have been assigned to him?

(c) In view of the economy campaign, do Government now intend to examine the point and abolish the appointment either forthwith, or at the termination of the present temporary appointment? If not, why not?

The Honourable Sir Reginald Maxwell: (a) The figures of heinous crime in Delhi during 1935 and 1937 are given below. The figures for 1938 are not readily available.

	1935 (Reported cases.)	1937 (Reported cases.)
Murders	20	22
Dacoities . . . . .	..	2
Robberies	20	20
Burglaries (including lurking house trespass)	477	431

(b) The appointment was created to afford relief to the existing gazetted police staff which found it difficult to cope with the increased work due to the rapid growth of Delhi. The Additional Superintendent of Police controls the police work in the headquarters office and in the City.

(c) No. The appointment has been created on a permanent basis. It will not be in the interest of the people of the Delhi Province to take any steps for the abolition of the post.

PROMOTION OF MILITARY SUB-ASSISTANT SURGEONS OF THE BENGAL ESTABLISHMENT.

883. *Sardar Sant Singh: Will the Defence Secretary be pleased to state how many Sub-Assistant Surgeons of the Bengal establishment have been promoted to Subedars with twenty years total service since 1923, and how many passed the second efficiency bar at ten years total service?

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

If none, do Government propose to consider the advisability of increasing the percentage of seniors from 10 per cent. to 20 per cent. on their total cadre including the reserve? Is it a fact that a soldier, enlisted as a recruit in the Army, can become a Subedar or a Risaldar at twenty-one years average service, and that a Sub-Assistant Surgeon of the Bengal establishment who is given the rank of warrant officer in the Army on joining the service cannot expect to attain under the existing regulations an equivalent rank at twenty-one years total service, though he joins the service at a later age as compared with a recruit (after spending four years as a military medical pupil in a Medical School)?

Mr. C. M. G. Ogilvie: No Sub-Assistant Surgeon of the Bengal establishment with 20 years total service has been promoted to the rank of Subedar since 1923.

390 Sub-Assistant Surgeons of the Bengal establishment passed the efficiency bar in the rank of Jamadar during the period 1923 to 1933. Separate figures for the Bengal establishment are not available after this date as recruitment to the Sub-Assistant Surgeon Branch of the Indian Medical Department was made on an all-India basis from 1924 onwards. The answer to the second part of the question is in the negative. As regards the last part, I refer the Honourable Member to my reply to part (b) of his starred question No. 522, dated the 1st March, 1938.

INCREASE IN THE NUMBER OF SUBEDAR-MAJORS IN THE INDIAN MEDICAL DEPARTMENT.

884. *Sardar Sant Singh: Will the Defence Secretary please state whether it is a fact that out of a total of about twenty Indian officers in a regiment, there is one Subedar-Major, about eight Subedars and eleven Jamadars, whereas out of a total of 650 Indian officers in the Sub-Assistant Surgeon's class of the Indian Medical Department there are only nine Subedar-Majors, sixty Subedars and remaining Jamadars? If so, do Government propose to increase the number of their Subedar-Majors to thirty?

Mr. C. M. G. Ogilvie: The assumption contained in the first part of the Honourable Member's question is approximately correct. As regards the second part, the answer is in the negative.

Sardar Sant Singh: With regard to the block of promotions in these posts, will the Defence Secretary consider the advisability of revising the rules?

Mr. C. M. G. Ogilvie: No, Sir. It cannot be said that there is a block of promotion. The Sub-Assistant Surgeons are mainly of the rank of Jamadar but there are very few posts in which superior responsibilities are required, which would justify an increase above the ten per cent. of higher posts now allotted to the service.

INCREASE OF PAY OF MILITARY SUB-ASSISTANT SURGEONS OF CERTAIN RANKS

885. *Sardar Sant Singh: Will the Defence Secretary please state whether it is a fact that a Sub-Assistant Surgeon as Jamadar gets more pay than a Jamadar in the cavalry, whereas he in the rank of Subedar and Subedar-Major gets less pay as compared with a Risaldar and

a Risaldar-Major of the cavalry, though the former puts in more service at that stage? Do Government propose to increase the pay of the Sub-Assistant-Surgeons in these ranks?

Mr. C. M. G. Ogilvie: The assumptions contained in the first part of the Honourable Member's question are approximately correct. With regard to the second part, the answer is in the negative. It should, however, be realised that whereas the rank of Jemadar in the cavalry is normally reached after about 16 years service, in the Indian Medical Department it is normally reached after five years service.

UNSTARRED QUESTION AND ANSWER.

INCONVENIENCES OF PENSIONERS OF THE GOVERNMENT OF INDIA PRESS,
NEW DELHI.

28. Maulvi Muhammad Abdul Ghani: (a) Will the Honourable the Finance Member please state whether he is aware that pension cases of the Delhi Press employees who retire from service are kept in abeyance and delayed with the result that the pensioners have to experience a good deal of troubles on account of money?

(b) If the reply to part (a) be in the affirmative, what remedy do Government propose in respect of early disposal of such cases?

The Honourable Sir James Grigg: (a) and (b). This question should have been addressed to the Honourable the Member for Labour.

Mr. President (The Honourable Sir Abdur Rahim): Notice had been received from several Members of their intention to move for the adjournment of the business of the House on the subject of the Kenya Highlands. As the matter was disposed of yesterday, the others are barred. The Chair thinks, in such cases, Honourable Members should inform the Office withdrawing their motions. That would save a few minutes of the time of the House.

MESSAGE FROM THE COUNCIL OF STATE.

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

"I am directed to inform you that the Bill to amend the Employment of Children Act, 1938, which was passed by the Legislative Assembly at its meeting held on the 13th February, 1939, was passed by the Council of State at its meeting held on the 7th March, 1939, with the amendments shown in the enclosed statement.

The Council of State requests the concurrence of the Legislative Assembly in the amendments."

Sir, I lay on the table the Bill, as amended by the Council of State.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE FOR THE LABOUR DEPARTMENT.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that up to 12 Noon on Tuesday, the 7th March, 1939, the time fixed for receiving nominations for the Standing Committee for the Labour Department only three nominations were received. As the number of candidates is equal to the number of vacancies, I declare Mr. N. M. Joshi, Shrimati K. Radha Bai Subbarayan and Maulvi Muhammad Abdul Ghani to be duly elected.

THE GENERAL BUDGET—GENERAL DISCUSSION—*concl'd*

FIRST STAGE—*concl'd*.

Mr. President (The Honourable Sir Abdur Rahim): The House will now proceed with the general discussion of the General Budget.

Mr. M. Asaf Ali (Delhi: General): Sir, before we proceed with the general discussion of the budget, may I make a statement on one point, about the announcement made by Sir Thomas Stewart yesterday. It was made right at the end of the day, and at the time when the announcement was made I had no opportunity to consider the import of what was said. I have not the slightest doubt that after the general discussion is over, some time will be left over. But I should not like any matter which was not originally put down for the day to be taken up today, if it is not agreed to by all the sections of the House,—because I do not think it would be in order. Government have definitely given notice of certain business being taken up on a particular date and people expect and Honourable Members expect that to come up on that date. . . .

Mr. President (The Honourable Sir Abdur Rahim): That is no point of order really,—what the Government decide about their business from day to day.

Mr. M. Asaf Ali: It is very inconvenient.

Mr. President (The Honourable Sir Abdur Rahim): That is a matter between the Honourable Member and the Government. It is no point of order, strictly speaking, and the Chair cannot interfere with the arrangement of the business by the Government.

Mr. M. Asaf Ali: May I submit then as a special case that that business be not taken up today because today was set down for general discussion and no Member of the House could possibly anticipate that any other business would be transacted today.

Mr. President (The Honourable Sir Abdur Rahim): Well, the Chair doesn't know,—those who have absented themselves might have anticipated that.

Mr. M. Asaf Ali: They could not possibly anticipate something which is almost unthinkable. My whole point is this. If the Government really want to readjust their business, they may do so, but if they depart from the agenda which has been already circulated, it should be done only by agreement among the various sections of the House.

Mr. President (The Honourable Sir Abdur Rahim): The Chair quite sympathises with the Honourable Member and his Party but the Honourable Member knows that it is for the Government to put down any business they like on the agenda of the day and they can change the agenda as they like. Therefore, there is no point of order and the Chair cannot possibly ask the Government to regulate their business in a particular way having regard to the convenience of any particular Party; but, undoubtedly, the Government will consider, in circumstances like these, what Bills they will put forward or not if the discussion is finished today. The Chair thinks it is for the Honourable Member to negotiate with the Government.

The House will now resume the general discussion of the Budget.

Mr. Brojendra Narayan Chaudhury (Surina Valley *cum* Shillong: Non-Muhammadan): Mr. President, the Honourable the Finance Member has earned the praise of the *London Times* which was cabled in those words:

“When the new Constitution was being elaborated in Westminster it was frequently asserted that finance would be the rock on which the Reforms would perish. For this reason the financial aspects of the constitution have been given political prominence which have tended to dramatise the Finance Member’s achievement in surmounting the difficulties confronting him. Whatever the future may hold—and some provincial Ministries are already jeopardising finances for the sake of fulfilling political pledges—the fact remains that the Reforms have been placed on a firm foundation at the Centre mainly through Sir James Grigg’s skill and sagacity.”

Sir, the *London Times*, which represents the interests of London and Lancashire, might well offer its eulogy to the Finance Member, because this Budget of the Government of India is, and must be, entirely subservient to the interests of London and Lancashire: and I frankly admit that this is not illogical, because the British nation hold India for their own benefit. Therefore, I will not blame the Honourable the Finance Member for presenting the Budget that he has presented to us. I shall only criticise the system for which he stands, and of which his Budget is the outcome.

Sir, the *London Times* is glad that our finances are stable. On the whole, Sir, I admit that they are stable—because a difference of two crores and a fraction thereof in a Budget with a revenue of about eighty crores does not matter much. Now, it is in the interest of London and Lancashire to see that there are no large changes in the system of the financial budget of the Indian Government. Sir, if there are to be any large changes in the interest of this country, because the budget policy of Government, particularly the Central Government, does affect the industry and the agriculture of the country in a large way, then they must be towards developing the industries of this country against the interests of Lancashire. But, Sir, I would like to ask those who have wholeheartedly accepted the new Constitution and propose to accept and work the coming Federation whether their bargain is merely for stable finances, with no

[**Mr. Brojendra Narayan Chaudhury.**]

progress whatsoever in any other direction. That is the ideal of the Honourable Member. I ask Indians, who are in this House, whether that is their ideal also. If not, if they want progress, they must beware of this.

Sir, we have been discussing these two days about the fall in customs revenue. Now, what do customs revenues indicate? Customs revenues do not necessarily indicate the prosperity of the country; they merely indicate the volume of international trade. India has got nature's gift, and it is a big country and is capable of producing any kind of raw material that we may require. So the policy for India should be something else. Sir, the country is not naturally poor. Poor are the people, and the Government want to keep the people poor. India has got natural resources. It is a big country, and its policy should be towards self-sufficiency and not towards the development of the international trade. So the Indian Finance Member's policy should be to see that these customs are replaced by internal excises. But in order to get internal excises, he must try to develop industries.

The Honourable Sir James Grigg (Finance Member): They kick up a row if we put excises on sugar.

Mr. Brojendra Narayan Chaudhury: What about the cotton industry? As a "parting kick"—and these are not my own words, they are the words of Acharya P. C. Ray—we know him better thus than as Sir P. C. Ray, the world-renowned chemist and the man who has made the Bengali people industrially minded, and this is what he said about the proposed increase in the duty on raw cotton:

"The imports of foreign piece-goods into Bengal increased enormously in 1938 in comparison with the previous year and the Bengal mills had considerable difficulty in marketing their own products."

Now, Sir, it may not be generally known in this House that the Bengal mills produce the finer cloth which are such a necessity in the damp, hot climate of Bengal. They only produce the finer cloth and these mills are fed mostly by the imported long staple cotton:

"The price of parity of imported cotton is practically the same at different centres of the cotton textile industry in India, while in the case of Indian cotton that is not so owing to the discriminatory freight policy of the Indian Railways. It is due to this fact that the Bengal mills find it worth while to use imported cotton in huge quantities and to specialise in the production of finer goods. The Bombay mills, on the other hand, owing to their proximity to cotton producing districts, tend to confine their production to coarser goods and are even willing to share the market for finer goods with Lancashire."

Then, he says that this is the parting kick of the Honourable the Finance Member in these words:

"The imposition will largely offset the advantages of protection and Bengal will be the hardest hit. . . . I confidently hope that the entire population of Bengal will rise as one man in their protest against this sinister proposal which must be styled as a parting kick from Sir James Grigg."

The Bengal Millowners' Association as well as the Federated Chambers of Commerce have voiced the same feelings. This is one of several instances in which the interests of Lancashire occupy a predominant place. In his opening speech, the Honourable the Finance Member said that he has chosen cotton simply because it is one of the few items in our customs revenue which seems to be growing, and so an additional tariff might not contract the revenue. He further said that he had no particular

intention of benefiting the cotton growers or anything of that kind. That is clear from his speech. It is simply a revenue duty. But I contend that it was his duty to see whether this revenue duty was going to hit hard anybody. Even now he can save the situation by imposing a counter-vailing import duty on piece-goods. This is my earnest request to him if he is prepared to make any changes. It has been the consistent complaint from this side of the House that the Government of India Budget saves the rich at the expense of the poor. I believe it is about 10 years ago that a Bombay Economist wrote a series of articles in the *Young India* to prove by figures that about 60 per cent. of taxes of this country come from the poor and only 40 per cent. from the rich, whereas the proportion is just the reverse in England.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has one minute more to conclude his speech.

Mr. Brojendra Narayan Chaudhury: Sir, the Honourable the Finance Member is not doing anything to protect the indigenous salt industry of Bengal from the onslaught of the foreign salt. We have put questions in this House asking him whether he knows that salt is being sold in Bengal at a price which is lower than the price at which it should be produced in Bengal. His reply was that he knows nothing of the kind. When a supplementary question was asked, he said that he had no *locus standi*. I cannot understand that and it has come to me as a great surprise. Was it real or feint?

Mr. A. Aikman (Bengal: European): Mr. President, in the course of his speech, my Honourable friend, the Finance Member, paid a tribute to the work of his predecessor. I was glad to hear this tribute paid to Sir George Schuster because I believe that his work during a particularly trying and difficult period of office has not perhaps received all the credit that it deserved. It is indeed true, as my Honourable friend, Sir James Grigg, has said, that his predecessor laid those foundations on which the financial structure necessary for the successful inauguration of Provincial Autonomy has been built. I say this without meaning in any way to detract from the credit due to my Honourable friend, the Finance Member, for all he has accomplished during his five years of office. During these last five years the task of the Finance Member of the Government of India has been first and foremost to ensure the introduction of the new scheme of reform on a sound financial basis. The goal as set out in my Honourable friend's first budget has been achieved and I congratulate him wholeheartedly upon that achievement. Sound finance is fundamental to the good government of any country, but it is of particular importance to a huge country, such as this, which has revenues that are all too scanty for the requirements of the people.

At this time too, when we are in the middle of a process of the transfer of control of Government from the Agents of Parliament to Ministers already responsible in the Provincial sphere to Legislatures elected by the people and, shortly, to be similarly responsible at the Centre, a balanced Central budget is of more than usual importance. On this occasion my Honourable friend has had no alternative but to impose some new taxation, but, even so, it must in fairness be placed to his credit that on balance he has slightly reduced taxation during his five years of office. When it is remembered that he has done this in spite of having

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made considerable subventions to various Provincial Governments, in spite of having handed over 62½ per cent. of the proceeds of the Jute Export duties, in spite of having been deprived of other revenue by reason of the separation of Burma, and in spite also of having had to finance prolonged operations in Waziristan, the achievement is all the more noteworthy.

