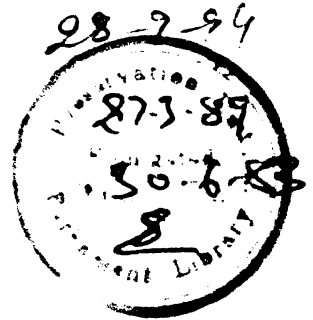


THE  
LEGISLATIVE ASSEMBLY DEBATES  
(OFFICIAL REPORT)

Vol. VIII, 1933

*(20th November to 9th December, 1933)*

SIXTH SESSION  
OF THE  
FOURTH LEGISLATIVE ASSEMBLY  
1933.



# Legislative Assembly.

*President :*

**THE HONOURABLE SIR SHANMUKHAM CHETTY, K.C.I.E.**

*Deputy President :*

**MR. ABDUL MATIN CHAUDHURY, M.L.A.**

*Panel of Chairmen :*

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**MR. K. C. NEOGY, M.L.A.**

**SIR LESLIE HUDSON, K.T., M.L.A.**

**SIR ABDULLA-AL-MAMUN SUHRAWARDY, K.T., M.L.A.**

*Secretary :*

**MIAN MUHAMMAD RAFI, BAR.-AT-LAW.**

*Assistant of the Secretary :*

**RAI BAHADUR D. DUTT.**

*Marshal :*

**CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.**

*Committee on Public Petitions :*

**MR. ABDUL MATIN CHAUDHURY, M.L.A., Chairman.**

**SIR LESLIE HUDSON, K.T., M.L.A.**

**MR. B. SITARAMARAJU, M.L.A.**

**MR. GAYA PRASAD SINGH, M.L.A.**

**KUNWAR HAJEE ISMAIL ALI KHAN, O.B.E., M.L.A.**

**MESSLAD**

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# LEGISLATIVE ASSEMBLY.

*Saturday, 9th December, 1933.*

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

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## MEMBER SWORN.

Mr. Chandulal Madhavlal Trivedi, O.B.E., M.L.A. (Government of India: Nominated Official).

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## THE RESERVE BANK OF INDIA BILL.

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

"That clause 5 stand part of the Bill."

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, there are two amendments which stand in my name, and these perhaps go together, and if you will permit me, I will refer to both these motions together in my speech, and it might also save the time of the House and save me the trouble of making two speeches. Sir, in the list . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Will the Honourable Member first move his amendment?

**Dr. Ziauddin Ahmad**: Yes, Sir; I will first move amendment No. 63. It is this:

"That for sub-clause (1) of clause 5 of the Bill, the following be substituted:

'(1) The share capital of the Bank may be increased or reduced on the recommendation of the Central Board, with the previous sanction of the Governor General in Council and with the approval of the Central Legislature to such extent and in such manner as may be determined by the Bank in General Meeting'."

Sir, if we turn to clause 5 of the Bill, we find that sub-clause (1) deals with the increase of capital, and there we find that the approval of the Central Legislature is necessary; but there is no reference made to the shareholders at the General Meetings. When we come to sub-clause (5), we find that the share capital can be reduced without any reference to the Central Legislature. Now, there are four important parties in the administration who should deal with the increase or decrease in the share capital of the Bank. In the first place, the thing should be initiated by the Central Board, because they are the proper persons to look after the interests of the Bank. If they approve, then the matter should be referred to the

[Dr. Ziauddin Ahmad.]

General Meeting of the shareholders, because, after all, in a matter of increase and decrease of share capital, the shareholders have very great interest. Then, if the General Meeting approves the proposal, the matter should be referred to the Government, and, if the Government also approve, then the matter should be referred to the Central Legislature which should have the final voice. It will be unfair to this Legislature to give this power to another body. The Central Legislature only, Sir, should be the final authority to decide the increase or decrease in the capital of this Bank. Secondly, the shareholders are a body of persons who are intimately concerned in the increase or decrease of the capital, and to overlook them either in one case or in the other would be very unfair to them. My distinguished friends on the opposite Benches have been great champions of the shareholders, they wanted to safeguard their interests right and left, but in this very important matter in which the shareholders are vitally interested in respect of any change in the capital of the Bank, their interests are entirely overlooked. The Honourable the Finance Member must have seen all the Acts of all the Reserve Banks in the world, but today I have got a present for him, which I cannot give him just now, and in this we have got . . . .

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muham-  
madan): Please hold it up.

(Dr. Ziauddin Ahmad at this stage held up a bundle of books and papers.)

**Dr. Ziauddin Ahmad:** . . . . . and in this we have got copies of all the Acts of all the Reserve Banks in the world . . . . .

**The Honourable Sir George Schuster** (Finance Member): I don't think it is necessary for my friend to go through all these Acts. I may perhaps tell him at once that we see no particular objection to this proposal. It is much more logical than the proposal in the clause as it stands before the House. We should not object to it at all. We are quite prepared to accept the Honourable Member's amendment.

**Dr. Ziauddin Ahmad:** If the Honourable Member is prepared to accept my amendment, then it will save me the trouble of making a speech and I simply move my amendment and sit down.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (1) of clause 5 of the Bill, the following be substituted :

'(1) The share capital of the Bank may be increased or reduced on the recommendation of the Central Board, with the previous sanction of the Governor General in Council and with the approval of the Central Legislature to such extent and in such manner as may be determined by the Bank in General Meeting'."

**The Honourable Sir George Schuster:** Sir, as I have already stated, I am quite prepared to accept my Honourable friend's amendment.

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

"That for sub-clause (7) of clause 5 of the Bill, the following be substituted:

"(7) The share capital of the Bank may be increased or reduced on the recommendation of the Central Board, with the previous sanction of the Governor General in Council and with the approval of the Central Legislature to such extent and in such manner as may be determined by the Bank in General Meeting."

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next one is a consequential amendment. Will the Honourable Member move it?

**Dr. Ziauddin Ahmad**: Sir, I beg to move:

"That sub-clause (5) of clause 5 of the Bill be omitted."

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

"That sub-clause (5) of clause 5 of the Bill be omitted."

The motion was adopted.

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

"That clause 5, as amended, stand part of the Bill."

The motion was adopted.

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

"That clause 6 stand part of the Bill."

The House now comes to amendment No. 65. **Mr. Thampan**.

**Dr. Ziauddin Ahmad**: May I make a suggestion to you, Sir. There are three particular groups, and if we have a discussion on one group together, it will save time; for example, Nos. 65, 66, 69, 70, and, in the supplementary list, Nos. 1, 2, 4 and 5, all these amendments refer to opening branches at Cawnpore, Lahore and so on, all these may be taken together

.....

**Mr. President** (The Honourable Sir Shanmukham Chetty): All these amendments, Nos. 65 and 66 under the Consolidated List, and No. 69, and then Nos. 1 and 2 in the Supplementary List and No. 3, are the same, and, therefore, if No. 65 is disposed of, all the others will automatically go.

**Dr. Ziauddin Ahmad**: No, Sir, because somebody suggests Cawnpore alone, while another Honourable Member suggests Karachi alone

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair finds only two different groups, one wanting Karachi, Lahore and Cawnpore, and the other amendment of Mr. Lalchand Navalrai wants Karachi

[Mr. President.]

alone. Therefore, what the Chair proposes to do is to first ask Mr. Thampan to move No. 65, and then it will ask Mr. Lalchand Navalrai to move his amendment which is in Supplementary List No. 4. Then there will be a comprehensive discussion, and the voting will be taken on each amendment.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That in clause 6 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore' be inserted."

The clause, as now drafted, provides for having offices only at Bombay, Calcutta, Delhi, Madras and Rangoon. Everybody knows that even now there are currency offices at Karachi, Lahore and Cawnpore, and, as the proposal is to hand over the currency department to the Reserve Bank, it is desirable that the whole establishment at these places should be transferred to the Reserve Bank and maintain those offices. If those offices are closed, the Imperial Bank will have to look after the work of the Reserve Bank there as agents of the Reserve Bank. I am told that the commission to the Imperial Bank for the agency at one branch, for instance, the one at Lahore, will alone come to about a lakh of rupees, and there is no need to give this one lakh to the Imperial Bank. The Reserve Bank may as well conduct its own affairs without entrusting it to anybody else. I find that there are other amendments to open branches at all these places by Members coming from those places. Mine is a comprehensive one, and I am confident that Members coming from those places will strengthen my hands by giving sufficient reasons for the adoption of this motion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in clause 6 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore' be inserted."

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, I move:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and Karachi' be substituted."

My object is that there should be an office in Karachi. At present we find that the offices that have been contemplated by this Bill are to be established at Bombay, Calcutta, Rangoon and Madras. These are four ports, and the Karachi port is no less a port than these ones. In some respects this port, I should say, is superior to even Bombay. At present this is an international port, and there is also internal trade with Lahore, Cawnpore, Delhi and other places. We are asking for direct communication from Karachi to Cawnpore. Under these circumstances, I find Karachi has superior claim. Karachi has already a currency office, and to have an issue office of the Reserve Bank and to have an agency of the Imperial Bank are two different things, and I think that it would be inconvenient for people in Karachi. So far as the agency of the Imperial Bank is concerned, I regret I have to say that it has not fulfilled the expectations of Karachi and the people there are not satisfied with that agency. I hope, therefore, that the House will agree to this amendment.



**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and Karachi' be substituted."

Does Rai Bahadur Lala Brij Kishore want to move the amendment in which he wants to add only Cawnpore—Supplementary List No. 8—?