When he spoke of Customs Revenue, my Honourable friend seemed to take the view that the outlook is somewhat better than had seemed possible a month or two ago. I am inclined to agree, but it remains the view of my Group that the revenue position under this head cannot be said to be really sound so long as the emergency surcharges on import duties remain. This is a point of view that has been pressed by my Group on more than one occasion. Customs Revenue forms the largest single source of Central taxation and it seems to us that the tendency must be for revenue under this head to show little improvement, if indeed it does not show a positive decline due to the fact that many revenue duties have today reached the level where the law of diminishing return tends to operate. I need hardly say, of course, that I am not here speaking of protective duties imposed for the encouragement of important indigenous industries. I am speaking solely of the duties that are imposed for purposes of revenue and which fall for the most part as a direct burden on very much the same classes as contribute the great bulk of Central taxation and a very substantial proportion of Provincial taxation. From whatever angle this problem may be viewed, it must, I think, be recognised that the margin of taxable capacity today is dangerously small. At this point, Sir, I should like to refer briefly to the complementary aspect of Central and Provincial taxation.

As I understand the scheme of Provincial Autonomy and the financial aspect of the Federal scheme outlined in the Government of India Act, 1935, the separation of Central and Provincial tax sources, though designed to give all reasonable latitude to Provincial Governments, was not intended to permit of the Central and Provincial Governments each going their own sweet ways. In the last resort both are putting their hands, one might say, into substantially the same till. It is in fact obvious that unless a nice balance is maintained between the finance policies of Central and Provincial Governments, serious consequences must ensue. Taxation will increase with its consequent added burden to industry, trade and agriculture. In every Federation, at some time or other, a similar problem has presented itself and has, in some cases, led to disastrous results. The most recent as well as the most significant example is perhaps that of Australia, but anyone with even a slight knowledge of American conditions can also learn a lesson from that country.

Closely related to the matter I have just dealt with—one might almost say in fact, rising from it—is the danger of encroachment—or shall I say overlapping—by Provincial Governments on the field of Central taxation. My Honourable friend himself referred to this when he made reference to the recent opinion of the Federal Court. But, Sir, this is not the only example. We have a much more glaring one in the proposals now before the Legislature of an important Province. It is not, of course, for me to comment upon these proposals, nor do I intend to do so. Leaving

aside altogether the legal conflict between Central and Provincial Governments that arises at once in a case of this kind and which, of course, is a matter for the Federal Court to resolve, there is the very real danger both to the financial structure of the Federation as a whole and to industrial and commercial development.

This House has constantly pressed upon the Government of India the importance of the industrial development of India and I have no doubt that from this point of view, if for no other reason, Honourable Members will keep a jealous watch both now and in the future of any threat of encroachment upon the field of Central taxation. I have no doubt too that Provincial Governments which are pursuing a policy of financial rectitude will equally jealously watch encroachments by their more profligate neighbours on the Central Revenues. It is indeed obvious that if this tendency is not promptly checked and actively resisted the ultimate result must be to place the Central Government in a position in which it will be unable to continue the contributions now being made to Provincial Governments. The most obvious case, of course, is that of Income-tax. If this important source of Central taxation is to be attacked in the manner now threatened, the result must be to jeopardise the share in this tax that now goes to the Provinces. It can be argued and in fact has been argued in some quarters, that a very good case could have been made out for a reduction in tax rather than for the continuance of existing rates with a view to maintain subventions to the Provinces. The Government of India has chosen a different course and has retained the existing rates to enable them to distribute part of the proceeds to the Provinces at the expense of the already sorely burdened taxpayer.

I suggest, however, that opposition to encroachment on the Central field is not of itself enough. The Government of India have also got a constructive part to play and it is to be hoped that in future we shall see more frequent conferences between the Central and Provincial Finance Ministers. This, however, is clearly a matter for my Honourable friend's successor, and I have no doubt that already this question is engaging the attention of Government.

This brings me to my Honourable friend's proposals in regard to new taxation. He proposes to double the duty on the imports of raw cotton. He also proposes so to amend the Sugar Excise Duty Act, 1934, as to ensure that the excise on *Khandsari* sugar manufactured in factories pays an excise on a more equitable basis than has been the case hitherto. We shall deal fully with our attitude towards these proposals as also our attitude towards the new rates of income and super-tax at a later stage when the Finance Bill comes up for consideration.

There are various features of expenditure in the Defence Services with which we cannot help but express our dissatisfaction although we recognise them to have been dictated by financial requirements. It appears to us that the net increase of Rs. 1 crore in the estimates under this head for 1938-39 was only kept so low at the expense of much needed and long-overdue reorganisation and re-equipment.

Then, when we turn to the Budget Estimate for this head of expenditure, we find that it has been possible to keep the figure so low as Rs. 48.15 lakhs, only by taking into consideration the receipt of the addition of £500,000 to the Garran contribution, and by drawing on Military Sinking Funds to the extent of nearly one crore of which Rs. 49 lakhs has been used for purposes other than those for which they were set up.

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Now can we hear with equanimity my Honourable friend's statement that the sums allocated to the Defence Services have been determined by financial exigencies and have not corresponded with military necessities or the international situation. On the other hand, if we are asked to suggest a remedy for this situation, we find ourselves expressing the same hope as that expressed by my Honourable friend, namely, that the decisions of His Majesty's Government on the Report of the Chatfield Committee will result in further substantial sums becoming available. Whilst unable to agree with these critics who consider that the present level of expenditure on the Defence Services is too high we are strongly of the opinion that India cannot afford more than she is at present spending.

If, however, the prophecies of some of the critics of this budget are correct and a large surplus arises, I trust it will be utilized in making up some of the deficiencies in Defence Services due to the exigencies of the financial position. No comment on the year's operations would be complete without a reference to the advantage which has accrued to the country's finance as a result of the successful issue of the new three per cent. 1963-65 stock at 98 which enable much of the expensive 1938-40 and 1939-40 loans to be repaid. It is to be hoped that this very comfortable ways and means position will be maintained and that a further saving in interest charges will be possible by the replacement of the five per cent. 1939-40 loan by an issue at advantageous rates.

Finally, I come to my Honourable friend's analysis of the trade situation, namely, that the present depression will not be so prolonged as the last and should, in the ordinary course, give way to a general trade revival. I sincerely hope that this analysis is correct and I agree that there are signs pointing in this direction. The economic outlook, however, must, to a very large extent, depend on political factors and, as my Honourable friend observed, these present many menacing features both in India and elsewhere. Therefore, whilst supporting his appeal for reconciliation—and I heartily endorse his avoidance of the word appeasement—I would add that the menacing features of the political outlook present the strongest reason why unceasing efforts should be made by the Government of India to place their finances on such a basis as would leave more room than at present exists for expansion in cases of emergency.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa : Muhammadan): Sir, I must confess that the budget, in the circumstances, is probably the most practical of its kind. The Congress Group styled it as featureless and dull and as one which does not reveal financial position very well. By no means it is an ideal budget. But probably it does not lie in the mouth of the Congress Group to assert it as "a parting kick" as one Honourable Member used that phrase just now. Is anybody being hit by it? A few years' experience in the provinces have taught us bitter lessons of what the Congress financiers were doing. They have done nothing except imposing direct and indirect taxes in the provinces. Speaking of Bihar, I know that they have introduced agricultural income-tax and a few other taxes are being contemplated, and some are pending the decision of the Federal Court regarding the rights and limits of the provinces to encroach upon the Central Revenues in the matter of taxation. We had big expectations about the provincial budgets after the introduction of Provincial Autonomy. It was claimed, times

without number by the Congress Party, that our nationals will give relief to the people in the matter of taxation but a few years' experiences have taught us to expect only a few more items of taxation in addition to what we already had.

Sir, I will not indulge in congratulations to Sir James Grigg on the eve of his departure but I can certainly say without fear of any substantial contradiction that if a stock-taking is done of the five years of Sir James Grigg's regime it will reveal that he has handled the finances of this country with accuracy, strength and expert experience. As Sir Ziauddin said yesterday, the taxes imposed by Sir George Schuster were far greater in volume than what Sir James Grigg did, in spite of the fact that Sir James Grigg did not have quite a nice time. The financial crisis was there and trade conditions were bad enough and showed no such improvement as would enable him to give some relief to the country. The Congress Party has indulged in criticism but perhaps they never produced a parallel budget to give the Finance Member and the country a right lead. I agree that there should be lesser taxation and greater relief to the people and from that point of view we would have liked to see certain things in the budget like the half-anna or quarter-anna postcard, etc. If this has not been possible I would not blame the Finance Member only but would attribute same also to certain conditions of trade which gave him no chance to meet the demands of the people.

Sir, there have been a lot of comments on the Income-tax Act and I was one of those who made comments on the different features of the Income-tax Bill. But there can be no doubt that the slab system and the carry-forward of losses are very great features which have done and will do great good to the assesseees. The Finance Member's system of excise duties on industries have never been so high as to cripple the industries, and I think the proposal to tax foreign cotton will surely improve the position of Indian cotton agriculture. We have been crying for quotas for selling our cotton to Japan, Manchester and other parts of Europe; and why should the Indian mills be allowed to import foreign cotton for making fine or finer cloths? Why should not they adjust themselves to the conditions of this country and the requirements of the agriculturists? It is a tragedy that compulsory nationalism has to be taught to them and they are to be compelled to use Indian cotton as against foreign cotton. I wish the Finance Member had put even bigger duty on foreign cotton or prohibited their import altogether so that compulsory nationalism would have been revealed in a greater degree. These mills have not been working on national lines and they have been more of the nature of personal enterprises of a few individuals than national undertakings.

Now, Sir, I do not know whether I shall be in order but I want to point out that with regard to appointments in the services Muslims feel that they should be under a central board. In the Finance Department of the Government of India, the appointments from the Muslim point of view have not been satisfactory. I have not got figures now for this Department, but I will give them when I speak on the cut motion which my Party proposes to move on general paucity of Muslims in Services under the Central Government. Speaking generally on the budget, I think it will do good to the people and it has been the best possible in the circumstances. As regards suggestions I will make them at the time of the cut motions so that the Finance Member's successor may at least give some suggestive value when preparing the next budget.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): Sir, I readily join with other Honourable Members who have offered their tribute of praise and congratulations to the Honourable the Finance Member for the budget that he has presented to the House. To have accomplished this with a surplus, he hopes to get, of about five lakhs is, to say the least, very creditable indeed. I was talking to some one the other day and he said that it was a very light budget. I did not quite understand his reference to the lightness of a budget. So I replied, "Brains are a very heavy commodity and are usually very heavily taxed". He said, "Quite so but not so when brains are replaced by cotton." Sir, this cotton taxaion has been the saviour of the Finance Member this year and I must say that in doing so he has apparently pleased the majority of Members of this House. The Finance Member has taken great credit for the economies he has effected in the reduction of the civil estimates of a crore and 18 lakhs. It will be very interesting indeed to know from the Finance Member in what way the staff have suffered in the accomplishment of this economy. Economy and efficiency I know are very strange bed-fellows and it often happens that economy is achieved at the expense of efficiency. And when one looks about, as I do in my public life, on those who are the tillers of the soil and those employees who work long beyond office hours, I feel sure that this saving has been effected by the sweated labour of a reduced staff, on reduced salaries—a staff that really is responsible for the upkeep of the administration of this Government.

Sir, it is truly tragic when one reflects on the amount of work these subordinates have today to perform, the poignancy of which situation is accentuated when one realises pauper's wages offered to them. Instead of reducing one should at once increase these wages. In England wages have gone up, while in this country cheap traffic is being made of the poverty of India at the expense of the workmen and to be able to balance the Budget. Workmen are expected to accept jobs on salaries that can hardly keep body and soul together. And of this saving of the greater part of this Rs. 118 lakhs has been obtained by cutting down the salaries of subordinates. To say the least of it, it is unworthy of any Government. I know that there are some departments that are very heavily worked and under-paid—like the postal department. I think my Honourable friend, the Director General of Posts and Telegraphs, sitting over there, will bear me out when I say that if there is one subordinate who stays behind in the office beyond office working hours, it is the post office clerk. To finish their daily task they have to sweat and sweat and sweat long after other offices are closed—and receive pauper's wages. I call this sweated efficiency and dishonest economy. I know that economy is the order of the day in the Government of India but it can be carried too far and I think the Government of India is carrying it too far today. They are trying to make up for their financial profligacy of the past and the man who suffers today is the worker. I would earnestly and sincerely request the Honourable Member to put a stop to this riot of balancing his annual budgets and not to take such pride as he evinces in how he accomplishes such economies. In his speech he admits he accomplished it by (1) ruthless excise-ment of all new schemes, (2) by restricting officiating promotions and the recruitment of outsiders (although railways are recruiting 30 to 40 per cent. of outsiders, (3) by a cut of ten per cent. in travelling allowances and contingencies, and (4) by retaining not more than the minimum staff required. This action has been taken with a view to effecting an economy of Rs. 118 lakhs, but who suffers? The workman, not the Heads of the

Departments and certainly not the Finance Member. I repeat the workman suffers and in the name of the workman I offer the very strongest protest against what is being done because I know that as a result of this sweat labour the health of the workman is suffering today: they are being slave driven to perform their work and more work than before with reduced staffs and pauper's wages; particularly is this the case in the railways and in the posts and telegraphs.

There is another important matter to which I wish to refer—I do not know who will answer on behalf of Government—and it is this: what precautions are being taken against the importation of yellow fever into India? There is a constant danger of this dread disease being introduced into this country. I know certain measures are being taken, but I wonder whether those measures are adequate. The dangers are increasing year by year and I want to draw the Honourable Member's attention to this and to expedite measures.

I now come to what I consider to be the most important part of the budget outside cotton, and that is the Defence Department. We are all awaiting with interest the report of the Chatfield Committee which, I believe, has been presented and is being considered both by His Majesty's Government and the Government of India. Sir, I am not one of those who believes that the time has come when the army in India should be reduced by a single British or Indian man or a single weapon. I think the times are too troublesome for any reduction of the Army to be effected. But one would like to know, with less secrecy, what is being done for the creation of an Indian Air Force and the air defence of this country. Our Ambit of Exposure by land and sea to foreign aggression is getting narrower and narrower every year which, in turn, demands greater measure of defence. The Government of India, in their chase to balance their budgets, are putting off year after year what should have been done long long ago, *i.e.*, the formation of an Indian Air Force for India and an adequate Naval Defence Force; it is no use blinking our eyes to this fact, this national blunder, this state of utter unpreparedness and it is no excuse to postpone the day by saying that the creation of an air force is far too costly and that each student will cost us about £4,000—I believe that this House will, irrespective of this high cost, readily grant any amount for starting an air force in this country and I think the same remark would apply to the navy. I ask, has anything been done at all to encourage gliding? I have a keen supporter of gliding sitting next to me—I believe he has recently been honoured with the "order of the sky terriers". The increase of the Indian Navy also deserves the very serious consideration of the Army Department. I know attempts are being made, every year, to increase the Indian personnel, but it is being done very slowly. If England is going to honour her promise which she made to India in the Defence Sub-Committee of which I was a member, at the first Round Table Conference, I think it is time that she made a beginning now and not put it off, year after year, except in dribblets. I think we should be given the nucleus of an Indian Air Force and a bigger navy more as has so often been demanded by this Legislature, but based, of course, on efficiency.