**Rai Bahadur Lala Brij Kishore** (Lucknow Division: Non-Muhammadan Rural): Sir, I beg to move:

"That in clause 6 of the Bill after the word 'Rangoon' the word 'Cawnpore' be inserted."

Cawnpore at present is one of the most important trading centres in Upper India. It has already got an Issue Department and it possesses strong rooms for the safe custody of the Reserve. The present organisation can easily be changed into an office of the Reserve Bank with a little additional cost. Sir, the United Provinces is one of the most important agricultural provinces and its interests are made subservient to the interests of capitalists. I would have very much preferred that a Local Board might be established in the United Provinces and that it should have the power to nominate a Director for the Central Board, but I do not demand it in the present amendment.

My request is a very limited one, and I only wish that the Reserve Bank in Cawnpore should carry on its transactions through its own office and not through the agency of the Imperial Bank. The change will not cost any appreciable amount; on the other hand, it will give an impetus to the trade at Cawnpore and will give satisfaction to the people of the United Provinces.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in clause 6 of the Bill after the word 'Rangoon' the word 'Cawnpore' be inserted."

**Mr. D. N. O'Sullivan** (Bombay: European): Sir, I wish to say a word or two in favour of the amendment of my Honourable and learned friend, Mr. Lalchand Navalrai. I feel that the case of Karachi stands on a somewhat different footing from the inland towns,—Lahore, Cawnpore, and other places. I do not support my friend in any spirit of local patriotism, but in the genuine belief that the case of Karachi,—I won't say has gone by default—has not received that due consideration which it might have received from the Select Committee. When I say the case of Karachi, I mean the case of Karachi for an office of the Reserve Bank and particularly in its relation to the buying and selling of sterling covered by clauses 40 and 41 of the Bill. Exactly the same necessity exists at Karachi for the statutory obligation to buy and sell sterling as at Bombay, or Rangoon, or Madras. I presume that one of the underlying intentions of clause 6 is to establish offices of the Reserve Bank at places which carry on international trade, foreign trade. We all know that it is generally considered that a Reserve Bank should have a limited number of offices, but since Rangoon and Madras have been included, there seems to be no valid reason whatsoever for the exclusion of Karachi from the list, and Karachi, I submit, will

[Mr. D. N. O'Sullivan.]

suffer considerably thereby. Karachi does a very considerable international trade. In fact, Sir, it might surprise some of the Members of this House to know that the sea-borne trade of Karachi considerably exceeds that of Madras and is very little behind that of Rangoon. There is no object in quoting statistics at any very great length, but I would refer the House to this excellent volume of statistics published by the Government, the Statistical Abstract of British India, 1933. There is at page 570 a list of the eight principal ports in India and the total trade of these principal ports. Karachi comes fourth in the list just after Rangoon and before Madras. We need not go very considerably into past years. Going back as far as 1928-29, the total sea-borne trade of Karachi was Rs. 74,40,00,000 as against Rs. 52 crores for Madras. Similarly, for 1929-30 the Karachi figures were Rs. 60,47,00,000, as against Rs. 54 crores for Madras. In 1930-31, Karachi had Rs. 52 crores, while it was Rs. 37 crores for Madras. The figures of this year have not yet been published by the Government, and, as the Madras Chamber of Commerce apparently have not in their annual report published these totals, I am unable to get comparative figures, but there is no reason to suppose that Karachi is not still ahead of Madras.

The claim of Karachi in this respect is further enhanced by the need for finance for the Sukkur Barrage produce. I need not in this House emphasize the importance of this enormous project. It is one of the finest engineering feats of the generation. It is a scheme which has been planned and carried to completion by an Indian Service of Engineers financed by Indian capital and carried out by Indian labour and indeed it is definitely one of the wonders of modern India, if not one of the wonders of the world, in this particular kind of engineering work. Vast areas of desert have been placed under cultivation. Crops of wheat, cotton and rice now flourish, where not a blade of grass appeared before and if, anticipations in respect of the scheme are even partially realised, the port of Karachi will possibly in the future be one of the greatest ports for the export of cotton and wheat in the world.

It may not be generally known in the House that enormous sums of money have been spent in the development of the port of Karachi. New wharves have been erected and with the ancillary railway facilities, there is every reason to suppose that, with the return of prosperity, Karachi may in fact outstrip Bombay as the principal sea port of Western India.

**Mr. H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Question.

**Mr. D. N. O'Sullivan:** I shall have something to say on that presently.

**Mr. H. P. Mody:** Might I tell my Honourable friend that if Bombay stood still for 50 years and Karachi went on advancing for 50 years, they might just get level?

**Dr. Ziauddin Ahmad:** May I add that Bombay hinders the progress of the rest of India?

**Mr. D. N. O'Sullivan:** It might be argued that the branches of the Reserve Bank have been opened at Madras and Rangoon, because Madras is the capital of a Presidency and Rangoon is the capital of a Province. Sir, Karachi is about to be made the capital of the new Province of Sind. Even now the Sind Committee is sitting, considering details in connection with

the separation from Bombay and now, with regard to what my Honourable friend, Mr. Mody, said I might say that the interests of Karachi have not in the past been always those of Bombay, and Karachi, in the estimation of those I have the honour to represent, has not benefited thereby. Karachi is separated from Bombay geographically, linguistically and in many other respects. It takes us as long to reach Karachi from Delhi as it does to reach Karachi from Bombay, a journey of 36 hours in each case. In every way the province of Sind is different from the Bombay Presidency. It is a pure accident that Sind became a part of the Bombay Presidency. The occupation of Sind was by contingents from the Bombay army who were sent up to deal with the Mirs of Sind, but that is by the way. My main point is that Karachi is the capital of an agricultural province, entirely concerned with agriculture. Karachi is not concerned with the fluctuations and manipulations of the Bombay stock exchange or the dealings of the Bombay bullion brokers or mill magnates. Karachi interests are very far removed from those of Bombay. If that was the position in years gone by, the position has not improved now. In the *interim* before the reforms come into being Bombay appears to be adopting a very peripatetic attitude towards the interests of Sind.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Will you return to Bombay a crore of rupees a year which Bombay has lost through this connection for the last so many years.

**Mr. D. N. O'Sullivan:** I have no doubt the Government of India will repay it with interest.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Bombay is losing a crore of rupees every year.

**Mr. D. N. O'Sullivan:** She deserves it. Sind has suffered in the past and it is suffering even now. To give one instance. For some unknown reason, so far as any one in Sind can see, we understand there is a project for making a new railway line from Bombay to Karachi. The project will cost enormous sums of money. I do not know the actual figures. Nobody in Sind wants such a line. The reason probably is that some people do not like the journey by sea during the monsoon. I think there must be very few of them.

**Mr. Lalchand Navalrai:** There is a difference of opinion.

**Mr. D. N. O'Sullivan:** Perhaps you are one of those who cannot do the sea journey during the monsoon.

**The Honourable Sir George Schuster:** I might remind my Honourable friend that a branch of the Reserve Bank will be able to do very little to help him over these troubles.

**Mr. D. N. O'Sullivan:** I do accept that and I apologize. As I said, the interests of Sind are very different from those of Bombay and there is no logical reason why Karachi should have been left out as regards an office of the Reserve Bank. While I am dealing with the respective merits of Bombay and Karachi, I might mention that in certain high financial circles in Europe apparently it is the considered opinion that equal facilities in the matter of high finance are afforded by Bombay and Karachi. A few months

[Mr. D. N. O'Sullivan.]

ago, two foreign gentlemen went to Bombay with a forged letter of credit and endeavoured to extract a couple of lakhs of rupees from a Bombay Bank and then they went to Karachi expecting equal facilities, but, owing to the extra vigilance there, the police caught them as they were about to take advantage of the facilities offered at the very excellent air port at Karachi. They are now languishing in jail. I must apologise again for digressing. Turning aside from this levity, I ask the House in all seriousness to support me in this respect. The only possible argument that is used against my claim is that an agency at Karachi of the Reserve Bank will cost considerably less than establishing an office. But that has not been demonstrated. I see nothing about that in the report of the Select Committee and, in fact, I do not think that is an argument which can carry us far and have any weight in view of the fact that the arguments on the other side are extremely weighty. I would, therefore, ask the House to support this amendment. But before I sit down, if the House do not feel so inclined, I would ask at least for some sort of assurance from the Finance Member that exactly the same facilities will be provided by the Karachi agency of the Reserve Bank for the sale and purchase of sterling. This is a very important matter in the eyes of those whom I chiefly represent, that is to say, the mercantile community of Karachi. (Applause.)

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): Sir, I have listened to the speech of the Honourable Member who last spoke with the attention which everything that comes from him deserves. But I am afraid I have heard nothing from him which would make me change my opinion that all these amendments must be summarily rejected. (*Some Honourable Members: "Why."*) Sir, one of the basic principles to be considered in connection with the establishment of the Central Bank . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): A summary rejection does not require a long speech (Laughter.)

**Mr. N. N. Anklesaria:** . . . . one of the basic principles to be considered is that the Central Bank should not compete with commercial banks; and it is even now a moot point in some quarters whether India requires a greater development of commercial banking or of Central Banking. It is certain that if an office of the Central Bank is opened in Karachi or Cawnpore or anywhere else, it is bound, if it is to do any good work, to come into competition with the ordinary commercial banks (*An Honourable Member: "How."*), and, so far as I have heard my Honourable friend, Mr. Thampan, and others on the present amendment, I have seen no arguments advanced in support of their contention except those that appeal to the parochial feelings of other Members of the House who are more connected with Cawnpore, Lahore, Karachi and other places than the general body of Members here. I submit, therefore, that there is no need for opening more offices of the Reserve Bank than those provided for in the Bill.

**Mr. Muhammad Ashar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, as I also have sent in a similar amendment, I should like to speak on this amendment. Our object in giving this amendment is only this much that, if branches are opened in these places also,

then it will not only inspire confidence in the local people, but it will also facilitate the progress of the Reserve Bank. These three places, that have been mentioned, are over and above the five that have been mentioned in the Bill. It comes to this, that eight places only are required in all to be the centres for the Reserve Bank. Sir, surely eight places for a country like India cannot be very many. Karachi, as has just been said by my friend from Karachi, is a very important international centre for trade, and so is Cawnpore. Cawnpore is a very great trade centre, and if you imagine the distances between Calcutta and Cawnpore, between Bombay and Cawnpore and between Delhi and Cawnpore, you will realise that there are great distances to be travelled before one can go to a Reserve Bank Branch from one place to another. Sir, if you want that this Reserve Bank business should be a reality, and that it should be realised by the people that it is being established in the interest of the people of this country, then my submission is only this that they should not grudge the establishment of a few more branches in a vast country like India. Sir, to say that only five places will be enough for India, simply because, for central banking business other countries have not got so many branch offices, is not correct. That may be all right for those places that are smaller countries, but India is a vast continent and you cannot possibly compare this big continent with other places where Central Banks are established. So, my submission is that if you want to give free discount facilities and if you want that the facilities mentioned in clause 17 (a) and (b) should be afforded in a vast country like India, then the mere adding of three places to these centres should not be difficult. Cawnpore is a very great trading centre; it has got several mills, as my friends from Cawnpore can very well bear me out on this point, there is a lot of banking business, there are foreign banks and commercial banks doing business in Cawnpore, and Cawnpore trades with Indian States like Gwalior and other places. There is great marketing of grain, sugar, *gur* and different other commodities, and Cawnpore requires that there should be some such branch of the Reserve Bank there. Sir, in Cawnpore, and I think also in Karachi and Lahore, there are Currency Offices too. It might be said that the acceptance of this amendment would mean that there would be additional expenditure. My submission is that, even in Select Committee, the Government Members also admitted that the expense would not be great. Thus, I do not see any very great reason why this small request, as embodied in this small amendment, should not be accepted. Sir, we know they are now going to have autonomous provinces in the new constitution. (*An Honourable Member*: "Are you sure?") I may be sure or not, at least that is the allegation. (*Laughter.*) (*An Honourable Member*: "Then you are the 'alligator'?") (*Mr. S. C. Mitra*: "Then Patna and Nagpur will also claim similar privileges.") But, Sir, I also find that the Chambers of Commerce of the United Provinces sent in a memorandum to the Committee, which the members of the Select Committee must have seen themselves. They also wanted that there ought to be a branch office at Cawnpore. Therefore, my submission is that this small amendment should be accepted. ]

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhammadan Urban): Mr. President, the scheme of this clause is that there shall be a branch at every place wherever there is a share register. Thus, five centres have been chosen, because there are five share registers.

[Diwan Bahadur A. Ramaswami Mudaliar.]

and these are supposed to be the capitals of those areas, if I may say so, but my friend, Mr. Anklesaria, with his attitude of summary rejection of every connected amendment, was very indignant on this point. Now, may I point out to him that power is given to the Reserve Bank to open branches wheresoever they choose and the very next year after the Reserve Bank is established. So it is perfectly open to them to have branches at Karachi, Cawnpore and Lahore. The point of view from which this amendment is placed is simply this, that it is perfectly true that this scheme recognises five centres as being the capitals for the share registers; still, these particular centres—Cawnpore, Lahore and Karachi—are so important that a branch at least of the Reserve Bank may be established there. It might be argued that the Imperial Bank will carry on the functions of the Reserve Bank in those areas. My friend talked a great deal of the Reserve Bank not coming into competition with any commercial banks. If he had understood the scheme of the working of the Reserve Bank, he would have realised that under no circumstances can the Reserve Bank come into competition with commercial banks. It is only when you make the Imperial Bank or any other Bank an agent of the Reserve Bank that you put the power of competition between one set of commercial banks and another. Now, what will happen if in these three important centres, Cawnpore, Lahore and Lucknow, the Imperial Bank is made the agent of the Reserve Bank as it is bound to be if provision is not immediately made for it? The rediscounting facilities of the member banks can only be obtained through the Imperial Bank unless, of course, they go out of the area and come to Delhi or to Bombay or some other place. It is there that the competition between one commercial bank and another comes in. It is there that one commercial bank will have to go to the Imperial Bank agent at Karachi, disclose its state of affairs and ask for rediscount facilities and that, I submit, is not fair at least in places where commercial business is so highly developed as in Karachi, Lahore and Cawnpore. These are the places which are doing commercial business on a large scale. They have their own Chambers of Commerce and also currency offices. I venture to think, therefore, that it will not add very considerably to the cost if agencies are established in these places. As I have said, this clause provides for the establishment of agencies in these places subsequently. What we suggest is that simultaneously there must be branches here. I won't even say simultaneously, because, after all, this is an enabling provision and the clause says that, as soon as may be, branches may be established in these places. Even if you put in the names of Karachi, Lahore and Cawnpore, it does not mean that automatically the branches of the Reserve Bank will be established in those places. The Reserve Bank Directorate has still got the time to consider the proposal. What the amendment seeks to ask is this, that some time, in the not very distant future, branches of the Reserve Bank may be established in these places. I venture to submit very deferentially to the Honourable the Finance Member that nothing would be lost if this amendment is accepted, and the apprehensions of large commercial interests will, to a certain extent, be allayed if the Reserve Bank gets its agencies in these three places.

**Raja Bahadur G. Krishnamachariar** (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): Will the Honourable Member see that the amendment says "shall" establish and not "may"?

**Diwan Bahadur A. Ramaswami Mudaliar:** It says as soon as may be.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, I had no intention to participate in this debate, but when I find that the House is in the throes of inter-provincial jealousies, I cannot help suggesting a formula which will solve the problem if it is accepted by the Honourable the Finance Member. Whether Karachi is the present capital of Sind or the would-be capital of Sind, the province of Orissa is not mentioned at all. The other day I did not vote for the motion of my friend, Mr. Maswood Ahmad, because he wanted a branch of the Reserve Bank to be set up at Patna, but he did not mention of Cuttack. I would suggest that the whole problem would be solved if the Honourable the Finance Member sees his way to establish a branch of the Reserve Bank at every capital town of all the 12 provinces including that of Burma. Sir, that is the right solution, and I respectfully submit to the Honourable the Finance Member that he should not be carried away by the pressure that is being put on him by the commercial or agricultural sections of any particular province on the floor of this House. The most equitable solution will be that every province should have a branch of the Reserve Bank.

**Mr. A. Hoon** (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I thank my Honourable friend, Diwan Bahadur Mudaliar, for having advocated the cause of opening branches at Karachi, Lahore and Cawnpore, especially because he comes from none of those places. Mr. Azhar Ali, who hails from Lucknow, has also advanced the cause of Cawnpore, but, as I come from Cawnpore itself, I claim the indulgence of the House to give me a little time to say something with regard to the establishment of a branch at that place. Sir, I have understood from the remarks made by Mr. Mudaliar that the work of the Reserve Bank at Cawnpore will be carried out through the agency of the Imperial Bank. That fact alone establishes that there is room for work to be done by the Reserve Bank at Cawnpore and, in order to accomplish that, they shall have to establish an agency there. The question of inter-provincial jealousies is suggested by my friend, Mr. Das, but it is not relevant at all. We do not want to deprive any province of a branch. All that we want is that there should be a branch at Cawnpore and we hope that we shall succeed in establishing our case. I can say with great pride that Cawnpore is now styled and rightly styled as the Manchester of India.

**Mr. Gaya Prasad Singh:** Does Mr. Mody agree with that view?

**Mr. A. Hoon:** It is an established fact on which there cannot be two opinions.

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): What is London of India?

**Mr. A. Hoon:** I hope it is not Burdwan. Sir, Cawnpore is a very big centre of the cotton industry, the woollen industry, the leather industry and of the sugar industry. It is not only that we manufacture all these things on a very large scale, but we in Cawnpore have more or less become a distributing centre of all these goods for Upper India. We have got trade connections with the Indian States and the gentlemen from

[Mr. A. Hoon.]

Delhi will perhaps be surprised to learn that we send goods to Delhi also on a very large scale. There is another aspect of this question which has also got to be considered. It is this that in fixing up the number of branches the framers of the Bill have, I believe, taken into consideration either the question of distances or the question of trade. I frankly admit that the trade of Cawnpore is not so big as the trade of Bombay or of Calcutta; but, at the same time, I submit that the trade of Cawnpore is better than of any other place where the branches of the Reserve Bank are now going to be opened. Sir, since power has been given to the Directors of the Reserve Bank to open these branches wherever they think it necessary, I submit that there would be nothing out of the way if the framers of the Bill at this moment do give their due consideration to this question, whether it would be right to open a branch at Cawnpore and other places at present or later on. I for one would be satisfied if it is stated by the Honourable the Finance Member with cogent reasons that at this particular moment we do not consider it necessary, but that we shall soon be establishing a branch at Cawnpore. With these remarks, I support the amendment.

**Raja Bahadur G. Krishnamachariar:** Sir, I had not intended to intervene in this debate, but the interpretation put by my friend, the Diwan Bahadur, compels me to state what exactly I understand to be the position with regard to clause 7. It will be seen that clause 7 is divided into two portions. It says first "shall" and, with regard to certain other places, it says "may".