There are certain other points in the Defence Department with which I wish to deal. It is a hardy annual with me, but it like truth bears annual reiteration. My criticisms are, I consider to be, an undeniable

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measure of economy. I refer the Military medical services. Tremendous economies can be effected in the Army Medical Department if the Assembly were prepared to look it in the light of present day demands. Let me take the official cadre of Royal Army Medical Corps. This corps consists mainly of Majors and Lieut.-Colonels with a sprinkling of Captains and Lieutenants. The reason given is that Government cannot get young medical officers to come out to this country. In any case I ask: why should the taxpayer of this country be made to pay the high salaries of these Majors for work that can and should be done by Captains and Lieutenants? That is a matter that should be inquired into. If you cannot get men from England, why should you not recruit in India itself? There is no use denying the fact that this expenditure can and should be avoided. There is another point: I refer to the R. A. M. C. (Ranks). I have frequently brought up this point. These R. A. M. C. (Ranks) are soldiers who are trained as male nurses. I ask why do you want soldiers trained as male nurses when you entertain a large and very efficient body of trained lady nurses recruited from England and give them salaries four and five times what they would and do get in England? These English trained Army nurses come here on a salary of £300 a year, while the highest salary they get in England is probably from £60 to the most £100 a year. It is all very well to say that you must have British nurses for British soldiers, that the British Army comes to this country under certain terms of contract entered into by the Government of India with the War Office in England. British medical officers or medical men registered in the United Kingdom are an admitted demand, but I have never seen nor heard of any term in this contract to the effect that you must provide the British Army in India with white British nurses to give white (Indian) milk to a white British soldier. This is not only utter folly but ridiculous and I say that with all seriousness. It is no use denying the fact that in this country we have good nursing material but you will not give them proper pay. You treat lady nurses, trained in India, as inferiors. Why? I say we have in this country nurses who are very well qualified to do this work and I would again earnestly appeal to the Secretary, Defence Department, to give these nurses a trial.

I now come to the Indian Medical Service. This House remembers how a little while ago it was almost stunned by the recent reorganization of the Indian Medical Service as far as the Civil Medical Department was concerned. I will not refer in detail to this just now, it can be better dealt with in the Finance Bill. Bad as this was I understand it will soon be made worse. The Indian Medical Service in India on the 1st April, 1938, contained 115 Indians in Civil employment: the new order I hear is reducing this number to 54. My figures are open to correction. If this should happen the decrease will be 61. The number of British I. M. S. officers in Civil employment at the same date was 166 in India and 30 in Burma. The British officer who comes out in the I. M. S. receives a higher pay mainly by being given the Lee concessions, or as we have come to call it in this country "the Lee Loot".

Now, Sir, these British officers come to India for a certain time, they have the option of leaving the service after a few years when they are given a gratuity which enables them to purchase a decent practice in England, but no such thing is given to Indian officers of the I. M. S. Not

only that, Sir, there are other **marked** differences in the treatment given to British Officers and Indian officers in the I. M. S. The reservation of all important civil stations in this country to British I. M. S. officers is what I consider to be not only an insult to India, but an insult to the intelligence of every Member of this House, and I speak with great feeling on this matter having once had the honour of belonging to the I. M. S. I remember, in my service days, all the fat (lucrative) jobs were given to those who came out from England and those who were recruited in this country were relegated to the villages or smaller civil surgeoncies. Today it is practically the same. Is this justice? Is this difference in jobs between the sheep and the goats, between the Britisher and the Indian and Anglo-Indian to be found in any other Department in the Government of India, indeed, in the British Empire? Certainly not. Why in India only? When a man is sick, he does not want to know the colour of the skin of the doctor who is treating him or whether he is British or Indian; he wants to know what is in the head of that doctor, the quality of his brains where, thank God, no colour distinction exists. He judges the doctor according to his skill and experience. He cares not if his skin is white, brown or black. None will deny that there are just as able and efficient medical men in India as in England. Efficiency is not the perquisite of any man whether he is from England or from India—whether he be bald or pie-bald, nor is the colour of his skin the criterion of a doctor's efficiency.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has got only one minute more.

Lieut.-Colonel Sir Henry Gidney: These are points to which I should like the Defence Department to give their immediate attention. If time permitted I should like to say something about the newly created Sandhurst Committee as also the Board of Central Revenue and its anti-smuggling activities in South India, etc., but I must defer these matters to the Finance Bill.

Sir, I cannot conclude my remarks without observing that in these general discussions it is very unfortunate that the Honourable the Finance Member alone replies, because, however able, however clever, he may be in balancing his figures—of course, I don't mean his own figure, he cannot be expected to know about or to reply to all the points we discuss. I, therefore, opine other Members, more conversant with these points, should be allowed to reply, otherwise, our criticisms are rendered useless and fall on deaf ears. Sir, I now desire to say a word or two about McCluskigunj, the Anglo-Indian Colony and my request for financial help. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

Lieut.-Colonel Sir Henry Gidney: I have finished, Sir.

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): Mr. President, I am not one of those who frequently stand up on the floor of the House, partly because I feel that speeches made in this House are abortive, and partly also because no serious consideration is given to our views expressed on this side of the House, however cogent or reasonable the arguments may be. But today I rise to speak, because I feel that this is perhaps the last occasion when we can meet the Honourable the Finance Member in this

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House as he has presented his last budget, but I may say that he is leaving behind him a very bad legacy to his successor. Sir, it has been said, times without number on the floor of the House, that economy should be practised to the utmost extent possible and that taxation should also be reduced considerably, but so far none of these demands have been met by the Treasury Benches. So far as this year is concerned, we are considerably handicapped by the fact that in the current year's budget nearly 50 per cent. or more of the revenue is reserved as non-votable, and there is hardly any scope for us to ask the Government to enforce economy. This is a fact well-known to every one of us, but still we venture to express our opinion in the hope that our constant hammering on certain points might, some day, bring some good results, but so far the Treasury Benches have been completely callous to the demands made from this side of the House, because, Sir, if you take into account the number of suggestions made from this side and if you also take into account the sum total of the results achieved so far, you will find that they have done little or nothing to give effect to our suggestions or Resolutions which were unanimously passed by this House.

Now, Sir, a few days ago, I heard a rumour, and certainly it reached me from a source on which I could safely rely, to the effect that there has been some jugglery with the figures in the Finance Department, with the result that some serious blunders and mistakes have been made in the framing of the current year's budget, and that because of these mistakes in the budget the deficit has resulted in the current year's budget. I tried to find out the source of this rumour, but I did not succeed in getting it. However, I got a newspaper cutting which, unfortunately, is not in my possession just now. . . .

The Honourable Sir James Grigg: The Honourable Member is perhaps talking about what appeared in a certain newspaper. That ridiculous story has been denied over and over again, and he need not bother about repeating it.

Mr. D. K. Lahiri Chaudhury: I do not think the Finance Department has taken any objection to the article which appeared in a Lahore paper.

The Honourable Sir James Grigg: It has been publicly contradicted.

Mr. D. K. Lahiri Chaudhury: May I ask you, Sir, when it was publicly contradicted?

The Honourable Sir James Grigg: I will look it up if the Honourable Member wants to know it.

Mr. D. K. Lahiri Chaudhury: I shall be only too glad to get that contradiction if I can get it. But, however, the fact remains that there is a very big deficit in the Customs Department, and in his explanatory memorandum the Honourable the Finance Member has confirmed it. The Honourable the Finance Member also said in his opening speech that it is very difficult to make a prophecy on Indian. . . .

The Honourable Sir James Grigg: It is difficult to prophesy, but I can assure the Honourable Member that the Finance Department do not make a habit of sticking on unnecessary noughts. . . .

Mr. D. K. Lahiri Chandhury: Why can't the Finance Department make a proper prophecy regarding the true budgetary position? If the Finance Member cannot make a correct estimate of the revenue and expenditure for the coming year, it shows that he is not sure in his own mind about the exact position. May I know, Sir, why there has been such a tremendous fall in the customs? Evidently, the Honourable the Finance Member has not gone to the root of the matter. He has merely given a list of the items under which there has been a heavy fall in revenue. Not only that, Sir, but I feel that there has been some under-estimating in the revenue in respect of the Post and Telegraph Department, but I shall come to it later. I cannot understand why there has been such a big fall in the revenues of the Post and Telegraph Department. Over and above this, Sir, the Honourable the Finance Member has increased the military budget by about a crore of rupees. Is it not possible to reduce this amount of military expenditure to a much smaller figure? I think if Government really are bent upon economy, they can certainly find out ways and means for doing it. Every time when there is a deficit in the budget, there is also fresh taxation imposed in order to get the budget balanced. Sir, I submit it is absolutely a wrong way of dealing with the budget. This is not a matter for laughing, because if you want a balanced Budget in this country, you must adopt certain definite principles. Not very long ago, Sir, I remember when the currency question was taken up on this side of the House, the Honourable Member said that we were monkeying with the ratio. Sir, I well remember that in the year 1927 when the ratio controversy was going on on the floor of this House it was clearly pointed out by non-official Members that by adopting the policy which Government have adopted, in this ratio question, the Indian exchequer would be made bankrupt, but no attention has been paid to our criticisms, and I think, Sir, that a thorough overhauling is required so as to make the financial position quite stable.

Now, Sir, I come to the Post and Telegraph Department. This year, the budget in respect of this Department has been presented in such a way that the figures look very illusive. For instance, as I have already mentioned, the surplus on the postal side is only one lakh. But I can say this that this is a wrong calculation for I learn that the Empire air mail rate is so low that the deficit is really due to it. I have got the figures here and I shall give them. As regards the financial position of the Department, it appears to me that the introduction of Empire Mail has taxed the funds of the Department to a great extent. In the year under review, a sum of Rs. 7,27,000 has been provided in the budget as contribution for Empire Air Mail Scheme, against Rs. 61,275 in the year 1937-38. Had not this fund been provided in the budget, the profit of the department would have come to the extent of nearly seven lakhs, if not more. It is a glaring fact that to send by air mail within India it takes three annas 6 pies whereas, if you send a letter by air mail to England, the rate is two annas six pies against 7 annas 6 pies originally introduced. If you want to send by air mail from here to Burma it is more expensive than if you send from here to England. A short while ago my Honourable friend, Mr. Brojendra Narayan Chandhury, said that the budget is laid down not in the interests of this country but in those of the British people. He is correct when he said that.

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One thing has to be remembered that the postal rates between England and India is divided fifty fifty. But the parcels which are received from England—the British exchequer does not derive any benefit from it. In the matter of postal stamps the income is divided fifty fifty.

Mr. G. V. Bewoor (Director General, Posts and Telegraphs): That is not so. Each country keeps the postage on its own letters.

Mr. D. K. Lahiri Chaudhury: It is true, but what about the income? So far as my information goes,—speaking subject to correction—the income which is derived out of postal stamps in India which are sent to England. .

An Honourable Member: It is kept here.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more to finish his speech.

Mr. D. K. Lahiri Chaudhury: The stamps which are sent from England—is not the figure fifty fifty?

Mr. G. V. Bewoor: It is kept in England.

Mr. D. K. Lahiri Chaudhury: What about parcels?

Mr. G. V. Bewoor: Parcel postage is shared between the different countries.

Mr. D. K. Lahiri Chaudhury: And what is the share of India?

Mr. G. V. Bewoor: It varies according to the weight.

Mr. D. K. Lahiri Chaudhury: I take the Honourable Member's statement to be correct at the present moment, but I will prove on another occasion that there is certainly some difference in the postal stamps and parcels. It is a matter for consideration that the air mail rates should be increased to balance the postal budget because there you have actually a loss and that loss can be made up by increasing the air mail rate. Another point is that the Government of India used to give subsidies to the P. and O. Company for carrying the mails, but though the amount of mails has been reduced to a considerable extent, still the subsidy is the same. The Honourable Member must reduce the subsidy given to the P. and O., in view of the fact that the mails that they carry are very much less in amount. Sir, I have done.

Mr. President (The Honourable Sir Abdur Rahim): Before the Chair calls upon the next speaker to address the House, the Chair desires to mention that its attention has been drawn to the fact that the last speaker was not addressing the House from his seat. If the Chair was then conscious of that, the Chair would not have called on him to speak at all.

Mr. D. K. Lahiri Chaudhury: May I submit that on many occasions you have allowed some Members to come to the front Benches to address the House?

Mr. President (The Honourable Sir Abdur Rahim): If that was so, the Chair is not aware of the fact. The Chair pointed this out only the other day.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): This is the last budget of the Finance Member and it is, I think, very unkind, when we know that he is going to leave us very soon, to say any ungracious words about him and not to give him the credit which is his due, at least on this occasion. He has said that he was not going to review his work of the past four years and he has mostly concerned himself with his present budget. I think we should confine ourselves also to this year's budget and judge impartially what he has done. I feel that my Honourable friend deserves the congratulations of this House for placing before us a budget which is very, very satisfactory, and which does not propose any new taxation of the kind which would be resented by popular sentiment or which would be against the interests of India. The little change which he has brought about in the customs duty on cotton, will, instead of going against the interests of India, help India to the greatest extent. I do not agree with those Honourable Members who say that it is entirely in the interests of Lancashire or will operate against the interests of India. It may help Lancashire, but we should not grudge it. Because some other persons also may benefit by a duty by which we are going to be benefited, it does not mean that we should not allow India to benefit by the duty that is proposed to be imposed. That would be acting in the spirit of the worst kind of miser. There has been a movement for a very long time that Indian *khaddar* or goods made in India should be used. The necessary corollary is that they should be made of material which is grown in India. If the mills make their goods out of cotton which is imported from outside, then I do not see what is the difference between Lancashire and the mills which manufacture those goods here.

An Honourable Member: What about labour?

Sir Muhammad Yamin Khan: At least I would prefer to purchase the cheapest ones. My Honourable friend has interjected what about labour? Certainly labour will be benefited to a certain extent. But what about the consumer who is losing? At the expense of the poor consumer the poor labourer is to gain, so, that is nothing, no gain. The poor consumer will gain to some extent by purchasing a cloth which is cheaper, if that cloth and the cloth which is made in India are made from material which is grown outside India, and he would be perfectly justified in doing so. I want that the cotton grown in this country should be helped to such an extent that even the most unpatriotic millowners who shout the loudest be forced to use only the cotton grown in India. I think these people do not have the interest of the Indian consumers. Their only idea is to fill their own pockets and they do not deserve any sympathy from this House. I welcome this duty. It will help the poor consumer, because he will have to pay the same thing in spite of this rise in customs duty, as he is accustomed to pay on account of the competition and the big mill owners will lose a little bit more which they used to spend on their luxury. India's gain or loss is not to be counted in this way. The only gain will be that an impetus will be given to the cotton grower in India to grow more cotton and to grow more long staple cotton. Therefore, every well-wisher of India, excluding those who talk in the name of India but who have really their own interests in mind, will welcome this duty.

[Sir Muhammad Yamin Khan.]

It is a matter for great satisfaction that the Honourable the Finance Member has reduced the duty on the *Khandsari* sugar. That was the point that was taken up by us when this duty was introduced that it will hit hard the manufacturers of this kind of sugar and will not bring so much benefit to the exchequer as was contemplated at that time and I am glad that the figures have shown and have justified what we placed before the Finance Member at that time and I must congratulate him on the fact that he has seen fit to reduce this duty in the interests of the petty manufacturers of this kind of sugar in such a way, that it may bring encouragement to those dealers and not bring them into competition with the mill made sugar. These two features are very important and cannot be ignored.

The next feature is the slab system of income-tax. We have had many talks about it and I do not think I would be justified at this stage to go on enumerating that the slab system will bring great relief to the poor income-tax payers and those drawing higher incomes will be hit a little more. I do not think that it will be the position that they cannot meet the extra burdens which they are asked to shoulder. Now, Sir, the Government of India gives help to the different provinces from the income which is really derived from Central sources and if we give this additional income to the Provincial Governments, they must act properly and they should not get that money if they are not acting properly. I do not want to criticise their actions in detail. It would not be in order to do so but I will say one thing of a general nature that in several provinces the Governments have failed to keep law and order as it used to be kept. In my own province, there is communal riot in every town since the present Government assumed charge.