I submit that if the amendment is accepted, although the words "as soon as may be" are there, the position of these other places, which are sought to be included along with Rangoon and Calcutta and Madras, would be exactly the same and I take it that the Reserve Bank must establish these branches in order to carry on its business. The words "as soon as may be" do not really mean any difference in the duty cast upon the Government by virtue of this clause and, if the amendment is accepted, the Government will be as much bound or the Bank will be as much bound to open branches in those other places defined here as in the other places which would be added to it now.

**The Honourable Sir George Schuster:** Sir, debates of this kind always lead to a very healthy interchange of speeches by those who are influenced by motives of local patriotism or at least by their own knowledge of the needs of the place from which they come, and I think this has been a very useful debate from that point of view. I want to put the case quite dispassionately before the House explaining to them how we have reached this position, and why we think that this position as embodied in the Bill is really the right position to maintain at present. I imagine that those who have spoken and those who feel strongly on this matter have had two interests in view, first of all the interests of the public and, secondly, though it has not actually been mentioned in this particular debate, the interests of the currency staff in the places where there are currency offices. I wanted to mention that, because I know that certain Honourable Members have been influenced by that consideration as to whether the currency staff in places where there are currency offices will be properly looked after. We fully intend, I should like to say at the outset, that the interests of



the currency staff should be safeguarded and there is no change in conditions likely to arise which will prejudice the position of the members of the currency staff at various places where we have currency offices. I just wanted to make that point clear. Then, as regards the interest of the public, of course we also fully agree with all that has been said in the sense that we feel that the interest of the public must be properly looked after, but what we felt was that apart from the accredited main centres where the share registers are to be kept, it is wiser to leave the actual opening of branches to the discretion of the Board. I think I am correct in saying, in spite of what my Honourable friend, Mr. Mudaliar, has said, that it is contrary to the accepted principles of central banking that a Central Bank should have a large number of branches. There is a good deal in what my Honourable friend, Mr. Anklesaria, said. If a Central Bank has branches in a great number of places, there must be a tendency, I will not go further than that, but there must be a tendency, for the Reserve Bank to get more into competition with the ordinary banks than it would otherwise do. Those who are in charge of a branch will obviously do their best to justify their existence and as those who took part in the discussions in the Select Committee will realise there are many parts of the field of the Reserve Bank's business where it is possible that it may come into competition with the ordinary banks. The representatives of the ordinary banks showed a good deal of anxiety on that point and one cannot deny that there is a danger of the Reserve Bank overflowing in its activities into the fields of the ordinary banks. Therefore, as a general principle, we feel quite strongly that the over-doing of establishing branches should be avoided. In those places where there are currency offices, there are three alternatives that might be followed; either first, as is recommended by this amendment, full-fledged branches of the Reserve Bank might be set up; or secondly, the organisation of the currency offices might be continued as an issue office of the Reserve Bank; or thirdly, that might be taken over by the Imperial Bank as part of its business as the Agent for the Reserve Bank. Under either of those three alternatives, we feel that the public will not have inadequate facilities, but of course if there is a demand and if the Central Board thinks fit, then the Central Board will establish branches at these places. A good deal has been said in this discussion about the facilities which the opening of a branch of the Reserve Bank would give. I think possibly some Honourable Members who have spoken have tended to exaggerate what the practical effect of opening a branch of the Reserve Bank would be. One must emphasise that the Reserve Bank is not there to give facilities to the ordinary members of the public. It is there as a bankers' bank essentially, and I think some of the speeches based on general grounds have tended to indicate the idea that a Reserve Bank will do very much more than, I am afraid, a Reserve Bank can accomplish. I do not want to stress too much the disadvantage of extra expense; but undoubtedly that is a practical point, and once we start enlarging the number of branches, then there will inevitably be further demand for the extension of that principle. This debate has already indicated the danger. My Honourable friend, Mr. B. Das, was not slow to get up and say, if Cawnpore has a branch, or if Karachi, as the capital of the anticipated new Province of Sind, is to have a branch, then the capital of his own new Province of Orissa should also have a branch.

**Mr. Gaya Prasad Singh:** What about Bihar?

**Dr. Ziauddin Ahmad:** That chance for Orissa will become much brighter if the branches are established in these three places.

**The Honourable Sir George Schuster:** I am afraid I cannot follow the purpose of my Honourable friend's interruption. Then my Honourable friend, Mr. Hoon, advanced the principle that if there is work for an agency, then there must obviously be work for opening a branch, but I am sure that he will himself admit that that argument carries him rather too far, because, of course, the Reserve Bank will have agencies in a great number of places in India and obviously it could not go to the expense of setting up branches everywhere. As regards Karachi, a special point has been raised, namely, the facilities for buying and selling sterling. I am quite prepared to give my Honourable friend who spoke last on behalf of Karachi the assurance that facilities for the performance of the statutory obligations of buying and selling sterling can be provided and will be provided at Karachi. When the statutory obligation on the currency authority was one of selling gold, then there were difficulties about providing that for Karachi.

**Mr. D. N. O'Sullivan:** May I know whether that would involve any additional expense by way of payment of agency commission or any other payment howsoever small?

**The Honourable Sir George Schuster:** I suppose my Honourable friend's object in asking for the assurance was that, if the facilities were directly available at Karachi, payment of commissions would be avoided.

**Mr. D. N. O'Sullivan:** Yes.

**The Honourable Sir George Schuster:** My assurance in that case is that Karachi will have the same facilities as Bombay, for example. I think that should satisfy my Honourable friend. Then, again, as a debating point I would put it to my Honourable friend that the remarkable development in the trade of Karachi seems to indicate that the lack of those facilities in the past has not been a very hampering factor. I think that covers all that I have to say on this matter and I would turn again to the essential ground on which we took our stand, namely, that it is wiser at the present stage to leave this question of opening branches to the discretion of the Board. We do not feel that, with the Bank set up and a Central

12 Noon. Board on which all areas will be represented directing its policy, there is any serious risk that facilities which are really needed will not be given to all the localities. We should certainly put no obstacles in their way and they will have before them the sentiments expressed in this debate, and I have no doubt that they will, as one of their earliest tasks, consider this question as to whether more branches are necessary. However much I sympathise with those who have spoken in support of the interests of their respective areas, I would put it to them that the wisest policy now is to take the course followed in this Bill and leave all these questions to the discretion of the Board. And I would point out as regards the Imperial Bank that we have made it quite clear that in the agreement with the Imperial Bank nothing should be said which would operate as any restriction on the liberty of the Reserve Bank to open branches wherever it may desire. The field is entirely open, and I think every area will get a fair chance.

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

"That in clause 6 of the Bill, after the word 'Madras', the words 'Karachi, Lahore, Cawnpore' be inserted."

The Assembly divided:

AYES—39.

Abdul Matin Chaudhury, Mr.  
Azhar Ali, Mr. Muhammad.  
Badi-uz-Zaman, Maulvi.  
Bagla, Lala Rameshwar Prasad.  
Bhuput Sing, Mr.  
Brij Kishore, Rai Bahadur Lala.  
Chandi Mal Gola, Bhagat.  
Das, Mr. B.  
Dutt, Mr. Amar Nath.  
Hoon, Mr. A.  
Ibrahim Ali Khan, Lieut. Nawab  
Muhammad.  
Ismail Ali Khan, Kunwar Hajee.  
Isra, Chaudhri.  
Lalchand Navalrai, Mr.  
Mitra, Mr. S. C.  
Mody, Mr. H. P.  
Muazzam Sahib Bahadur, Mr.  
Muhammad.  
Mudaliar, Diwan Bahadur A.  
Ramaswami.  
Murtuza Saheb Bahadur, Maulvi  
Sayyid.

Neogy, Mr. K. C.  
Nihal Singh, Sardar.  
Parma Nand, Bhai.  
Patil, Rao Bahadur B. L.  
Phookun, Mr. T. R.  
Puri, Mr. B. R.  
Puri, Mr. Goswami M. R.  
Raghubir Singh, Rai Bahadur  
Kunwar.  
Ranga Iyer, Mr. C. S.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Sant Singh, Sardar.  
Sarma, Mr. R. S.  
Sen, Mr. S. C.  
Shafee Daoodi, Maulvi Muhammad.  
Sitaramaraju, Mr. B.  
Sohan Singh, Sardar.  
Thampan, Mr. K. P.  
Uppi Saheb Bahadur, Mr.  
Ziauddin Ahmad, Dr.

NOES—46:

Abdul Aziz, Khan Bahadur Mian.  
Ahmad Nawaz Khan, Major Nawab  
Anklesaria, Mr. N. N.  
Ayengar, Mr. V. K. A. Aravamudha.  
Bajpai, Mr. G. S.  
Bhore, The Honourable Sir Joseph.  
Bower, Mr. E. H. M.  
Chatarji, Mr. J. M.  
Clow, Mr. A. G.  
Cox, Mr. A. R.  
Dalal, Dr. R. D.  
Dash, Mr. A. J.  
DeSouza, Dr. F. X.  
Dillon, Mr. W.  
Graham, Sir Lancelot.  
Grantham, Mr. S. G.  
Haig, The Honourable Sir Harry.  
Hezlett, Mr. J.  
Hudson, Sir Leslie.  
James, Mr. F. E.  
Jawahar Singh, Sardar Bahadur  
Sardar.  
Lee, Mr. D. J. N.  
Mackenzie, Mr. R. T. H.