Mr. M. Asaf Ali (Delhi: General): On a point of order. Reference is being made to the condition of law and order in the provinces. I wonder if this is in order.

Mr. President (The Honourable Sir Abdur Rahim): The Chair does not think the Honourable Member is justified in criticising the Government of the Provinces. The government of the Provinces is not before the House now.

Sir Muhammad Yamin Khan: I myself said that I will not be in order if I referred to it in detail. I said I will only make a general observation.

We should not give any help to provinces where the Governments have failed to do their duty. If the provinces are not keeping order, which is their primary duty, they should not get any help from the Centre. I think that these provinces which have failed to discharge their duties in respect of the minority communities are the provinces which have failed to carry out their primary duty which the Government of India Act lays upon them.

Mr. M. Asaf Ali: I am afraid Bengal will come in.

Sir Muhammad Yamin Khan: I do not mind what the province is, whether it is Bengal or the United Provinces or the Central Provinces or Orissa or any other province. If they fail to discharge their duty, then they should not get any financial help from the Centre.

Mr. M. Asaf Ali: It is a dangerous principle that you are propounding.

Sir Muhammad Yamin Khan: It may be dangerous from the point of view of Mr. Asaf Ali but from my point of view it is the only force which we can exert to make these provinces act properly.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has got two minutes more.

Sir Muhammad Yamin Khan: There is only one point to which I shall refer and I want a reply from the Honourable Member in charge of the Posts and Telegraphs Department. Certain Governments have interfered in the matter of sending telegrams which were handed over to them, even when they were addressed to high dignitaries like the Viceroy. Some officials who are subordinate to the Provincial Governments have detained those telegrams, I want to know whether it is justifiable or not and my observations in that respect on the Finance Bill will depend entirely on the reply which I get from the Honourable Member.

Mr. G. V. Bewoor: If the Honourable Member will give me details, I shall have the matter looked into. I cannot say off-hand.

Sir Muhammad Yamin Khan: I have given notice of questions. That is why I say I am waiting for a reply to my questions. I want to hear the other side too. I would like that new methods should be invented, which the ingenuity of the people can devise, to force the Governments, in different ways, to act properly. With these words I congratulate my friend, the Finance Member, again and wish him bon voyage. With these words, I finish my speech.

Mr. Suryya Kumar Som (Dacca Division: Non-Muhammadian Rural):

Sir, I have heard observations made by many Honourable
1 P. M. Members that the present budget is a stale and uneventful one, but I find that this is a very eventful budget in the last parting kick of Sir James Grigg and I will now proceed to justify my observations. Throughout the budget I do not find that any consideration has been shown for the ordinary people and the cultivators and the masses, and this budget can be styled, if I may so style it, as a "Rolls-Royce Budget." If any good has been done, it has been done to the capitalist and the big concerns, whereas our poor *khandsari* producer in the village, who is really a cultivator and who grows cane and produces sugar by the *khand-sari* process, even that fellow has been hit hard. Now, first of all, I find that a great protection has been given to Lancashire. Sir, I am surprised to see that Members from Sind and from the Punjab, because they are trying to grow long-staple cotton

An Honourable Member: They *are* growing it.

Mr. Suryya Kumar Som: should think that it is their interest which has been served, and I find that a parochial tendency has been developed by the hint made by the Finance Member that it will go towards increasing the production of long-staple cotton. But what are the facts? I have taken statistics from the Agricultural Office and I find that from 1924 up to this time the Central Cotton Committee tried to give an impetus

[Mr. Suryya Kumar Som.]

to the long-staple cotton but within these fourteen years the production of the long-staple cotton has not come up even to two thousand bales, whereas, we find from the Finance Member's Budget speech that about seven lakhs of bales of long-staple cotton come from America, Uganda, Egypt and many other places. As against that, I find that only two thousand bales have been produced in India during these fourteen years.

An Honourable Member: They will be produced now.

Mr. Suryya Kumar Som: But what have they been doing these fourteen years? Sir, the introduction of a new agriculture in a big country like India is not a question of magic. Even if it succeeds, it must take about a decade to establish a new agricultural crop in a place like India, and I have shown that within these fourteen years India could not produce more than two thousand bales of long-staple cotton. Even if we assume for the sake of argument that it may give some impetus to the production of long-staple cotton, which I think means cotton from counts fifty to two-hundred and fifty, I am told by cotton experts that the long-staple cotton, which is being produced in India now, does not come to more than forty to fifty counts and that it is much worse than the American and Egyptian cotton, which latter cannot be replaced by at least the present long-staple cotton produced in India. And if it does in time, what I want to put before the Finance Member is that this may come to maturity only in a decade. So, now to give this protective duty to Lancashire at once will certainly hit the big mills which have only very recently been trying to specialise in the production of the finer counts of cloth. And, if the Finance Member is *bona fide*—that is, that he puts this tax *only* to encourage the production of long-staple cotton in India—then we should expect from him some measure to put in a countervailing duty on the Lancashire and Japanese cloth because of the protection to them which he grants by this imposition. That would be the proper thing. That would not hit the mills but would benefit the cultivators, but that he has not done. Now, I submit, that this suggestion is one made in order to divert attention from the real issue. It is really a deliberate attempt to give some relief to Lancashire which Lancashire has been trying to get for the last two years from India and failed to get. Sir, let us be plain. Now, why do you play this sort of magic before this House? You say that it is your intention to do something for the poor mass and you are sorry about the poor mass and the cultivators. Are you sincere?

The Honourable Sir James Grigg: I am more sincere than you are.

Mr. Suryya Kumar Som: So, I submit, that this increase of duty on the foreign long-staple cotton will severely interfere with the big mills and handicap them.

The Honourable Sir James Grigg: I understand the Honourable Member says that for one thing the Indian mills have brought about the import of a large amount of foreign cotton. Have I misunderstood him?

Mr. Suryya Kumar Som: I say it is helping Manchester, in this way. They will be able to purchase this long-staple cotton at a lesser price than the Indian mill will have to pay; and when they produce cloth, the difference of this will be counted on the cloth. You have gone about in a very

careful and, in fact, in a very round-about way so that it is very difficult to find out your intention. The gentlemen, though they have nothing to do with the production of cotton, are sitting there in Lancashire and producing cloth, but here, indirectly, very very carefully you have so planned your machinery that some of my friends in the Punjab and in Sind have been captured by that, by your saying that it will go towards improving their cotton cultivation, and in that way many cheers are raised to Sir James Grigg, but as a matter of fact let us be plain. I am not now going to argue whether Manchester, under the present circumstances, is entitled to some protection from India or not. That is quite a different question. The Indian people will take that into consideration provided that it does not affect that industry very much. Let us be plain and frank. Then I come to the poor cultivators, for whom nothing but "love" was in the mouth of Sir James Grigg, that is, for the happiness of the cultivators and the mass of the people. Sir James Grigg granted two crores for bettering the condition of the villages in 1937. But after the election result, we never heard of that benevolent attitude of the Honourable the Finance Member towards the masses. However, he chalked out a new path and he has given it up. I am not sorry for that. But let him leave them alone. Do not make too much friendship with us: that is what I want from the Honourable the Finance Member. Let these poor villagers live as they have been used to live for 300 years, neglected and uncared for by these big people. When you take care of them, they become very suspicious and they feel that there is some danger behind. Your grant of two crores of rupees is followed by this excise duty on *Khandsari* sugar and can you blame the cultivators when they suspect the Englishman when they talk too much about their good?

The Honourable Sir James Grigg: The Honourable Member seems to have entirely forgotten that I am reducing the duty on *Khandsari* sugar.

Mr. Suryya Kumar Som: I know that. As the Honourable Member has not been helping Manchester because it does not grow cotton so is he reducing the excise duty on *Khandsari* sugar. I know that. I know that he is a shrewd and competent Finance Member for India. He has worked it in such a way that unless the people are explained the real thing behind it, they are carried away by his arguments. 75 per cent. people will be captured by him and they will say that Sir James Grigg has reduced our excise duty. But this is not what he has done. Take, for example, that there are 100 *Khandsari* factories. According to the former definition of the "factory", only two came under it. And if you got Rs. 5 from each factory, you were able to get Rs. 10 from them. Now, you have reduced all the rate from Rs. 5 to Rs. 3 but, at the same time, you have engulfed all these 100 factories and thereby you get much more. At the same time, you have proved that you are very kind to the *Khandsari* sugar producer.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

Mr. Suryya Kumar Som: These are the most important points that I wish to touch. To be frank with the Finance Member, I may say that I have a soft-corner for the present condition of Lancashire, but I cannot agree with him upon this jobbery towards the poor *Khandsari* cultivator. With these few observations, I bring my remarks to a close.

Mr. President (The Honourable Sir Abdur Rahim): **Maulvi Muhammad Abdul Ghani.** The Honourable Member had better begin his speech after Lunch.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Dr. Sir Ziauddin Ahmad (one of the Panel of Chairman) in the Chair.

Maulvi Muhammad Abdul Ghani (Tirhut Division: Muhammadan): Sir, this year's budget, as it is framed, appears, in my opinion, so far as the receipts side is concerned, to be underestimated. There is some agitation among the millowners over the increase in the duty on foreign cotton but this increase in duty is apparently to the interests of the agriculturists. If the millowners want, in their own interests, long staple cotton let them come forward with funds to help the cotton growers of the country and let them advance money to the cotton growers and they will have an ample yield.

The second thing, is the increase in the expenditure of defence by Rs. 1,84,72,000. No one can deny the necessity for defence of a country in case it is required for it, but it is resented that even after a British rule of about a century the Indians have not yet been made fit to defend their own country with their own resources, men and officers; even today officers and men continue to be imported from outside. How regrettable it is that even Gurkhas—the Lilliputians as they are called—are preferred to the best brains and stalwarts of Bihar. Biharis are totally ignored in all branches of the Defence Department. Their number is 211 out of a total of one lakh 20 thousand and twenty-seven soldiers as stood on the 1st January, 1938, although Bihar supplies the constabulary in Bengal, Assam and elsewhere. It is not only the hard lot of Biharis in military service but in all departments under the Government of India where their share of distribution, in comparison with Bengal, Punjab and Madras, is negligible. To clarify my points further, I want to cite the case of the Indian postal service where Biharis were only ten out of a total of 631 in 1937. The number of Bihar Muslims was two. Such is the case in respect of the Telegraph Department, where Biharis are nil. The case of Muslims is most pitiable in all the services under the Government of India. The claims of Muslims are put off, sometimes on the ground of seniority, sometimes efficiency and sometimes when there is no such plausible pretext available, absence of candidature is put forward. Out of a total of 437 gazetted posts in the Telegraph department, there were only eleven Muslims in 1937 and 352 Europeans and Anglo-Indians.

Take the case of wireless Supervisors and wireless operators. You will find, that in 1935, two persons were recruited and none was a Muslim. In 1936, nineteen persons were recruited and none went to Muslims. In 1937, 46 persons were recruited and no Muslim was taken. During the course of three years, 1935-37, out of a total recruitment of 67 persons made not a single post went to Muslims. The Director General of Posts and Telegraphs has got an extension of service by two years, thus causing a loss of Rs. 24,000 to the public revenues and shutting the door against new recruits in these days of unemployment. Similarly, he is helping

his subordinates in getting extensions after extensions. Take, for instance, the case of the Head Assistant at Patna. He is getting extension after extension to the detriment of Biharis. No rule is observed there in the promotion of clerks. Even matriculates and junior clerks supersede graduate senior clerks in appointments to the posts of Inspectors, because he is a Bengali and Bengalis, though juniors and though unqualified, are given preference.

In the recent reorganisation of the office of the Director General of Posts and Telegraphs about 80 per cent. of the old second division clerks, on a scale of pay of Rs. 75 to 155, have been degraded to the third division.

Mr. G. V. Bewoor: That statement is not true.

Maulvi Muhammad Abdul Ghani: I will prove it when the time comes. I am in possession of facts. Although I have received a reply in the negative, yet I know it is a fact. Simply in the name of examination, poor clerks who served for about 15 years and more have been degraded to third division although they have been allowed to draw the same salary as they were drawing before. Some junior men, who have been serving in the scale of Rs. 60—125 in the third Division, have been promoted to the Second Division in the scale of Rs. 80 to Rs. 200, evidently involving a loss to public revenue. This is a new innovation when everybody tries to cut the salaries with a view to reduce expenditure the Director General of Posts and Telegraphs comes forward with a new suggestion and he gets the sanction by the higher authorities to the scale of pay for Second Division clerks being fixed from Rs. 80 to Rs. 200, instead of Rs. 75 to Rs. 155. The Director General is solely responsible for such loss, he is responsible for the discontent among the employees of the postal department. In short, the Director General does whatever suits his whims and fancies. He, it is said, takes delight in causing harm to Biharis in general and Muslim employees in particular.

The misfortunes of Muslims in India know no bounds, especially in the Congress governed provinces. On the 31st January, 1939, a Deputy Magistrate in V. Burra, district Dharbhanga, sent wires to the District headquarters to send reinforcements to save the lives of Muslims of the village, but it so happened that the telegraph clerk of Hōsanpur Post Office withheld it for hours together, with the result that the *busti* was looted and burnt and standing crop damaged. The other day when the people in Aligarh wired to the higher authorities to help them in the matter of Mohurram observance, it is said that the postal authorities withheld the telegram. In Bihar a stage has reached that Muslims are even debarred from offering their prayers. Where is the special responsibility of the Governor General and the Governors?

It is very much to be regretted that the Wakf Act of 1923 has not been extended to the Centrally Administered Areas. Government are aware that Delhi is full of wakfs and wakf properties yielding an income of several lakhs of rupees. The Fatehpuri mosque, Juma Masjid and other royal mosques built by Moghul Emperors are in a very bad condition and their incomes are misappropriated. The other day a Magistrate of Delhi had to sanction permission to sue the Fatehpuri Mosque Committee against mismanagement and encroachment. I think Government will lose nothing if they extend the operation of the said Act to the Centrally

[Maulvi Muhammad Abdul Ghani.]

Administered Areas,—specially Delhi. All the numerous wakf committees have not submitted accounts either to Government or to any Muslim organisation for the last 50 years.

A word about Moplah prisoners. In 1921, the Government of India passed the Moplah Act and under that Act the Moplahs were imprisoned and some were interned. Since the introduction of Provincial Autonomy all political prisoners have, with the consent of the Central Government, been released but these poor people are rotting in jails and some are interned in distant provinces. For instance, I find one Moplah gentleman interned in the province of Bihar. He is not even allowed to stay for more than two months in one place and is driven from place to place without any apparent cause. The poor fellow wants even the local authorities to allow him to live in one place at least for four years so that he may earn something as no allowance is paid to him. Such being the case I hope the Government of India will take steps to release them or at least to see that they are released and the internees returned to their homes. •

Mr. Chairman (Dr. Sir Ziauddin Ahmad): The Honourable Member has two minutes more.

Maulvi Muhammad Abdul Ghani: From 1925-26 to 1928-29 I find there was a regular increase in the sale of postcards, the average being about 6½ lakhs every year. After that there is a considerable decrease. I think it is due to the fact that the postcard is used by the poorer classes of people and they cannot afford to pay three pice for it. I think if the price of the postcard is lowered to half an anna the sales will increase. There is great resentment on account of the postal authorities withholding the money order forms printed in Urdu. I drew attention to it so far as Bengal is concerned, but the reply was given to me that the language of the place is Bengali and, therefore, there is no need of an Urdu form.

Mr. Chairman (Dr. Sir Ziauddin Ahmad): The Honourable Member's time is up.

Maulvi Muhammad Abdul Ghani: Very well, Sir, I will resume my seat.

Shaikh Rafiuddin Ahmad Siddiquee (Chittagong Division: Muhammadan Rural): Sir, I do not like to take much time of the House at this late stage by criticising the present budget under different heads as my predecessors have touched almost all the important points. While congratulating the Honourable the Finance Member on his surplus budget I would remind this House that such state of affairs would no longer pass off smoothly in future. It would be useless to criticise the present budget, unless the general policy of the Government of India changes. I may remind the House that the British people are to rule India by winning the confidence and goodwill of the people of the country whom they desire to rule.

I would like to deal with three important issues which are agitating the minds of the Indian nation as a whole. Firstly, the scale of pay of Government officials should be changed, according to the pay of other countries of the world. Secondly, Indianisation of the Indian Army in

place of non-Indians. Thirdly, the present military policy of the Government of India should be changed with regard to Waziristan. I think no Finance Member of any country in the world would be able to balance the future Indian budget because the Indian treasury is going in way of bankruptcy, day by day, on account of heavier expenditure than the income. It is an admitted fact that there are dissensions and disaffections among the masses of this poor country on account of the present policy of the Government of India. In touching on the first issue of high salaries of Government officials I appeal to the Government of India to look to other countries of the world. In rich countries like England, France, Germany, Japan, Italy and other countries, the pay of Government officials is less than half of what they are getting in a poor country like India. The world is moving on and I think the Government of India should move with the times.

In touching on the second issue of Indianisation of the Indian Army, I again remind the House to compare the pay of British soldiers with that of Indian soldiers. The pay of British soldiers is four times than the pay of Indian soldiers. But in fitness and efficiency the Indian soldiers are no less gallant and efficient than the British soldiers. This fact has been proved to the world during the last Great War where the Indian soldiers fought gallantly with great courage and tactics with the most efficiently trained soldiers of the then mightiest nations of the world and saved the prestige and dignity of the British Empire. I do not see any reason why there should be any delay in Indianisation of the Indian army.

In touching on the third issue about the present military policy of the Government of India in Waziristan, I would say that the Government of India have been ill-advised to poke sleeping tigers in their dens. I think there might be some aggressive acts by some of the tribal men but the Government of India could settle the matter by a conciliatory policy rather than to establish the prestige of the Government of India. There are rogues and thieves in every country. If some people of a province or an area commit *loot* and arson we cannot blame all the people and punish all of them. We also cannot call all the people rogues and thieves. Certainly, there are rogues and thieves in every country of the world and in England too there are rogues and thieves, although it claims to be the most advanced and civilised country in the world. Then, are we to call all English people as rogues and thieves? The British Government have been pocketing insults at the hands of Japan in China but where is the prestige and dignity of the British Government there? I think they are taking a wise and conciliatory policy there for the sake of peace. I appeal to the Government of India to take up a policy of conciliation in Waziristan, as otherwise the Indian treasury would not be able to spend millions every year in Waziristan policy as it would heavily tell upon the Indian treasury as the years roll on.

Sir, in conclusion I appeal to the Government of India to look to the sentiments of the Indian people in whose land they are ruling.

Qazi Muhammad Ahmad Kasmi (Meerut Division: Muhammadan Rural): Mr. Chairman, it is a common saying that, with the increase of age, a man becomes more and more cautious and sober. Even a soldier, who in his youth is most forward in fight, with the growth of age, is more inclined to be on the defensive rather than on the offensive. Though there appear to be no such indications in the temper of Sir James Grigg whom

[Qazi Muhammad Ahmad Kazmi.]

we find as witty and as humorous and at times as stern as he used to be five years ago, I am afraid that, so far as the budget he has presented is concerned, it shows clear symptoms of senile decay. . . .

The Honourable Sir James Grigg: You should be able to judge of those!

Qazi Muhammad Ahmad Kazmi: This is the fifth and last budget that Sir James Grigg has presented to this House, and there is every indication that it has been prepared in a pessimistic mood. Indications of falling income in spite of the steps taken to increase it in all directions, combined with an irreducible expenditure, if not an increasing one,—in spite of the fall in prices all round,—appear to have been the serious problems which faced the author of the budget when he framed it. The only remedy lay in tapping fresh sources of income, and in that condition he appears to have hit upon one source only. By doubling the duty on imported cotton, he has calculated that the income would also be doubled. . . .

The Honourable Sir James Grigg: I did nothing of the sort.

Qazi Muhammad Ahmad Kazmi: He has estimated the yield of income from income-tax with great pessimism. When the Income-tax (Amendment) Bill was on the anvil of legislation, the expectations of the increase in the yield were counted in crores, but now it is estimated at only 50 lakhs; and, so, for meeting the contemplated deficit, some other source had to be found. As I said before, he has chosen imported cotton for this purpose, and in this connection he has disclaimed all blame or credit for that action and alleges his motive only to get the necessary money. He does not claim any credit for the encouragement of the cultivation of long staple cotton or the damage that it is likely to prove to the textile industry. In spite of the great regard I have got for his well-balanced brain, when I find how he has unbalanced the present adjustment at a very critical time I am really upset. Now that the negotiations for the Indo-British Trade Agreement are going on (I do not know whether they have been concluded or not), it was a matter that should not have been touched at all. If this duty had to be imposed, it could have been used as an instrument for striking a bargain with Lancashire in the Indo-British Trade Agreement and it was impolitic to touch it when the negotiations were going on, for there cannot be the least doubt that it gives a definite advantage to Lancashire over the Indian textile industry: and not only that, but it subjects the Indian industry to improper competition by Japan and other foreign countries. With a little manipulation and probably with a little increase in income, he could have adjusted the matter in such a way as to achieve three ends: he could have easily encouraged the cultivation of long staple cotton in India: he could have saved the Indian textile industry from handicaps from Lancashire and other foreign countries; and thirdly, he could have kept in reserve an instrument by which he could bargain with Lancashire if there was any such necessity; and today there would have been no question of balancing at all, but credit pure and simple. This could easily have been effected by a countervailing duty on imported manufactured cotton goods and yarns. He would then have left the *status quo* between England, India and other

foreign countries. By imposing this duty at this juncture he has done a great injustice to the industry of India. This is the chief duty that has been imposed by the Finance Member.

The other duty is on *Khandsari* sugar, and this has already been discussed in this House, and it is not necessary to dilate on it, because, on the showing of the Finance Member himself, he has resorted to it not to give any benefit to the agriculturists of this country, but only because he found that he could not exact the amount that he expected from the agriculturists, and so by reducing the rate, but extending its extent, he hopes to get more money out of the agriculturists. Now, the question is, were these the only two avenues in which the Honourable the Finance Member could attack the problem of balancing the budget? Was it only necessary that he should have some increment in revenue and not look to the side of the expenditure? My submission is that there was sufficient for the Finance Member to find in the curtailment of the expenditure to meet this supposed deficit of Rs. 50 lakhs.

A subject that has so often been discussed before in this House, though probably it does not attract much attention when it is put up again and again, is the reduction of salaries. But I submit that the mere fact that it has been repeated so often in this House, instead of taking away from its importance, adds to its weight. What is the reason that in a country like India where the charges for the maintenance of a single man are much lower than the charges for maintenance in western countries, where people can live much more cheaply than in western countries, the salaries of the superior staff and superior officers is so much above the ordinary level that they are not to be found even in England and other European countries? They are not to be found anywhere else in the world. If we look to the ratio that the lowest salary in England bears to the highest salary and compare it with the ratio in India, we find that the figure is much greater here and is probably the greatest here than anywhere else in the world. So, the repetition of this argument does not lose its force unless there is some more convincing argument on the side of the Government; specially in these days when the times have changed and Indians have taken charge of the Provincial Governments and have accepted salaries of Rs. 500 for themselves as Ministers. Now, it is no longer an experiment: some months have elapsed—more than a year in fact—and those Governments have made reductions in pay, and even from the point of view of the British people their Government is not an inefficient one. I need not quote any authorities, for it has been accepted time and again that Provincial Autonomy in India is being carried on very efficiently by Indians. Now that we have come forward and proved to the hilt that we can carry on the Government on Rs. 500 a month, (it may be a little more), but whatever may be the other allowances, whatever may be the other amenities they may be getting now, if you will compare them with the salaries and other amenities which the Ministers used to get in previous years and also if you will compare the salaries of their Parliamentary Secretaries and Assistant Secretaries with the salaries paid to Secretaries and Under Secretaries in the Government of India, you will find that the salaries and other amenities put together paid to the Ministers and their Secretaries pale into insignificance. So it is no use saying that the Ministers are getting a little more than Rs. 500; certainly it is a little more than Rs. 500, but it is much less than Rs. 5,000. Therefore, I suggest that you ought to come out with an open mind, and if you really want to show that you want

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to govern India in the interests of India, then you should give up your old ways and follow the example which the Provincial Ministers have shown you. If the Secretary of State or the Government of India do not agree to reducing the salaries of the highly paid services, the simple reason is that they have got an advantage on their side, and it is the force or the power which they have at their command, and they will not easily part with their power unless some one else takes it away from them by force. So my submission is that the sooner the Government decide and agree to effect a cut in salaries, the better would it be for India, and the Government will thereby be meeting the demands repeatedly made from this side of the House.

Sir, I shall shortly summarise my position regarding the cut in salaries:

3 P.M. Firstly, the standard of maintenance in this country is much cheaper than in European countries, secondly, India is both an agricultural and industrial country, and, therefore, it is bound to provide all the amenities of life at a much lower rate than countries which are either. . . .

Mr. Chairman (Dr. Sir Ziauddin Ahmad): The Honourable Member has got only two minutes more.

Qazi Muhammad Ahmad Kazmi: Very well, Sir, I shall leave out this item of cut in salaries and say a few words about the complaints that have been constantly repeated before this House. Whether the budget is a surplus one or a deficit one, we find that the very ordinary claim of the masses about two pice postcard is always overlooked. If the budget is a surplus one, Government utilises the surplus for other purposes; if it is a deficit one, then, of course, according to them, it does not lie in our mouth to make any suggestions. So, my submission in regard to the question of two pice postcards is that they should devise some means by which they could introduce the two pice postcards and meet the legitimate demand of the masses. What the postal department are now doing is, they are carrying on other more expensive branches of the post and telegraphs at the expense of the masses, and this I submit is very wrong.

Mr. Govind V. Deshmukh (Nagpur Division: Non-Muhammadan): Sir, I propose to touch on a few points, and when I cover the ground on those points, I hope to place, in addition, a few facts before the House. The first point I propose to touch upon relates to the Post and Telegraph Department, and after I have dealt with it, I will come to the army expenditure and then take a few miscellaneous things. Let me refer to a passage in the Honourable the Finance Member's speech, and it reads as follows. It refers to the Post and Telegraph Department. This is what he says:

"For the next year the revenue of the Post and Telegraph Department is expected to be Rs. 11·64 lakhs and expenditure Rs. 11·63 lakhs."

It almost balances the revenue and expenditure. Now, what are the causes of it? Why can't this department, which enjoys a monopoly of carrying on this business, make its way pay? Sir, it is the common experience that if a business is carried on in competition with another, then certainly the persons who undertake the business are more careful to see as to how their business is conducted, and they devise means to attract their customers and thus expand their business, but this Post and Telegraph Department, because of the monopoly it enjoys, is absolutely careless

and negligent about its interests. I will first refer to a complaint made by a complainant who pays more than a lakh of rupees to the Post and Telegraph Department. The complainant, Sir, is the *Sunday Standard* of Bombay. This paper conducts Strang's Football and other competitions. On the 1st of March, in its issue under the caption: "What is wrong with the Post Office—Inordinate delays in the transit of letters" it says this:

"For some time now the management has been receiving complaints of the inordinate delays which ensue in the receipt, elsewhere in India, of letters posted in Bombay. In the course of the year this paper spends more than a lakh of rupees on postage, but it would appear that not only is much of this outlay wasted but, because letters despatched from this end are so frequently delayed in transit, the lack of response from addressees results in a considerable loss of revenue to the post office."

Proceeding further it says:

"It is obvious that the financial loss suffered by this paper of recent months by these postal delays must have been considerable, and there must have been a similar loss to Post Office revenue."

Then we have some glaring instances to show how the postal department is carrying on the business. I shall not refer to many instances, but shall content myself with quoting one instance. One cover which was posted in Bombay took 37 hours to reach Bandra, and Bandra is only half an hour's motor run from Bombay. If a cover posted in Bombay took 37 hours to reach Bandra, which is only half an hour's run from Bombay, it hardly reflects any credit on the department. Sir, I am emphasising the point, that this department does not manage its affairs in a businesslike fashion as it ought to do. When it loses revenue, how does it make both ends meet? Sir, this department deprives the poor people who live in the villages of the rural post offices, of the very necessities of life. In these days communications are vitally needed. We are nowadays advocating the village uplift movement. Everybody from His Excellency the Viceroy down to the man in the street says that educated people should go and live in villages and construct real rural life, that they should improve the village in every possible way they can in the matter of sanitation, education and various other things. An educated person who thinks of going and living in a village finds it difficult to stay there when he cannot get, for instance, newspapers. In these days, for an educated person, the newspaper is what I may call the elixir of life. If he does not get a newspaper he is cut off from the rest of the world. After the ordinary humdrum affairs of agriculture and other matters of the village, which take not much of his time, he wants to spend his time in a better manner, but, unfortunately, he cannot do it if he is denied the access to newspapers. He wants to be in touch with everything that goes on in the world. This is so far as the educated man is concerned. So far as the poor illiterate man is concerned, it is a vital need to him. For instance, if his son is ill, then certainly a postcard or a letter would get a doctor to the patient's bed with very little trouble and expense. If certain medicines are recommended, certainly he can get them cheaper by writing through the post office. Similarly, if he has to send money to his son studying in a mofussil town he can send it cheaply through the post office. Post Office is to the poor man a cheap messenger. Therefore, to the poor man this is in every way an essential department. When I am telling all this, I am not speaking without facts. I have a friend who was an extra assistant commissioner. He was in the Secretariat also. He has a village in Saugor district. This gentleman after retiring from service went to his village and thought of settling down there and doing what he

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could to improve the village life. He found that he could not get even newspapers. There was no post office for this rural area within a distance of five or six miles. He stayed there for some days, and then he said, "This village life is no good, let me go back to my own city". And he came back to Nagpur. I have another friend who was an ex-M. L. C., that is, he was a Member of the Provincial Council some time ago. He is a Rao Bahadur. He has written to me and to other Members of this House also who know Mahratti, that something should be done so far as rural post offices are concerned. In some villages the villagers or the malguzars of the village are prepared to meet, to some extent, the little expenditure that would be incurred by this department in opening rural post offices, but they find there is no response. This particular gentleman, who has been agitating, says that he has represented this matter to the authorities concerned. He is also anxious about the railway and he says that he has done everything that is possible to have things managed in that department, but he says he has received no proper reply. His representations to me or to the Government of India, I suppose, are like those of this Government to His Majesty's Government regarding Kenya Highlands.—Not likely to produce the desired results. I hope that something will be done and that I will be able to say to that gentleman that something has been done.

There is this prospective deficit which has been referred to, in the speech of the Honourable the Finance Member, of Rs. 50 lakhs. I refer to the army expenditure. So far as the army expenditure is concerned, many of my friends have referred to the economy that should be practised in this department. For instance, they have talked about Indianisation, about getting nurses from here instead of from England and so on. I will not go over these or similar items, but there is one point which I should like to deal with, and that is the military training. I had asked a question on the 9th December, 1938, "Will the Defence Secretary please state if the military training imparted to the University Training Corps is proposed to be intensified? If not, why not?" The answer was, "No, because in view of the educational and other activities of a student at the university it would be impossible". I submit, Sir, that this argument cannot hold water. The best persons to know what the educational interests of a boy are and what his activities should be—the best persons are certainly the persons connected with the universities, and I can read to you certain extracts from what the Vice-Chancellor of the Allahabad University says and a resolution passed at the Quinquennial Conference of Indian Universities at Bombay. The resolution passed at this Conference held at Bombay in the end of last month ran as follows:

"The Conference requested the Government of India 'to provide greater facilities for such military training by offering the services of military officers for the U. T. C., which should be extended to all colleges.'"