Macmillan, Mr. A. M.  
Metcalf, Mr. H. A. F.  
Millar, Mr. E. S.  
Milligan, Mr. J. A.  
Mitter, The Honourable Sir Brojendra.  
Morgan, Mr. G.  
Mukherjee, Rai Bahadur S. C.  
Noyce, The Honourable Sir Frank.  
Pandit, Rao Bahadur S. R.  
Rafuiddin Ahmad, Khan Bahadur  
Maulvi.  
Raisman, Mr. A.  
Rajah, Rao Bahadur M. C.  
Ramakrishna, Mr. V.  
Rau, Mr. P. R.  
Schuster, The Honourable Sir George.  
Singh, Kumar Gupteshwar Prasad.  
Singh, Mr. Pradyumna Prashad.  
Sinha, Rai Bahadur Madan Mohan.  
Smith, Mr. R.  
Studd, Mr. E.  
Suhrawardy, Sir Abdulla-al-Mámán.  
Tottenham, Mr. G. R. F.  
Trivedi, Mr. C. M.

The motion was negatived.

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

"That in clause 6 of the Bill, for the words 'and Rangoon', the words 'Rangoon and Karachi' be substituted."

The motion was negatived.

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

"That in clause 6 of the Bill, after the word 'Rangoon' the word 'Cawnpore' be inserted."

The motion was negatived.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I move:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted."

In this connection I have another consequential amendment, No. 71, which I shall move later on with your permission. My object is to change the place of London from optional to compulsory . . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Then the Honourable Member must move it in this form:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

**Mr. S. C. Mitra**: All right, Sir. I move:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

The purpose of my amendment is that a branch of the Reserve Bank of India should be started in London at once without it being left to the option of the Central Board to start it at a later date if they think it necessary. I think nobody in this House will deny the necessity of a London branch. All that was said against this suggestion was that a country, which has got a Central Bank, transacts its works in a foreign country through the Central Bank of that foreign country. But I would like to emphasise that India's case stands on a different footing. I move this amendment on three grounds: firstly, I support it on the ground that it will help the training of Indians in the London Branch where they will have experience of the international market and get proper training. Secondly, that the influence of the Bank of England should not be predominant on the Central Bank of India. There is a general misapprehension here in India that our Central Bank may merely be a subservient branch of the Bank of England and may carry out its behests. If we begin with the handicap of not having a branch of our own in England and let the Bank of England be our agent there, then, on all important matters, particularly in the matter of raising of any debt and all such important matters, they will be not only our agents, but will be dictating to the Central Bank in India. My third ground is that the position of other countries in relation to England is very much different from that of India. We have

large payments to make in the shape of home charges; we pay more than 240 millions, and, to discharge those duties, a branch in London will have sufficient work to do. So the example of other foreign countries which have their Central Banks does not apply in the case of India. On these three grounds, I move that a branch of the Central Bank of India be started in London at once and it must be made compulsory and that this question should not be left to the discretion of the Central Board.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon, and a branch in London' be substituted, and the words 'or in London' be omitted."

Does Mr. Bhuput Sing move his amendment?

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): Sir, I want to support the amendment moved by my Honourable friend, Mr. Mitra, and do not like to move my amendment. The Government in Select Committee agreed that the previous sanction of the Governor General would not be required to establish a branch in London, and that the option of opening it might be left to the Board of Directors if and when they felt the necessity of opening such a branch. But we on this side feel that the opening of a branch in London should be in the Statute itself provided for. Our main reason is that our young Indians will have an ample opportunity of getting in touch with all the experts in the international money markets in London; and to my mind the influence of the City of London will, to a great extent, be minimised if we have our own branch in London. In 1927, the Government saw no objection to include such a provision in the body of the Bill to make it obligatory that there shall be a branch in London: I do not know how much pressure has already been brought on the Government of India not to agree to this small demand of ours. Though in the amended Bill the previous sanction for opening such a branch is not required, yet the Central Board, as constituted for the first four years, will be predominantly nominated, and it is our intention that the Bank at its very inception should have a branch of its own in London. Simply for the purpose of co-operation between the Central Banks of India and the United Kingdom of which much capital has been made, I do not agree that the Central Bank of India should employ the Central Bank of the United Kingdom as their agents. The condition of India is quite different from that of any other independent country, and the co-operation that is possible between the Central Banks of other independent countries cannot be possible as the Bank of England will always try to subordinate the interests of India to the interests of other parties. Lastly, India has to meet large obligations in the shape of home charges every year and that will entail the largest possible transaction for the Bank of England for which they will earn a huge amount of profit by way of agency commission from India; and, in comparison with that, England will have very little business in India and there will be very little profit to the Indian Central Bank. So, on the ground of economy also, I think a branch in London is essential instead of giving the Bank of England the agency for the Reserve Bank of India. On these grounds, I wholeheartedly support the amendment.

**Mr. B. V. Jadhav:** Sir, I rise to support the amendment moved by my friend, Mr. Mitra. The Central Bank of India must have a branch of its own in London as early as possible. If the agency is given to the Bank of England to work for the Reserve Bank of India, then the Directorate of the Reserve Bank will not be so eager to open a branch there for some time to come. As has been already said by previous speakers, Sir, India has to transact a considerable amount of business, we have to pay the Home charges, pensions, railway dividends, interest on various loans, and so on, and, therefore, our business will be of considerable magnitude to justify the establishment of a branch in London. At the same time, if the office in London is properly manned by Indians, it will serve as a very good training ground for our youngmen, and when they return to this country, they will be able to open more branches, their experience will be very useful in encouraging banking in this country. Now, in England we have the India House, and that is a very important thing there. In the same way, we must have a branch of the Reserve Bank in London. The Dominion of Canada has got a branch in London, and, in order to justify our existence and show our importance in the eyes of the English nation, it is very desirable to have a branch of the Reserve Bank in London. In the present Bill, as returned by the Select Committee, powers have been given to the Board to open a branch in London when they think fit; but, as I said, the opening of the branch should take place as early as possible, and, therefore, it ought to be made obligatory on the Board to open a branch in London. Sir, I strongly support this motion.

**Sir Cowasji Jehangir:** Sir, I support this amendment. In the 1928 Bill, it was provided that there should be a branch in London. The London Committee thought that it should be optional to the Central Board to start a branch in London, for reasons given in the London Committee's Report. In the Bill we are now discussing, it was provided that a Branch could only be started by the Central Board after obtaining the previous sanction of the Governor General in Council. The obligation to obtain this previous sanction was omitted by the Select Committee, and the position in the Bill now is that the Central Board can start a branch in London just as they can start a branch in any city in India. Sir, the reasons that led us in England to accept the position, which the Report explains, were not, I think, carefully considered. India is in an exceptional position. It cannot be compared with any of the dominions nor with any other country in the world which has a Central Bank. We have to remit to England large sums of money. We have Indian sterling securities, we have British securities, we have gold reserves in England which conditions cannot be compared with conditions in any other country in the world; and, therefore, I do not see any objection to having a branch in London. That does not mean that the Bank of England shall not act for the Reserve Bank in certain respects. The Bank of England will have to be employed as an agent for raising loans. No other Bank in England could help us as the Bank of England can. The world goes to the Bank of England to raise loans; and, therefore, whether the Reserve Bank has a branch in London or not, India will have to go to the Bank of England just as every other country in the world has to go for the purpose of raising loans. But my strongest reason for supporting this amendment is the strong feeling in India, and if in this matter we can meet that strong feeling and the sentiments of the commercial classes, I think we should

do so. We have always said that this Reserve Bank should have the support of public opinion. I sincerely believe, Sir, that the Select Committee have done all they could to meet public criticism and the objections that have been raised to the Bill by those worthy of expressing an opinion. In this case, perhaps the Select Committee might have gone a little further and met public opinion in this matter and agreed to having a branch in London. I, therefore, support this amendment, Sir . . . .

**Mr. N. N. Anklesaria:** Can the Honourable Member give us some idea of the expense involved?

**Sir Cowasji Jehangir:** There may be a little extra expense, I don't deny it.

**Mr. N. N. Anklesaria:** How much would it be?

**Sir Cowasji Jehangir:** When we talk in crores, I don't think a little extra expense in opening a branch is going to do any damage.

**Mr. N. N. Anklesaria:** What does the Honourable Member mean by "a little extra expense"? Can he give us an approximate idea?

**Sir Cowasji Jehangir:** No. I have no idea, but whatever it is, I think it will be worth while.

**Mr. Gaya Prasad Singh:** Sir, I also support the motion of my friend, Mr. S. C. Mitra. This question as has been pointed out by Sir Cowasji Jehangir came up in the Select Committee, where we tried to convince our official friends of the desirability and necessity of providing for the opening of a branch in London, but we did not succeed there. Some concession has been allowed by the Government Members, and they agree to having a branch in London when the Central Bank thinks fit to do so; but we wanted that this provision should be laid down in the Statute itself so that the Reserve Bank should start with a branch in London. As has been pointed out by previous speakers, we have enormous financial obligations in London by way of Home charges and other things, and it is, therefore, necessary that we should have our own branch there to transact all the various classes of business and to be in direct touch with affairs.

Now, Sir, it has been stated that other countries transact their business in London through the Bank of England, but this is a parallel which cannot hold good in the case of India in view of the political and other differences. This fact was clearly recognised by the Report on this Bill to which the official Members are also signatories. At page 2 of this Report, it is stated:

"We consider in this connection whether it would be proper to place a Statutory obligation on the Reserve Bank to open a branch in London. We have noted that the present tendency among the Central Banks of the world is not to establish branches outside their own countries, but to employ other Central Banks as their agents at foreign centres. While we should be unwilling to make any recommendation which could be construed as a failure to appreciate the importance of international co-operation between the Central Banks of various countries . . ."

—Here I will ask Honourable Members to note the following words—

"we cannot accept the view that the practice of other countries affords an exact parallel to the particular case in India as regards representation in London."

[Mr. Gaya Prasad Singh.]

Therefore, I submit that the Government themselves recognise that the case of India is somewhat different from the case of other countries in respect of a branch of the Reserve Bank in London.

It has also been pleaded that if we have a branch in London from the very commencement, it will afford exceptional facilities to young Indians to get training in banking matters so as to be able to control the Reserve Bank in India. In the 1927-28 Bill, the Government agreed to the recommendation of having a branch in London, and I don't see anything has been said now which would detract from the force of the argument which was advanced on that occasion, and accepted by the Government.

Sir, my Honourable friend, Mr. Anklesaria, wanted to know the approximate cost which will be involved in opening a branch in London. Of course, it is a point which I cannot answer; it should be better addressed to my Honourable friend, the Finance Member. But speaking generally in an offhand manner, I may say that if our London branch has to transact the business which will have to be performed through the Bank of England, it will save the amount of commission which will have to be paid to the Bank of England; and what it will come to exactly, I am not in a position to say.

There is another point to which I should like to refer. It has been stated, in the Despatch of the Government of India, that the intention is that this Reserve Bank should act in close co-operation with and at the dictation of the Bank of England. I am not exactly quoting the words . .

**The Honourable Sir George Schuster:** Is my Honourable friend professing to give a quotation? If so, he is completely misrepresenting what is said there.

**Mr. Gaya Prasad Singh:** My Honourable friend always says that others are misrepresenting him. Will my Honourable friend himself quote the exact words which his Government employed in the Despatch which they sent to the Secretary of State?

**The Honourable Sir George Schuster:** I have not got a copy of the Despatch with me.

**Mr. Gaya Prasad Singh:** I too have not got a copy of the Despatch with me.

**The Honourable Sir George Schuster:** I can, however, say with confidence that the substance of the quotation which my Honourable friend gave was incorrect.

**Mr. Gaya Prasad Singh:** So far as I recollect, and I speak subject to correction, what was stated in the Despatch was that the Reserve Bank should act in close co-operation with, and on the lines approved of by, the Bank of England. Am I correct? I pause for a reply. What is the meaning of this phrase, "on the lines approved of by the Bank of England"? It means dictation. My Honourable friend said that I was misrepresenting. Now, I have quoted the exact words. (Laughter.) The very fact that Government are so keen in opposing this innocent amendment on our side indicates that they are actuated by some sort of suspicion



in the matter; and this strengthens our suspicion that they want the Bank of England to lord it over our Reserve Bank, and that is why they are unwilling to allow a branch to be opened in London. I do not understand what objection there can be in having a branch in London. Non-official opinion in this country is practically unanimous in demanding a London branch from the very outset. Commercial people—I have seen numerous papers and representations on the subject—also advocate that a branch in London should be made compulsory, and I do not understand why Government should be so keen on opposing this amendment.

**An Honourable Member:** They have not yet opposed it. They may accept it.

**Mr. Gaya Prasad Singh:** I sincerely wish that, in order to shorten our time and allay our suspicion, my Honourable friend may stand up and forthwith accept this amendment so that there may be no occasion for other Members to make their speeches. My Honourable friend on behalf of Government has shown a somewhat conciliatory attitude in some of the other matters in the Select Committee and I hope that, in response to what I might term as the unanimous public opinion in this country, he will accept this motion.

**Sardar Sant Singh (West Punjab: Sikh):** I do not want to repeat the arguments of my friends on this side of the House, but there are two points to which I want to draw the attention of the Honourable the Finance Member on this question. First of all, it is admittedly correct that in the Bill of 1927 a branch in London was provided for in the Bill itself, and, therefore, the onus of proving that there is now no necessity to open a branch there lies very heavily upon the Government. Unless there are cogent reasons brought forward by the Government for not opening a branch there, public opinion will be justified in demanding from us why we did not press for the opening of a branch in London when there were no reasons to the contrary given by the Government. It is not for us to say why the branch is necessary; it is for the Government to tell us what new factors have come into existence since 1927 which led the London Committee and the Government of India to omit the opening of a branch in London in this year of grace 1933. The second point is, and much stress has been laid in the London Committee's report on this principle, that this Reserve Bank should be free from any political influence. Similarly, much emphasis has been laid in our speeches too on this side of the House that we have fears, whether justifiable or not, that the Reserve Bank as adumbrated in this Bill is going to be under the influence of the City of London. In order to put these fears at rest, I think Government will do well to accept this amendment. The reason is, as my Honourable friend, Mr. Gaya Prasad Singh, has just now quoted from the Despatch of the Government of India where there are certain words which lend themselves to this meaning. The expression "with the approval of the Bank of England" can mean "under the political influence of the Bank of England". Therefore, in order to justify their own stand that this Reserve Bank is sought to be free from political influence of all sorts, the Government should agree to this amendment and provide in the Statute itself that a branch in London will be opened from the very day that the Bank comes into existence. With these words, I support this amendment.

**Mr. G. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, the Honourable the Leader of the Opposition, Sir Cowasji Jehangir, who was a member of the Reserve Bank Committee and took an enthusiastic part both in London and here, has placed before us how it will be necessary for the Indian Reserve Bank, as it is necessary for the Reserve Banks in other parts of the world, to seek the co-operation of the Bank of England, and, therefore, I do not very much get worried over the language of the Despatch to which my Honourable friend, Mr. Gaya Prasad Singh, referred. But there is an apprehension in the public mind, and as it is necessary to start this Reserve Bank in an atmosphere of goodwill, I think it will be wise on the part of the Finance Member to make a good gesture in this House and accept the amendment of my Honourable friend, Mr. Mitra. I need not repeat the arguments that Honourable Members have placed before the House, but I earnestly appeal to the Finance Member to help us in creating the necessary atmosphere.

**Mr. B. Sitaramaraju** (Ganjam cum Vizagapatam. Non-Muhammadan Rural): We on this side of the House attach great importance to this amendment. Already a great deal has been said; but, however, I consider that there are one or two matters of some importance that the House would like to be brought to their notice.

I invite the attention of the Honourable Members to the fact that for the first time when a Bill to constitute a Reserve Bank was introduced in the year 1927, we found a provision made to the effect that a London branch was absolutely essential. Subsequently, when the 1927 Bill went before the Joint Committee of both Houses of the Central Legislature, they also recommended that there should be a provision that there should be a London branch, and when Sir Basil Blackett returned from London, he tried to introduce a measure which is now known as the Bill of 1928. Even in that Bill, we find a provision that a London branch is absolutely compulsory. Coming to the London Committee on the present Bill, the London Committee observed:

"We understand that it is the recognised practice of Central Banks to conduct their operations in another country through the agency of the Central Banks of that country."

When the London Committee said this, they only emphasized the general principle followed by Central Banks. To be fair even to the London Committee, it must be said that they made, however, one observation and that is to emphasize the peculiar position which India holds in relation to London, because they said:

"We, therefore, recommend that the words 'and London' should be omitted from clause 6, the effect of which will be to make the establishment of a London branch optional."

The reason is this. They recognised the peculiar position of India and deemed it necessary to have a branch in London, but they thought that it would not be advisable to make it a provision in the Constitution itself, but that it might be left to the discretion of the Central Board. Again, my Honourable friends of the Joint Select Committee of both Houses have practically conceded the idea embodied by the London Committee. I said at the very outset that we did attach a very great importance to this provision in the Bill. I shall not go into detail in regard to the position, which India holds in relation to London. London means the financial interests of England which cannot be gainsaid to be a very

dominant factor in our financial position. Such being the case, the mere fact that this particular subject is left to the will and pleasure of the Central Board brings me to this very important consideration, to which, I hope, Honourable Members will pay due attention. It will be remembered that when the Central Board is constituted for the first time, the Directors of that Board will all be nominated. Therefore, the same consideration which might prevail with regard to a Board constituted afterwards does not hold good in this particular case. Here we are going to have a Central Board which is a pure nominee of the Government of India. Now it is no secret that we are highly suspicious of the dominant influence of the city interests of London and, therefore, to leave it in a matter like this in the hands of Government or in the hands of a body which is to be nominated by the Government is very dangerous. When the first nominated body of Directors sit, they have to come to some arrangement with London. They should either open a branch there or make arrangements with the Bank of England, and if they make an arrangement with the Bank of England, it is quite possible they would have to make a long term arrangement which it would be impossible for their successors to change. We know that this branch in London is the counterpart of the Reserve Bank here in which case it will have to do a lot of business practically for this country and we would like to be assured that that business will not be entrusted to anybody which cannot act purely in the interests of India.

**The Honourable Sir George Schuster:** In the first place, I should like to clear up the issues that are involved in this motion. I will say at the outset that I do not propose to argue it on the financial issue—the cost of a London office. As Honourable Members opposite have pointed out, the issues involved are of much more importance than that. Apart from that, I do not wish the House to go on discussing this matter on what appears to have been the main issue hitherto, which I consider to be a false issue. The issue before the House is not whether a London branch is to be opened or not, but whether this Legislature now is to make it compulsory for the Board not only to open a London branch, but to maintain a London branch for all time. That is the issue before the House. We are not opposing the opening of a London branch at all, and, in confirmation of this, I wish to remind the House of the very great change that has been made in the Bill on the recommendation of the Select Committee, namely, that the condition that the decision to open the branch should receive the prior assent of the Governor General in Council has been removed. We are proposing to put the decision entirely in the hands of the Board and Government relinquishes all right to determine the matter. On this point, I think my Honourable friend, who has just spoken, is entirely unfair in his suggestion that the first Board at any rate will be a creature of the Government of India. The Governor General in Council will select the best men that they can find in India to perform the business of the Bank and the gentlemen selected will be completely independent of Government control. It is the essence of this whole plan that the Directors will have in their hands complete power to run the affairs of the Bank. That spirit has been preserved in all the clauses of the Bill and I would remind the House again that we accepted a recommendation of the Select Committee that nominated Directors should hold their office in the same way as elected Directors, so that they need not feel that they were in any sense under the control of the Governor General in Council. Moreover, even though the Board may in the first instance be a nominated Board, there

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will be a change as early as at the end of the first year and from that year the elected element comes in.