The Vice-Chancellor of the Allahabad University, presiding on the 8th of February, 1939, over the prize distribution of the Allahabad University Company of the University Training Corps—Pandit Amarnath Jha,—deplored the policy of the authorities which had not been such as to encourage universities in the matter of University Training Corps. They had not been allowed, in spite of representations, to have a junior division of training corps, in consequence of which when they recruited students to

the U. T. C. they in most cases were too old to begin to learn how to march in steps and various other elementary things which ought to be taught at school.

Further on, he said :

"The remedy was the institution of a junior branch of the U. T. C. Another circumstance, which had prevented the corps from being what the officers training corps in England was, was that there was no recruitment to the army direct from the U. T. C. In India the membership of the U. T. C. had no value whatever so far as recruitment to the army was concerned. A further circumstance which discouraged real enthusiasm in the matter of military training was the unwillingness of the army authorities to allow them to enrol more members in the U. T. C. 'Circumstances', added Mr. Jha, 'are altering fast and the demand for military training is increasing and I do trust the attitude of the Government of India in this matter will be more encouraging than it has been in the past'."

Mr. Chairman (Dr. Sir Ziauddin Ahmad): The Honourable Member has got two minutes more.

Mr. Govind V. Deshmukh: Therefore, in order to reduce the expenditure on the army, I hope that military training, as one of the ways of doing it, would be made available to the extent the universities are demanding. We are spending so much on the army that there is not one person who does not want the army expenditure to be reduced. Some one asked, is there any country in the world which spends fifty per cent. of its revenues on its army? And up jumps the Finance Member and says, there is Japan. True there is Japan, but how is that army used? If there is anti-Japanese propaganda carried on, there is the army at the back of the Japanese nation to crush that anti-Japanese propaganda. Is our army ever utilised in that fashion? India pays the piper and Britain calls the tune. Not India but Britain has control over our army. If we are not to grudge the expenditure which we spend so much on our army, it must serve our purpose, the purpose of the nation in maintaining its self-respect, in maintaining its rights and privileges and the same of its nationals overseas.

We have seen how the Japanese army is utilised. I referred to anti-Japanese agitation and how it is dealt with. If we could utilise our army to put down anti-Indian agitation in South Africa or Kenya, no one will grudge the expenditure. Now, Sir, the Honourable the Finance Member has recommended a policy of political reconciliation. I might request him to take with him this message which is delivered here when he goes back to England. Let him say to the Britishers that political reconciliation is necessary between India and England so that both may with some dignity and prestige and self-respect say that they are members of the same British Commonwealth of Nations. Situated as we Indians are at present there is no sense in our calling ourselves members of the British Commonwealth of Nations.

Babu Kailash Behari Lal (Bhagalpur, Purnea and the Sonthal Parganas: Non-Muhammadan): On a point of order. The time limit for this discussion is 15 minutes. It is not a matter of any rule. It has been settled by common agreement, because there will be so many speakers. Now, we find that there is no rush. Owing to the limit of 15 minutes, Members are compelled to cut short their speeches. I should, therefore, like that more time should be given.

Mr. Chairman (Dr. Sir Ziauddin Ahmad): The Honourable the President has fixed this time limit in consultation with the Leaders of Parties. If the Honourable Member wants to raise any objection, he may do it when the President occupies the Chair.

Mian Ghulam Kadir Muhammad Shahban (Sind Jagirdars and Zamindars: Landholders): Sir, the budget presented by the Honourable the Finance Member is not a sensational budget. It is a budget indicating steady progress. The only item of new taxation is the increase in the import duty on cotton by half an anna per pound. Every taxation is vexatious and it affects adversely certain classes of people. The present duty, however, is the least objectionable. It affects only the textile millionaires but the agriculturists welcome it. The Federation of Chambers of Commerce suggested that there should be a countervailing duty on the import of textiles. Such duty, if levied, will fall entirely on the consumers and will not profit the agriculturists. The object of the duty is that the Indian mills should use Indian cotton and should not use foreign cotton. The textile manufacturers enjoy specially high tariff protection but they have not got patriotism to use Indian cotton. They show patriotism and spend money in propaganda for boycotting foreign cloth but they show no patriotism to use Indian cotton and help the Indian agriculturists.

Mention was made yesterday about the unfair distribution of the road fund. More advanced provinces, where roads system is highly developed, get more money and new provinces do not get sufficient funds to develop their roads. Sind is now being developed on account of the Sukkur Barrage but we do not possess good means of communications to bring country produce to local markets. It is highly desirable that the roads system should be developed. Sind is a poor province and it cannot bear the cost of the construction of new roads unless it is supported financially by the Central Government and, therefore, I strongly endorse the views expressed on the floor of the House that road funds should be distributed in accordance with the requirements of the provinces.

The Central Advisory Board of Education was established under the great pressure of the Legislature. The objects of the Board were repeatedly explained on the floor of the House but, unfortunately, its constitution was never framed by the Government of India nor its objects were defined. The constitution depends upon the sweet will of the Education Member who adds members whenever he likes. It is very desirable that the constitution of the Board should be framed and a copy of the constitution should be laid on the table of the House. It was expected that this Board will initiate research work in education. It was said that it will maintain a good library and will periodically publish pamphlets on special topics. May I ask the Finance Member to enquire whether the Board has published any pamphlet on any problem. The Central Advisory Committee which has been replaced by this new Board did more useful work in education. The Board meets once a year, for a few hours and the number is so large that it cannot deliberate on any important question. I suggest that the functions should be defined and should be the same as were outlined on the floor of the House. The Government have taken the direct charge of education in Quetta and Baluchistan but they have not established a single college there. The progress of several universities has now come to a standstill on account

of uncertainty whether they are educational institutions or corporations. The Government of India are silent and do not move in spite of repeated requests made by the Premier of Bengal. I also complain that the Central Government, in spite of the repeated requests, gave no grant to the Aligarh University for the development of technology and I earnestly hope that when funds permit the grant shall be given to the University. The system of awarding European scholarships is also defective and it should be given in rotation to colleges and universities maintained by the Government of India. The educational institutions, especially in Delhi, should be encouraged to make greater use of radio in teaching languages and other subjects and specially radio programme should be prepared for them.

It was pointed out by my friend, Mr. Manu Subedar, and also suggested by the Federation of the Chamber of Commerce, that income from import duty on sugar is estimated at a very low figure of 20 lakhs and they are of opinion that the income will be substantially greater and might be in the neighbourhood of two crores. Arguments given by my friend, Mr. Manu Subedar, are that Indian consumption is about 10½ million tons and the production in Indian mills has diminished and, consequently, the import will be greater. He assumes in this argument that the consumption would remain the same and he takes no account of the fact that consumption diminishes with the rise in prices. The price of sugar has now diminished from 5½ seers to three seers per rupee and the result is that persons of small income, who were eating sugar, have now taken to *gur* and the consumption will thus diminish. The diminution in home production does not mean an increase in import, therefore, the conclusion drawn by some speakers that the income from the sugar duty will substantially increase during the year is not justifiable. Sound financial policy demands that income should be estimated at its minimum figure and expenditure at its maximum.

Since the time England went off the gold standard, India has exported gold valuing about three hundred and thirty crores. Sir, it is very desirable that further exports should be stopped. This may be done either by putting an export duty on gold, or by legislative or executive action putting an embargo on gold. Every country is hoarding gold, as it is the only currency which is recognised in war time.

Mr. M. Asaf Ali: Sir, I have been in this House for the last four and a half years, and this is the fifth Budget which the Honourable the Finance Member has presented, but I do not remember a single occasion on which I have risen to participate in the general discussion, and that for a very good reason. I have always considered the problem of preparing budgets and criticising them a matter for experts. Fortunately I am not an expert and there are so many, that I have always left this task to those whom I have considered better fitted to undertake the duty of criticizing the Finance Member. Now, this happens to be his last Budget, and I do most earnestly hope that this is going to be the last Budget of this Assembly, and that the next Budget will be presented in another House, under different circumstances and in a different structure of Government altogether. Whatever the future may hold for the Finance Member and his country and for us and our country, since this is his last Budget, I do assure him that there is not the slightest desire on our part to depart from the usual traditions of the East and, therefore,

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I should say, "let us part as friends". Sir, in spite of whatever reactions he may have experienced during the past four and a half years to the spirited opposition which has been offered to him all the time, I hope he will carry no bitterness in his heart and that his memory, associated with India, will not be coloured by any acrimonious feelings, because every time we have criticized him, it has not been in his capacity as Sir James Grigg, but in his capacity as a dual personality, viz., a Finance Member who has to divide his allegiance between this country and another. In fact, instead of criticizing him, we have criticized all the time the system under which he has had to work, under very difficult circumstances. If anything, we have commiserated him. I can tell him now that he was, we recognize, placed in a position which it was very difficult for any man of known integrity to fill without running the risk of being accused of a number of suspicious moves. Unfortunately, the structure of Government in which he has been drafted does not permit of his focussing his attention entirely and absolutely on India, India's resources and India's interests.. He has, of necessity, to look in two different directions and all the time I have felt while I have sat here listening to him that he, like most of us also on this side, has suffered from what may be called "the Jekyll and Hyde" complex showing himself to be a Dr. Jekyll in one part of his life and Mr. Hyde in another. This is the difficult situation in which he finds himself and the account he has rendered of his five years' stewardship to this country will only be judged, not now, but in the future. As he himself knows, the work of his predecessors has been judged by the policies which they had bequeathed him, and his work will be judged by his successors, to whom he will be leaving the legacy of a policy which may or may not fulfil the promise with which he has presented it to this country.

Sir, in so far as this year's Budget is concerned, I have been rather astonished to hear a certain remark repeated, probably borrowed from the Press—and the Press generally gets hold of some idea and it is repeated over and over again—that this is a featureless Budget. I remember the last year's budget which was also considered a dull and featureless one and when I looked into it I found it was one of the most sensational from another point of view, and it proved to be a sensational Budget in that sense. The objectionable features of that Budget shocked this House to such an extent that the Leaders of Parties agreed among themselves not even to participate in the general discussion and to turn down the Budget and the Finance Bill and walk out of the House. Sir, that objectionable feature of the Budget still persists, I do not see any mitigation. It is exactly the same. The only difference which I can notice in this year's Budget, in addition to that objectionable feature, is the increase all-round in the non-voted heads. If you just look at the analysis of the voted and non-voted heads in the explanatory memorandum on page 11, you will find that in respect of all the items below the Head 71,—you will find non-voted Heads viz., the Staff and Household allowances of the Governor General, the Secretariat of the Governor General, Principal Supply Officers' Committee, Public Service Commission, Ecclesiastical, Payments to Crown Representative, Defence Department, Tribal Areas, External Affairs, Baluchistan, Defence Services (net), and if you go down the list of these items you will find that there is an increase in expenditure all round, so much so that there is an increase even in the Ecclesiastical Department; I do not know what

special spiritual comforts are now required in these days in India that even the Ecclesiastical Department must have a lakh more than it did the year before!

Again, Sir, I find that in respect of Defence Budget, the Finance Member has been congratulated; I certainly congratulate him in so far as he has tried to resist with all his might the onslaughts of the Defence Department. I congratulate him on that, to the extent to which he has gone, but perhaps he himself will be surprised to hear that this year's Budget—I am talking of the gross expenditure—has increased by three and a quarter crores of rupees. People have been talking about a crore or something—it is not so. If you look at the figures you will find that last year the Honourable the Finance Member budgeted for an expenditure of only Rs. 50,77,69,000. As against that, you will find this year Rs. 53,93,26,000. It is clear, therefore, that there is an increase of three and a quarter crores of rupees. You cannot get away from it. We should add to that two or three other items which are also, when properly viewed, defence items, namely, the loss on strategic lines, which amounts this year to 1,72 lakhs.—8 lakhs more than last year. The Defence Department that is now working has also increased its expenditure by a considerable amount in other directions. Then, again, take another item. All the expenses incurred in respect of the tribal areas are purely defence items and nothing else and they amount to Rs. 1,87,44,000, so that altogether the defence budget, as I see it, amounts to Rs. 57 crores and 33 lakhs or a little more. I certainly admire the ingenuity of both the Honourable the Finance Member and the still more amazing ingenuity of another authority which is really responsible for this Department for splitting up these various items in such a way as to conceal the real amount that is spent on India's defence. Looked at from that point of view, I can assure him that penny for penny we are spending a great deal more on our defence services than any country in the world. Perhaps I am making a very big assertion but inasmuch as penny for penny is concerned I am quite justified in making that assertion. Consider the average income of our country and consider the average income of other countries and then compare the expenditure of various countries and that of India and you will find that we are spending a great deal more than we really can afford. I admit that the Honourable the Finance Member has made heroic efforts in resisting the demands of what may be called the military requirements of this country, not as viewed by him but as viewed by some other people, and the military requirements of this country in relation to the International situation. He certainly has tried to stem the tide of these demands. But what is the total result of it? The total result of it is that although he shows in his Budget more or less a stationary condition, namely, that the net expenditure from his point of view will not go beyond 45-18 crores, he cannot say by what amount it is going to be increased by the time his successor has got to consider the revised budget. Last time also he started with his figures and the Defence Department increased the budget by two crores and by the time the revised budget was being prepared, the gross expenditure of 50-76 crores had gone beyond 52 crores and odd lakhs. Now, this increase is beyond the Finance Member's control and this un-expected increase is beyond everybody's control because the Legislature has no voice in the formulation of either the defence policy of this country or the foreign policy of this country, and so long as this House has not got the effective control of both the defence and the foreign policies of this country, it is impossible for any Finance

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Minister who may succeed Sir James Grigg to control the expenditure under these heads in accordance with the capacity of the country.

Sir, one other point with regard to this defence budget may also be mentioned at this stage. Here, again, I find that Sir James Grigg is wholly helpless because he is not responsible for that policy. The proportion of the British troops maintained in India, as against the Indian troops, has always been a matter of vital importance to us and to the finances of our country. Every British unit of infantry costs us something more than 19 lakhs as against which every Indian infantry unit is costing us five lakhs and odd thousands. The British unit of infantry costs four times as much. I can assure my Honourable friend that I am not making any mistake because I have taken these figures from the cost shown in the defence estimates under the head 'cost of typical units'. I may be out by a few thousands but so far as lakhs are concerned, I am absolutely correct. If you retire even four British units and replace them by eight Indian units and, thereby, double the strength, you will still be saving about 50 lakhs or so and you would not, in that case, have to resort to a measure of taxation which is being criticised in the manner in which it is being criticised. This was the direction in which the Honourable the Finance Member might have looked for effecting economies. His search for economy ought to have carried him into the field of the maintenance, organisation and payment of British forces.

Mr. Chairman (Dr. Sir Ziauddin Ahmad): The Honourable Member has two minutes more.

Mr. M. Asaf Ali: I shan't be long, Sir.

Now, Sir, that was the direction in which the Honourable the Finance Member may have looked. Even now, there is a chance for India to revive if only India is rid of what I have always described as the octopus of these British forces stationed in India. It is possible for India to make a saving. I repeat it today again. India can save no less than 20 crores of rupees, if not more, which can be usefully utilised in building up India's finances on a much sounder basis and without any dependence on anybody else. And not only that, India would gain prosperity.

Last of all, I should just like to tell Sir James Grigg, now that he is winding up his stewardship, that he should some time try and cast a glance at the totality of the results achieved because I, as a layman, can only judge things by results. Formidable array of figures frighten me. I want to know in so many words what is the total net result of the policy which he has pursued during these five years? Has the average income of Indians gone up? Has the total number of industries that flourished when he came increased? Has the price of commodities risen? If none of these results has come out of the policy which he has followed, then all I can say is that in so far as budgeting is concerned I am very sorry to say this—I am not saying this in any derogatory sense—any old woman could frame such budgets.