Now, on this issue of whether we are to compel the Bank to open a branch in London, I have a few points that I want to put to the House. In the first place, what has been said about co-operation between the Central Banks of the various countries of the world is really a matter of very great importance. If we are to proceed at all on lines of economic progress in the world (which is in such a mess today), that progress must be based on international co-operation: and in a world which at present shows very little signs of such co-operation, particularly among its business sections, I should say that there have been signs of one notable exception, and that is the Central Banks of the world. The Governors of the Central Banks have tried more honestly to work in a spirit of international co-operation than any other important leaders in the world today, and of all of them the one who has taken the greatest lead in these matters—and I am glad to have an opportunity of paying a tribute to him—is the Governor of the Bank of England. Indeed, he has been accused of going much too far in that direction; in fact I think one Honourable Member speaking yesterday quoted some accusations that had been levelled against him on that ground. But, I can testify from my personal knowledge how in those dark days after the War, there would have been no chance at all of the recovery of the Central European countries if the Governor of the Bank of England had not stepped in and given a lead and taken very heavy responsibilities. The recovery of Austria, which was the first step, was entirely due to his action and the courage which he showed, and after that step there followed similar action in regard to Hungary and other countries. The action was worked through the Finance Committee of the League of Nations—but that body would have been quite powerless unless one of the nations had been prepared to come forward and give a lead by saying: "We will put up £5 million or £6 million, whatever it may be, to help this scheme through". Sir, I feel it necessary to go rather outside the scope of this discussion to point that out, for this reason. I do feel—and I hope Honourable Members opposite will regard me as a friend of India in this matter—I do feel that it would be very unfortunate if India and the representatives of India should approach these questions in an atmosphere of suspicion. I do not want.—looking at the matter entirely from the Indian point of view,—I do not want India to take a line in London which will be interpreted as indicating a suspicious attitude, which can quite naturally evoke undesirable reactions.

And now let me just say something to show to the House the sort of thing which I have in mind. One very important point has been made in this debate.—and I should like to say I have the fullest sympathy with Honourable Members opposite in all that they have said so far as concerns the motives which lie behind them—one important point has been made that the opening of a branch in London will give facilities for training Indians. That is of vital importance, and I have always been attracted by the idea of a London office for that very reason myself. But let us consider the matter a little further. I think it is quite fair to expect—indeed I have reason for saying so—that when India has her own Central Bank, the Bank of England will give facilities for officials of that Central Bank to work in London and get training at the Bank of England. Now I am not wishing to come down on one side or the other. I am merely putting this consideration to Honourable Members opposite. It may be of far

greater value to Indians to get the opportunity of working in the Bank of England and seeing the whole of their enormous business than in working in a London branch of their own Reserve Bank, which after all will have a very limited scope of business.

**Mr. B. V. Jadhav:** May I know whether that is a pious wish of the Honourable Member, or there is an understanding between him and the authorities of the Bank of England that Indians will be employed?

**The Honourable Sir George Schuster:** I do not want to go too far and I specially wanted not to go too far, but I can tell the Honourable Member that I am aware of one actual case of an individual who asked to be allowed to go and work at the Bank of England and the answer was that, if India had a Reserve Bank, then any man that they like to send over to the Bank of England for training would be looked after and every opportunity would be given to him.

**Mr. B. V. Jadhav:** Not till then?

**The Honourable Sir George Schuster:** It is not necessary to answer my Honourable friend's question more definitely, because the point I have to make is this. If we start a branch of our own in London now, it is possible that requests for facilities of that kind would not be so favourably regarded as in the other case of India following exactly the practice of all other countries. The only point I want to make now is—is it not wise to give the Central Board of the Reserve Bank the chance of examining these matters before they actually decide to set up a London office? Now, I have no hesitation in saying myself that I think, having regard to the feeling that exists in India—and I also said this in Select Committee—I think it is almost a practical certainty that the Board will set up a London branch, and that this will be one of the first steps that they will probably take; but the question which I am putting to the House is—is it not wiser to leave the Board to go into the whole matter and take their own decision, going into the sort of question which I have raised now,—what it will mean as regards actual co-operation with the Bank of England, what arrangements can be made in order to attain the objects which Honourable Members have at heart, and so on? I cannot help feeling that it would be wiser to leave the Central Board to go into those matters and not to put upon them the absolute obligation to open a London Branch; and again I would remind Honourable Members that that means not only opening a London branch, but keeping it open at all times. Now, I do not wish to speak on this matter at all in a debating spirit; I am merely asking the House to consider the sort of considerations which have been present to my own mind in thinking over this subject. Honourable Members have said, and quite rightly—indeed I cannot dispute it, because I myself signed the passage in the report which dealt with that matter,—Honourable Members have said that there are great differences between the conditions in India and the conditions in other countries. There are, undoubtedly. Still there are other dominions whose example may be examined. South Africa, for example, has a very important business in London, that of disposing of all its gold, and yet the South African Bank has not thought it advisable to open a branch in London. They are perfectly free to do so, but they have not thought it advisable to do so. That is an example which I think one is entitled to quote—for no one can say that South Africa is particularly

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 prejudiced in favour of England or particularly liable to allow her policy to be influenced by political considerations in England.

**Mr. B. Sitaramaraju:** Has South Africa got to pay any home charges—any large amount?

**The Honourable Sir George Schuster:** I quite agree, I am not arguing that the case is exactly parallel; I am only saying that South Africa is a country which has very important business in England for its Reserve Bank to be done, and yet they have not thought it advisable to open a branch in London. Honourable Members should consider the matter in that spirit. As I said, the issue before us is not whether you shall have a London Office, but whether you shall compel the Board to open a London Office, at once and always to maintain it.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur cum Orissa: Muhammadan): Will it not be possible for the House to amend the clause  
 1 P.M. if there be any necessity to close the London Branch?

**The Honourable Sir George Schuster:** My Honourable friend is perfectly entitled to ask that, and it is a perfectly good point. Still, when this House passes a measure, it does not pass it with the deliberate intention of amending it afterwards, and the implication undoubtedly is that there shall be a London office at once and for all time. That is the issue and if we have to stand on the ground of the Bill, I would ask Honourable Members to realise that by doing so we are not opposing the opening of the London Branch at all. We are merely saying that the decision of this point be left to the Central Board. I have found in private life in dealing with my business affairs and, I daresay, a good many others have found it also that, when I am offered a free option, I always take it. It involves no commitment. I would always rather have a free option than an absolute commitment one way or the other, whatever it might be, and that is really the choice which the House has to make. Will they take a free option in this matter or will they bind themselves by an absolute commitment?

**Mr. Gaya Prasad Singh:** I do not want to interrupt the Honourable Member, but will he kindly tell us why Government accepted this clause of a London branch in the 1927-28 Bill?

**The Honourable Sir George Schuster:** For the very same reason that Government are now prepared to leave it to the Board to take this decision. They recognise that there is a great deal to be said for having a London office, but in the meanwhile a good many years have elapsed and this question of the co-operation between Central Banks has been advanced a good deal, and the facilities which you can get in London by working through the Bank of England are perhaps more important now than they would have been in the past. That, Sir, is the position. But before I leave it, I should just like to say a few words in reply to my Honourable friend who interrupted me. As regards our relations with the Bank of England, I think only those, who have actually had the handling of financial responsibility here, can know and say what extremely valuable services India gets from the co-operation of the Bank of England. Honourable Members opposite have gone so far as to class the influence of the Bank of England or the advice of the Bank of England among political influences. If there is one non-political body in the world, I think it is the Bank of England. I have myself very often gone to the Bank of England and had a great many

dealings with its Governor, both in my connection with India and in handling other responsibilities and I know that, if I go and see the Governor of the Bank of England, I shall get his absolutely honest advice on my financial problems. I know that I shall get his ungrudging assistance and co-operation. There is nothing that he will not do to help those who go to him and have to work through the Bank of England in order to issue loans, and so on. It is very unfortunate, I think, that that sort of political suspicion should exist here. I think that the Finance Minister of the Indian Government in the future, if he tries to handle the raising of foreign loans through any other agency, will then be in a position to realise what advantages India gets from being able to go to the Bank of England for the issue of her loans, from having her loans treated on par with British Government securities and from having that great tradition which has been established for India in the London market. Sir, these things are possessions of incalculable value to India, and anything which is done which would tend to shake the security of those possessions is something which is extremely dangerous in India's interests. I am not suggesting that the opening of a London office would necessarily shake that security. All I am putting to the House is that, before this necessity is put upon the Bank, it is wise that the Central Board should have an opportunity to inquire into the matter and consider, even if it is going to be set up, how its setting up should be arranged and what the relations between the London branch and the Bank of England should be.

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

"That in clause 6 of the Bill, for the words 'and Rangoon' the words 'Rangoon and a branch in London' be substituted, and the words 'or in London' be omitted."