The Honourable Sir James Grigg: There is hope for you yet.

Mr. M. Asaf Ali: It is merely a question of having a certain structure of expenditure for which you want to find money and you are bound to find money in a big country like India. What about the vast resources we have? What about the extraordinary labour power and man power we possess? What about harnessing all these to fructifying activities by the policy which he has followed in his budgets? If the result satisfies him he may go home with a clear conscience and we wish him bon voyage. In any case we wish him bon voyage. If this is not the result which he has achieved, perhaps he might give us credit for having criticised him to some purpose.

The Honourable Sir James Grigg: Sir, Mr. Asaf Ali started off with some valedictory remarks to me personally and I certainly got the impression that they were meant to be kind, but I am not so sure after his concluding remarks that I can retain my original impression.

Mr. M. Asaf Ali: They were all intended to be kind.

The Honourable Sir James Grigg: That part of me which Mr. Asaf Ali would regard as being Dr. Jekyll is extremely grateful for his good wishes, and if in the rest of my remarks today there should be anything which Mr. Asaf Ali does not like, he can put them down to that wicked fellow, Mr. Hyde. I am quite content to be judged by the three criteria which Mr. Asaf Ali pointed out, namely, has the average income of the people of India increased during the last five years, have the industries of India become more prosperous and have prices risen? I am content to be judged by these three criteria. I can answer quite definitely that all three of them are satisfied. But truthfulness and modesty impels me to add that a good deal of the improvement which is reflected by these three indices is due to circumstances which would have happened anyhow. They would have happened even if Mr. Asaf Ali—or any old woman—had been in my place.

There have been a good many questions raised in the course of the debate and most of them I shall pass over with a cursory reference because the points put forward have been mutually destructive. Mr. Gupta wanted to reduce the price of salt to the poor consumer. Mr. Manu Subedar, who is not here today, and his friend, Mr. Lalchand Navalrai, on the other hand complained bitterly because the price of salt had gone down in Bengal and they wanted something done to raise it. These two sets of gentlemen can knock their heads together. The fact that two opposing views have emerged from within the same Party is a source of some surprise and satisfaction to me.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Then, there are those who advocated free and imaginative finance on the model of the United States or Germany and want unbalanced budgets to show what a prosperous country we are. Mr. Manu Subedar was the representative of that school. On the other hand Mr. Aikman took the view that a balanced budget was the real test of the success of financial policy. I will leave these two gentlemen to fight it out. I must also pass over perfunctorily the various references to military expenditure. In the first place the Party opposite have put down a vote of censure on the

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Government for their defence policy and no doubt the defence of the Government in the matter of defence will be made on that occasion. There is another reason for not entering into a long discussion on military expenditure, namely, that the whole of the facts are not yet before us. His Majesty's Government have not yet taken decisions on Chatfield Committee and until they have, it is impossible to present a picture of defence expenditure or policy as a whole. I would just like however to give one or two figures to answer Mr. Asaf Ali's contention that penny for penny—whatever that might mean—India spends more on defence than any other country in the world. I will take the defence expenditure in round figures at 50 crores.

Mr. M. Asaf Ali: 57½ crores.

The Honourable Sir James Grigg: Then let us take the defence expenditure in round figures at 60 crores—if that will satisfy my Honourable friend—then out of a national income of 1,600 crores, or it may be as high as 2,000 crores, this is only 3 or 4 per cent. Mr. Asaf Ali may be interested to know that Germany at the present moment is spending 25 per cent. of her national income on armaments and United Kingdom is spending 12½ per cent. Perhaps they might reflect on these figures when they talk of defence expenditure in future.

Now, Sir, I should like for the rest of the time allotted to me to deal with the four questions which have emerged most frequently during the course of our discussions today. The first is that I have been deliberately under-estimating in order to produce a deficit budget, the second is the wisdom or the unwisdom of doubling the duty on raw cotton, and the third is that the Government of India in general and myself in particular are actuated by the motive of trying to do good to Lancashire and that this is our main objective in life. Then there was the secondary objective which the Government of India in general and myself, in particular were accused of, namely, of being great defenders of the rich and having as a policy the desire to promote and protect their interest. Let me take these in turn. Of course, this accusation of under-estimating which has been repeated by various Members of the Congress Party is an echo of, shall we say, their master's voice, the Federation of Indian Chambers of Commerce. In order to give precision to my answer on this point, I will use the figures which the Federation have put before the world and myself as illustrative of this general argument. They first say that there will be an import of at least 150,000 tons of sugar this year, so that the sugar revenue is under-estimated by 157 lakhs. Now, I should start by warning my Honourable friends opposite to be very chary about these estimates from people who have a motive in giving estimates of this sort. In the first place they want to prove that there is no need for any further central taxation. In the second place they want to indicate that the protective duty on sugar should be kept up in order that their profits may not be diminished. Personally like my Honourable friend, Mr. Shahban, I do not believe for one moment in the figure of 150,000 tons. Orders can always be cancelled. It has been known that people place orders which they have no intention of fulfilling and this they do in order to create a certain impression. And, anyhow, this crushing season in which there is said to be a great shortage of indigenous sugar is not the

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end of the story, so far as the financial year is concerned. Practically the whole of the next crushing season will be in the financial year with which we are dealing. Moreover, part of the shortage of indigenous sugar, if any, can be met from a switch-over to *khandasari* and, as Mr. Shahban pointed out, if the syndicate or whoever is responsible are going to keep the price of sugar up at the present level there is bound to be a diminution in consumption. But let us suppose that instead of 150,000 tons it is 100,000 tons. Then the degree of underestimating under that particular item is reduced to 64 lakhs. If we assume that the import is 50,000 tons and that no part of the shortage of this year's indigenous production is made up in the next season, then my estimate so far from being an underestimate will be an overestimate. And anyhow I will point out,—I will come back to this later on,—that this windfall if it happens will be a windfall which is for one year only and will not represent recurring sources of revenue on which you can make permanent calculations of your financial position. But if you are going to point to various respects in which underestimates of revenue have been made I think we must take into account the factors in respect of which it is possible that I have overestimated and represented things too optimistically. As the House knows, the mechanics of budget-making in India have certain awkward features about them. They are based on figures of very nearly a month earlier and quite often things happen during the course of that final month which affect the budget very materially. I think I can say that if I were making the estimates now, five weeks after they were made, I would make various alterations which could not have been properly foreseen at the time. I would certainly write down the duty to be received on cotton piece-goods of British origin by at least 25 lakhs. The trend of figures is such that I have no doubt that we have overestimated the revenue from the products of Lancashire. Also since I have made the budget estimates one of the Provincial Governments has indicated its intention of introducing complete prohibition in a very large, important and cosmopolitan city. They assume that this prohibition will be working for eight months of the year. On that assumption the loss to central revenue from customs duty on imported liquor will be 30 lakhs plus something on the loss of the income-tax which would have been derived from those people who have hitherto made a livelihood on the sale and import of intoxicating liquors. That figure of 30 lakhs incidentally will become 45 or thereabouts in a full year.

Then, Mr. Abdul Qaiyum took me to task over the amount provided for defence expenditure. He said that the expenditure of 45 lakhs on account of Waziristan,—which incidentally is an estimate in respect of the year which is now closing and I have made no provision for Waziristan expenditure next year,—will be at least 2 crores. I do not take him as a prophet too seriously, but supposing the Waziristan expenditure continues to a certain minor extent next year, that is a respect in which the budget figures are too optimistic. Now let me sum up. I take what I personally conceive to be an optimistic assumption of 100,000 tons of sugar imported in this coming year which, as I pointed out, will give me a single non-recurring 64 lakhs of extra revenue. Against that 60 lakhs or so of non-recurring revenue there is an indefinite amount of non-recurring expenditure on Waziristan, not as much as 2 crores but something; and there is on the present showing a drop of at least 70 lakhs a year in our recurring resources. And in giving these figures I made no mention of the various demands which have been made that some of the

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expenditure which was excised in the course of economy campaign should be put back. So I would say that if I have got to take a different view from that put forward in the budget, so far from the budget being framed on a scandalously optimistic basis the boot is on the other foot.

Now, let me come to the observations of this same "Master's Voice" on the subject of my income-tax estimates. They say that I have grossly underestimated the extra income-tax which I shall derive from the new Income-tax Act and from the new rates in the Finance Bill. As regards the second of these heads, namely, the money to be derived from the new scale, obviously the calculations of the Federation are an example of what I believe is known in modern jargon as wishful thinking. They obviously want to prove, being not all of them very poor men, that there is no need for higher rates of taxation on the rich people. As regards the former, i.e., the amount to be derived from the alterations of law in the Bill which has just become an Act, I put down 50 lakhs for the operation of the Act in its first year. But I made it clear that I hoped for a great deal more than that in future years. The Federation seem to think that there is a good deal more tax-dodging and foreign investment than even I had supposed, and they probably are in a position to know. But what they forget is that the full rigour of the anti-evasion measures in the new Act cannot come into force for eight years. A great part of them will come into operation earlier than that, but the full rigour will not be effective for eight years. In any case there is one simple fact which completely destroys the gossamery web of unsupported assertion put forward by the Federation, namely, that even if they are right all the extra money will go to the provinces and not to the Central Budget. So that, even if they are right it does not get them any nearer or get me any nearer producing a surplus which I can dispose of in uncovenanted benefits to this same federation of rich people. I should be very interested to see what alterations in their estimates of revenue the Provincial Governments make as a result of the diatribes of the Federation of Indian Chambers of Commerce and Industry. I do not pretend and never have pretended to be a particularly good prophet. The Federation evidently think that they are good prophets. I will repeat to them a remark which I have made before in this House, which was originally made by Mr. Bonar Law, that it is no good arguing with a prophet, you can only disbelieve him; and I do disbelieve the Federation. And remember one thing: that as between the Federation and myself, in these matters I am disinterested and they are not. I will say without any fear of contradiction that the accusation that I have deliberately fudged the figures in order to find an excuse for punishing the millowners or having a parting kick at them—I think that is the exact expression—is too grotesque and ridiculous to be even mentioned seriously. On the other hand this Federation wants to demonstrate that there is no need for further taxation, either of raw cotton or in the shape of increased income-tax rates. Mr. Bonar Law recommended that we should disbelieve all prophets. I will say that the motive for disbelieving interested prophets is even stronger than in the case of the generality of prophets.

Now, I come to the next point which has occupied attention in this debate and that is the question of the enhanced tax on raw cotton. At this stage of our debates I do not want to say very much. So far I am content to let the millowners and the cotton growers answer each

other which they appear to be doing with increasing acerbity. But I would like to point out support from an unexpected quarter and that is from the Karachi Merchants Chamber. The Karachi Merchants Chamber, who presumably briefed my Honourable friend there, did not say that the tax will do no good to Indian cotton—they only want the proceeds to be devoted to speeding up the benefit. I will give to the House a few general arguments on this question.

As far as I can see, it is not in the least true that all of the cotton which is now imported is such that it cannot be grown in India. There is a definite range where substitution is possible, and incidentally the House might be interested to know that I am credibly informed that in some parts of the Punjab, American cotton is getting lower prices than ordinary *deshi* cotton because the millowners are so busy importing American cotton that they have got no time to buy it in India. As I say there is a definite range of counts, to use a technical phrase with which I am not very familiar, over which imported cotton is substitutable by Indian cotton, and I am told that that is the range of counts represented by the figures 21 to 40. But apart from that, I refuse to believe, as it has been so gaily asserted, that India is for all time incapable of growing Egyptian cotton. So we have this position: that for counts of under 21 there is no question of imported cotton because none is imported—it is all Indian—and therefore there can be no question of this duty affecting Indian mills deleteriously. Between 21's and 40's the mills can perfectly well use Indian cotton if they want to. So there need be no effect on them whatever. Above 40's, which are the finer counts, my calculations are that for a mill using entirely imported cotton and nothing else, the effect of doubling the duty on raw cotton will be roughly equivalent to 3 per cent. on the cost of production. The present duty on Japanese imports is 50 per cent., plus the quota, which probably makes the duty equivalent on the whole system to something like 100 per cent.; the duty on Lancashire goods is 20 per cent. over the largest part of the field and 25 per cent. over another part of the field. So this talk of a duty of 3 per cent. on a comparatively small part of the cotton mill industry—and I would say that taking the industry as a whole the average effect of doubling the raw cotton duty is less than one per cent. of the cost of production—this talk of ruination is all rubbish. Honourable Members will bear in mind that—I think about two years ago—the duty on Lancashire piece-goods was reduced by 5 per cent.; and if a reduction of one per cent. on the average and three per cent. at the maximum is going to cause ruination to the industry, one would have expected that a five per cent. reduction would have produced blue ruin or any other coloured ruin you like. But what has happened? Imports of Lancashire goods fell just as precipitously as they were falling before, and they are now lower than they have been at any time in the history of India; and it is obvious surely that if the imports of foreign goods are falling off very very rapidly, then the duty is too high. Incidentally in the case of Japan this heavy duty of 50 per cent. plus the quota—the quota being linked with the purchase of Indian raw cotton—I understand that the position still is that Japan cannot fill her quota, so that the competition to the mill industry from Japanese imports has gone down very materially. Incidentally the cost of cotton cloth has, I understand, suffered only a very small reduction, if any, since the peak of prices which occurred in the early months of 1937, whereas the price of raw cotton has

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gone down by 30 per cent., so that there is a further uncovenanted or unexpected benefit to the mill industry. It is perfectly true that there was a wages increase as a result of the Bombay Textile Inquiry—my Honourable friend, Mr. Joshi, will correct me if I am wrong—but this did no more than mop up part of the uncovenanted gain they got from the fall in the price of raw cotton . . .

Mr. N. M. Joshi (Nominated Non-Official): About half of that.

The Honourable Sir James Grigg: I thought that was the position, and I am glad to be confirmed, and indeed all the figures show that the mill industry is still making very substantial profits, if not very high profits. With these observations of a general character, I will leave that controversy for the time being, though I am prepared to resume it at any time it may be necessary.

Now, I come to the other two accusations which have been made seriously on his budget, and I really was a little grieved to be told by Mr. Joshi of all persons, that our policy, the policy of His Majesty's Government, of the Government of India and of myself in particular, has been to do everything we possibly could to benefit Lancashire. Let me remind him that some time in the middle twenties the imports of Lancashire cloth were somewhere between 2000 million and 3000 million yards—nearer 3000 millions than 2000 millions. They are now just over 200 million yards; and I will repeat what I have said before in this country: do Honourable Members really imagine that if the Government of India and His Majesty's Government in general and myself in particular had set out to do everything we possibly could to help Lancashire, we should do it as badly as that? Surely it is silly rubbish on the face of it. I am surprised that Mr. Joshi, who is normally one of the most sensible men, should divagate so sadly. . . .

Mr. N. M. Joshi: I did not say a word about Lancashire.

The Honourable Sir James Grigg: Mr. Joshi went on to make an accusation which was very nearly as aberrant—if I can coin such word—as to what he said about Lancashire. He accused the Government of India in general and myself in particular of devoting the whole of our energies towards bolstering up the rich

Mr. N. M. Joshi: Yes, I said that.

The Honourable Sir James Grigg: This accusation is one which must be treated seriously and one to which I am very sensitive. I am not a bit sensitive about the accusation of my being a commercial traveller from Lancashire. . . .

Mr. N. M. Joshi: I did not say that.

The Honourable Sir James Grigg: Because I don't mind things which are manifestly absurd, but in this case the accusation that the tax system of this country is one which is designed to favour the rich is, as I say, one to which I am very sensitive. I have never, as the House knows, concealed

my view that the tax system in India is in technical parlance regressive. I would say that in an agricultural country where there are very small middle and upper classes, it is natural that there should to a certain extent be a preponderance of indirect taxation. Obviously in a comparatively undeveloped country the fiscal machine concentrates on things which are easily collectible in bulk at the ports and factories, and not on taxes which are collectible from individuals, so that the preponderance of indirect taxation is bound to be there in any country whose circumstances are the same as in India. But, as I have said even taking that into account, I think I have always held the view that the tax system is regressive, and it is more regressive than even it appears to be on account of two reasons. The first is that of the large number of protective duties contained in our fiscal system which impose a very heavy burden on consumers but which yield no money to the fisc. These protective duties which succeed in keeping out foreign goods are just as much of a burden on the consumer as any form of direct taxation which yields money to the fisc. Only in that case, in the case of successfully protective duties, the manufacturer gets the money, and in the other case the exchequer gets it. And there is another reason why the tax system is more regressive than even it appears to be, and that is, we have hitherto had an ineffective law and machinery against Income-tax dodging, and I would point out that there is not much point in the poor practising tax dodging. It is only the comparatively well-to-do who have any motive for acquiring proficiency in that art. Moreover, hitherto the income-tax scale has been too flat, if I may make myself clear by using that expression. As regards the first point, I have made about the protective duties and their regressive effect, I have, as Mr. Manu Subedar pointed out, fought against unnecessary increases in this direction, and devoted a good deal of my energy to this task, and Dr. Sir Ziauddin gave figures to the House which showed my personal record in this respect. I am bound to say that in spite of Mr. Manu Subedar's diatribes, it is a record of which I am not ashamed, except possibly that I ought to have fought harder and got more reductions made and not less. I have a great sympathy with the view put forward by the Leader of the European Group that the surcharges on customs duties are still there in spite of five years aspiration on my part to get them removed. He is absolutely right about that, and if the revenue system of the country had been sufficiently elastic, I would very much have liked to have reduced the general rate for indirect taxation. But if my memory serves me right, one person who has always opposed my point of view bitterly whenever I wanted to reduce protective duties was the Honourable Member from Bombay who represents labour interests

Mr. N. M. Joshi: When did you hear my speech?

The Honourable Sir James Grigg: I have never heard anything else from you, and I have always taken it a little hard, that one who undoubtedly has got the interests of the poorer classes very much at heart should not have supported me when I had sought to prevent the exploitation of the consumer.

Then, Sir, as regards the regressive character of the present income-tax, I need not say very much when the shouting which took place over the Income-tax Bill is still resounding in our ears, and the Finance Bill certainly contains a new scale stiffening the rates in the upper regions a good deal. I am bound to say in fairness to my friend from Bombay that on the matter of the Income-tax Bill he helped me a good deal, and I

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confidently expect his help on the second half of the task which arises on the Finance Bill. Altogether I do not feel that either of the reproofs which Mr. Joshi has brought lies against me, and moreover, seeing that Mr. Joshi is by conviction a high protectionist, I do not think he is a right person to make it even if he were justified.

Sir, I have now disposed of the few points to which I intended to direct the attention of the House. I realise that this debate has taken place when men's minds are elsewhere, and in a good many cases their bodies too, and that our debate has seemed rather remote from practical affairs. I apologise if the House thinks that I have accordingly been rather perfunctory and I apologise to my friend, Mr. Asaf Ali, if he thinks that my speech has contained rather more Mr. Hyde than Dr. Jekyll. No doubt we shall get opportunities of dealing with these matters more fully later on, and after what Mr. Asaf Ali has said, I will promise him that at any rate I will let the Dr. Jekyll in me peep out now and again.

Mr. President (The Honourable Sir Abdur Rahim): That closes the first stage of the discussion on the budget.

STATEMENT LAID ON THE TABLE.

TENDERS ACCEPTED BY THE HIGH COMMISSIONER FOR INDIA IN PURCHASING STORES FOR THE GOVERNMENT OF INDIA.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, I lay on the table a statement furnished by the High Commissioner for India, showing that there have been no cases in which tenders other than the lowest have been accepted by him in purchasing stores for the Government of India during the half year ended the 31st December, 1938.

High Commissioner for India,
India Store Department

STATEMENT FOR HALF-YEAR ENDING 31st DECEMBER, 1938.

No cases in which tenders for stores demanded by the Central Government, other than the lowest complying with the technical description of the goods demanded, were accepted on the grounds of superior quality, superior trustworthiness of the firm tendering, greater facility of inspection, quicker delivery, etc.

ELECTION OF MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE.

The Honourable Sir James Grigg (Finance Member): Sir, I move:

"That the non-official Members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, four members to be members of the Committee on Public Accounts in place of Mr. Umar Aly Shah. Captain Sardar Sir Sher Muhammad Khan, Sirdar Jogendra Singh and Prof. N. G. Ranga, who retired on the 25th February, 1939, in accordance with the provisions contained in sub-rule (4) of the same rule."

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the non-official Members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, four members to be members of the Committee on Public Accounts in place of Mr. Umar Aly Shah, Captain Sardar Sir Sher Muhammad Khan, Sirdar Jogendra Singh and Prof. N. G. Ranga, who retired on the 25th February, 1939, in accordance with the provisions contained in sub-rule (4) of the same rule."

The motion was adopted.

ELECTION OF MEMBERS FOR THE STANDING COMMITTEE ON EMIGRATION.

Sir Girja Shankar Bajpai (Secretary, Education, Health and Lands): Sir, I move:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, eight non-official members to serve on the Standing Committee on Emigration."

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, eight non-official members to serve on the Standing Committee on Emigration."

The motion was adopted.

ELECTION OF MEMBERS FOR THE STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, I move:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, three non-official members to serve on the Standing Committee to advise on subjects in the Department of Commerce."

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, three non-official members to serve on the Standing Committee to advise on subjects in the Department of Commerce."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): I may inform Honourable Members that for the purpose of election of members to the Public Accounts Committee, Standing Committee on Emigration and the Standing Committee for the Department of Commerce the Notice Office will be open to receive nominations upto 12 Noon on Wednesday the 15th March and that the election, if necessary, for the Public Accounts Committee will take place on Friday the 17th March, while the elections for the Standing Committee on Emigration and the Standing Committee for the Department of Commerce will be held on Saturday the 18th March, 1939. The elections which will be conducted in accordance with the principle of proportionate representation by means of the single transferable vote will as usual be held in the Assistant Secretary's Room in the Council House, New Delhi, between the hours of 10-30 A.M. and 1 P.M.

THE INDIAN SOFT COKE CESS COMMITTEE (RECONSTITUTION AND INCORPORATION) BILL.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, I move for leave to introduce a Bill to reconstitute and incorporate the Committee constituted under the Indian Soft Coke Cess Act, 1929.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

“That leave be granted to introduce a Bill to reconstitute and incorporate the Committee constituted under the Indian Soft Coke Cess Act, 1929.”

The motion was adopted.

The Honourable Sir Muhammad Zafrullah Khan: Sir, I introduce the Bill.

THE REGISTRATION OF FOREIGNERS BILL.

The Honourable Sir Reginald Maxwell (Home Member): Sir, I introduce the Bill to provide for the registration of foreigners in British India.

THE WORKMEN'S COMPENSATION (AMENDMENT) BILL.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): I do not move items Nos. 6 and 8 today. I move item No. 10. Sir, I move:

“That the Bill further to amend the Workmen's Compensation Act, 1923, for a certain purpose, be taken into consideration.”

Sir, this is a very simple measure. It has become necessary owing to the difference of judicial opinion over the definition of “workman” contained in the Workmen's Compensation Act, 1923. The definition is contained in section 2(1) (n). Omitting the words that are not necessary for the purposes of this Bill,—I am confining myself to that portion of the definition with which we are concerned,—“workman” is there defined as meaning “any person employed on monthly wages not exceeding Rs. 300.” That read with the provisions of section 5 of the Act should have made it clear that what is meant is that a workman is a person, subject to the other matters laid down in the sub-clause, whose rate of wages, when calculated in accordance with the method laid down in section 5 of the Act, did not exceed Rs. 300 a month. And that is the view taken by the Bombay High Court. On the other hand, the Madras High Court have taken the view—and I think they have read this definition, with all respect, as divorced from the provisions of section 5 of the Act—that the benefit of this Act could go to a workman only if he is employed by the month, that, if a workman is employed by the day or by the week, he is not covered by this definition. By amending the first part of section 5 of this Act by means of clause 2 of this Bill we are seeking to set that right. We are also taking the opportunity to exclude from section 5 (b) of the Act the words “deemed to be” which really are redundant. That is only a drafting amendment.

We are also providing by clause 3 of the Bill that where a workman's claim to compensation has been dismissed, as a result of the construction which the Madras High Court have placed upon the definition of a workman in the Act, the claim can be reopened at the instance of the workman. That is to say, we are seeking to give retrospective effect to the provisions of this Bill. Sir, I do not think that there will be any controversy over this matter at all. I move.

Mr. President (The Honourable Sir Abdur Rahim): Motion moved:

"That the Bill further to amend the Workmen's Compensation Act, 1923, for a certain purpose, be taken into consideration."

Mr. N. M. Joshi (Nominated Non-Official): I do not wish to oppose this motion, but at the same time I wish to suggest to the Government of India that, instead of bringing forward measures amending the workmen's compensation law in small matters as they have done on this occasion and on some of the previous occasions, they should undertake a thorough revision of this law. The workmen's compensation law was amended some years ago after the publication of the report of the Royal Commission on Indian Labour. But, Sir, in that legislation several defects have remained; especially the rates given for compensation for several injuries and for death were kept very low on that occasion. There are also other defects in the legislation. I do not wish to make a speech about all the defects of the workmen's compensation law, but I would like—whether it would be in order or not, it would be for the Chair to decide.

The Honourable Sir Muhammad Zafrullah Khan: Why has that thought struck you, Mr. Joshi?

Mr. N. M. Joshi: The thought struck me because some gentleman behind you wanted to take on himself the duties of the President.

The Honourable Sir Muhammad Zafrullah Khan: Nothing of the kind.

Mr. N. M. Joshi: He said I would not be in order.

The Honourable Sir Muhammad Zafrullah Khan: Sir, if Mr. Joshi must know, Mr. Spence was saying, "I do not know whether he is or is not in order." And that I think is the feeling of Mr. Joshi himself.

Mr. N. M. Joshi: I do not wish to discuss that point any more. The point is that the Government of India should not bring forward small measures for amending some of the smaller defects of the Act. It is time now that they should revise the whole of the workmen's compensation law, so that the law in India may be brought into line with the law in Great Britain and other advanced countries. With these words, I support the motion.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the Bill further to amend the Workmen's Compensation Act, 1923, for a certain purpose, be taken into consideration."

The motion was adopted.

Clauses 2, 3 and 1, and the Title and the Preamble were added to the Bill.

The Honourable Sir Muhammad Zafrullah Khan: Sir, I beg to move:

"That the Bill be passed."

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the Bill be passed."

The motion was adopted.

THE COTTON GINNING AND PRESSING FACTORIES (AMENDMENT) BILL.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, I beg to move:

"That the Bill to amend the Cotton Ginning and Pressing Factories Act, 1925, for certain purposes, be taken into consideration."

This is a simple and non-controversial measure. The reasons for the amendments which the Bill seeks to make in the Cotton Ginning and Pressing Factories Act, 1925, have been fully explained in the Statement of Objects and Reasons. It will be seen that the Bill amends only two sections of the Act, namely, sections 9 and 14, and the need for amending these two sections has been represented by the Indian Central Cotton Committee, which is a statutory body constituted under the Indian Cotton Cess Act, 1923, for the improvement and development of the growing, marketing and manufacture of cotton in India. By clause 2 of the Bill, section 9 of the Cotton Ginning and Pressing Factories Act is being amended so as to require the owners of factories in existence before the commencement of the Act to conform in respect of structural alterations and additions to the requirements laid down in respect of factories constructed since the Act was introduced. In certain pre-Act factories in the Punjab, for instance, additions and alterations were made which were not in accordance with the plans and specifications prescribed by the Provincial Government under section 9(1) of the Act. Such owners of these factories as were prosecuted under section 9(1) (b) of the Act were acquitted by the Courts on the ground that the said section, as at present worded, did not apply to factories constructed before the Act was passed in 1925. If the additions or alterations to ginning and pressing factories, constructed before the passing of the Act, were allowed to escape from the obligation to conform to the plans and specifications imposed upon factories constructed after the passing of the Act, the object of the Act would be defeated. In amending this section, however, two objects have been kept in view. First, it was thought that it would be inequitable if the result of amending section 9 was such that no alteration, even of the most trivial character, to a pre-Act factory could be undertaken without imposing on the owner the liability to reconstruct the whole factory. The section has, therefore, been so amended that no alteration or addition leaves the factory as a whole further from the requirements of section 9 than it was prior to the alteration or addition being effected. Secondly, some 14 years have now passed since the commencement of the parent Act, and it will be unfair if the amended Act can, retrospectively, come down upon factory owners who may, within that long period, have taken advantage, with or without *mala fides* of the loophole we are now endeavouring to close. In order to avoid such an unfair operation

of the Act, it was considered necessary to supply a date from which this new sub-section will operate. It will be observed that the date mentioned in the Bill is the 27th day of February, 1939.

Clause 3 of the Bill will put a stop to the rigid application of the existing section which caused great hardship to the trade, inasmuch as it enabled purchasers to declare cotton not a fair tender even if there were only minor technical faults in marking and the quality of the cotton tendered was not in dispute. The result of the proposed amendment will be that the right of a purchaser to reject a bale of cotton will be limited to the bale not bearing the special mark prescribed for the factory under section 4(1) of the Act. Under clause 3(1) (b) the proviso to the existing section 14 is being omitted as having been long spent. The new sub-section to section 14, which it is proposed to add by clause 3(2) of the Bill, will result in throwing the onus of proving the falsity of the presumption on the person alleging such falsity. Here again, it was represented that in the absence of such a provision certain purchasers refused to accept bales on the ground that the marking had not taken place before the bales left the factory. The proposed amendment will remove this difficulty.

Mr. President (The Honourable Sir Abdur Rahim): Motion moved:

"That the Bill to amend the Cotton Ginning and Pressing Factories Act, 1925, for certain purposes, be taken into consideration."

Mr. Brojendra Narayan Chaudhury (Surma Valley *cum* Shillong: Non-Muhammadan): The Bill, as has been explained by the Honourable the Mover, is a complicated one and not so simple as he would have us believe. I think the House would not be discharging its responsibility in a technical matter like this, if it passed the Bill at once. I would request the Honourable the Mover to send the Bill to a Select Committee. It has been explained that the Bill seeks to give retrospective effect to certain provisions in their application to factories which were built before the passing of the original Act, and we cannot understand exactly what the implications of the new amendments will be. This is a very technical matter requiring some sort of engineering skill, and I would ask the House not to pass the Bill without referring it to a Select Committee. Unless the Honourable Member consents to send the Bill to a Select Committee, the House will have no option but to oppose the Bill.

The Honourable Sir Muhammad Zafrullah Khan: I am afraid Mr. Chaudhury is under a misapprehension. It is not proposed to make the Cotton Ginning and Pressing Factories Act retrospective and to apply it to pre-Act factories in the sense that they will all be asked now to reconstitute themselves and conform to the provisions of the Act. The retrospective effect of the Act will be only with regard to structural alterations or additions which are now made on the original factory itself, and I submit there is nothing technical in this measure.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the Bill to amend the Cotton Ginning and Pressing Factories Act, 1925, for certain purposes, be taken into consideration."

The motion was adopted.

Clauses 2, 3 and 1, and the Title and the Preamble were added to the Bill.