The Assembly divided:

AYES—46.

Abdul Matin Chaudhury, Mr.  
Anklesaria, Mr. N. N.  
Azhar Ali Mr. Muhammad.  
Radi-uz-Zaman, Maulvi.  
Bagla, Lala Rameshwar Prasad.  
Bhuput Singh, Mr.  
Chinoy, Mr. Rahimtoola M.  
Das, Mr. B.  
Dutt, Mr. Amar Nath.  
Fazal Haq Piracha, Khan Sahib  
Shaikh.  
Hoon, Mr. A.  
Ismail Ali Khan, Kunwar Hajee.  
Isa, Chaudhri.  
Jadhav, Mr. B. V.  
Jehangir, Sir Cowasji.  
Krishnamachariar, Raja Bahadur G.  
Lalchand Navalrai, Mr.  
Mahapatra, Mr. Sitakanta.  
Maswood Ahmad, Mr. M.  
Mitra, Mr. S. C.  
Muazzam Sahib Bahadur, Mr.  
Muhammad.  
Mudaliar, Diwan Bahadur A.  
Ramaswami.  
Mujumdar, Sardar G. N.

Murtuza Sahib Bahadur, Maulvi  
Sayyid.  
Neogy, Mr. K. C.  
Nihal Singh, Sardar.  
Pandit, Rao Bahadur S. E.  
Patil, Rao Bahadur B. L.  
Puri, Mr. B. R.  
Puri, Mr. Goswami M. R.  
Raghubir Singh, Rai Bahadur  
Kunwar.  
Rajah, Rao Bahadur M. C.  
Ranga Iyer, Mr. C. S.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Sant Singh, Sardar.  
Sarma, Mr. R. S.  
Sen, Mr. S. G.  
Singh, Mr. Ganga Prasad.  
Sitaramaraju, Mr. B.  
Sohan Singh, Sirdar.  
Suhrawardy, Sir Abdulla-al-Māmān.  
Thampian, Mr. K. P.  
Ummi Sahib Bahadur, Mr.  
Wilevattullah, Khan Bahadur H. M.  
Ziauddin Ahmad, Dr.

## NOES—45.

Abdul Aziz, Khan Bahadur Mian  
 Ahmad Nawas Khan, Major Nawab.  
 Ayanagar, Mr. V. K. A. Aravamudha.  
 Bajpai, Mr. G. S.  
 Bhore, The Honourable Sir Joseph.  
 Bower, Mr. E. H. M.  
 Chatarji, Mr. J. M.  
 Clow, Mr. A. G.  
 Cox, Mr. A. R.  
 Dalal, Dr. R. D.  
 Dash, Mr. A. J.  
 DeSouza, Dr. F. X.  
 Dillon, Mr. W.  
 Graham, Sir Lancelot.  
 Grantham, Mr. S. G.  
 Haig, The Honourable Sir Harry  
 Hazlett, Mr. J.  
 Hudson, Sir Leslie.  
 James, Mr. F. E.  
 Jawahar Singh, Sardar Bahadur  
     Sardar.  
 Lee, Mr. D. J. N.  
 Mackenzie, Mr. R. T. H.  
 Macmillan, Mr. A. M.

Metcalfe, Mr. H. A. F.  
 Millar, Mr. E. S.  
 Milligan, Mr. J. A.  
 Mitter, The Honourable Sir Brojendra.  
 Morgan, Mr. G.  
 Mukherjee, Rai Bahadur S. C.  
 Noyce, The Honourable Sir Frank.  
 O'Sullivan, Mr. D. N.  
 Rafiuddin Ahmad, Khan Bahadur  
     Maulvi.  
 Raisman, Mr. A.  
 Ramakrishna, Mr. V.  
 Rau, Mr. P. R.  
 Schuster, The Honourable Sir George.  
 Scott, Mr. J. Ramsay.  
 Singh, Kumar Gupteshwar Prasad.  
 Singh, Mr. Pradyumna Prasad.  
 Sinha, Rai Bahadur Madan Mohan.  
 Smith, Mr. R.  
 Studd, Mr. E.  
 Tottenham, Mr. G. R. F.  
 Trivedi, Mr. C. M.  
 Yamin Khan, Mr. Muhammad

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment No. 73\* in the name of Mr. K. P. Thampan does not fit in in this place. It is more appropriate after clause 7 which deals with management and there are similar amendments in the names of Messrs. Azhar Ali and Mitra, and the Chair proposes to take up Mr. Thampan's amendment at that stage.

The question is:

"That clause 6, as amended, stand part of the Bill."

The motion was adopted.

Clause 6, as amended, was added to the Bill.

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

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

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

"That clause 7 stand part of the Bill."

\* "That after clause 6 of the Bill, the following new clause be inserted and the subsequent clauses be re-numbered accordingly:

7. Subject to the powers given to the Governor General in Council by this Act the shareholders in general meeting assembled may give directions for the conduct of the business and administration of the bank and the Board shall be bound to act according to such instructions."



**Mr. S. C. Mitra:** Sir, I beg to move:

"That to clause 7 of the Bill, the following proviso be added :

'Provided that the shareholders, in General Meeting assembled, may give directions for the conduct of business and administration of the Bank subject to the provisions of this Act and the Board shall be bound to act accordingly'."

The purpose of this amendment is to give by Statute powers to the shareholders to give directions for the conduct of business and administration of the Bank. Going through the Bill carefully, we find that perhaps there has been no Statutory provision empowering the shareholders, though it may be considered that this power is inherent in the shareholders in general, to give directions to the Board of Directors. If it is admitted that no express provision is necessary, then, of course, there will be no necessity for it, but, as I understand it, some such specific delegation of power is necessary to make the Statute complete by itself.

Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to clause 7 of the Bill, the following proviso be added :

'Provided that the shareholders, in General Meeting assembled, may give directions for the conduct of business and administration of the Bank subject to the provisions of this Act and the Board shall be bound to act accordingly'."

**Dr. Ziauddin Ahmad:** Sir, the intention of this motion is to make the general meeting of shareholders something of a reality. At present they have a General Meeting of shareholders, but I do not find any power or any privileges provided for them. It is not even said whether the General Meeting of shareholders is an advisory body or a body whose decision is final; that is, whether the resolutions passed by a general body of shareholders will or will not be binding on the Directors. There is no provision to this effect anywhere, and we are very much afraid that the shareholders, who are really supposed to be the people in power possessing all the inherent rights, will not be able to exercise any votes and their resolutions might be treated very lightly. I notice that in the case of the auditors, we find that the auditor's report will be read before the meeting of the shareholders, but they never said anything as to whether the shareholders will be able to pass any resolution and whether such resolution, if passed, will be binding on the Directors. Therefore, the object of this motion is to declare very definitely whether you want a meeting of the shareholders to be of an advisory character whose decisions may not be accepted by the Directors or it is a body whose decisions will be final. This is really a test whether you actually want to hand over the Bank to a few autocrats and leave them free to do whatever they like or you want that the shareholders should have some real power. And I hope Government will accept this particular measure if they really mean to make this Bank a democratic one for the people of India and not a measure to hand over the credit and the currency of the country to the hands of a few irresponsible capitalists. Sir, I support the amendment.

**Mr. K. P. Thampan:** Sir, when shall I move my amendment? Shall I move it now?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member's amendment is the same in substance as this, is it not?

**Mr. K. P. Thampan:** No, Sir, there is a good deal of difference.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can move it now if he likes.

**Mr. K. P. Thampan:** Then I beg to move:

"That to clause 7 of the Bill, the following proviso be added:

'Provided that subject to the powers given to the Governor General in Council by this Act, the shareholders in General Meeting assembled, may give directions for the conduct of the business and administration of the Bank and the Board shall be bound to act according to such instructions.'

Sir, there is a great deal of difference between this amendment and the amendment that has been moved by Mr. S. C. Mitra. The amendment moved by me clearly states that the directions and control proposed to be made by the shareholders in General Meeting must be only subject to the powers given to the Governor General in this Act, while that of my friend is that they should be subject to the provisions of this Act. That means that they cannot go beyond the provisions of this Act. I want that subject to all the powers reserved for the Governor General the rest should be done under the direction of the shareholders. There is a good deal of difference between the two and that is why I think it necessary to move my amendment.

**Mr. S. C. Mitra:** I have also said "subject to the provisions of this Act" and that means practically the same thing.

**Mr. K. P. Thampan:** No, Sir. Now, coming to the amendment itself, in the first place, the Statute itself, by its very nature, restricts the rights of the shareholders. It is not an ordinary company and, as is the case with all Reserve Banks, the shareholders have only limited rights. I agree to that, and so far there is no objection, but what the House should remember is that all rights that are not specifically provided for are to be exercised between the Governor General and the Directors. The shareholders do not come anywhere except for the purpose of passing the annual administration report and getting the dividends. Sir, in "Kisch and Elkin on Central Banks", there is a special paragraph devoted to the rights and powers of the shareholders. At page 64, you will find this:

"Where the Central Bank is organised on the general lines of a private corporation."

—and I believe our Reserve Bank is a private corporation for all practical purposes—

"the rights of the shareholders cannot be ignored. The aim should be to give them certain powers of supervision, but to provide that these powers should not be too great."

I want to know what kind of supervision these shareholders have got in the working of the Reserve Bank. Absolutely nothing, so far as I know.

Kisch then goes on to say:

"It is desirable to preserve in principle the responsibility of Directors to shareholders on lines consonant with an organisation framed on the pattern of a commercial corporation."

Where is the responsibility of the Directors to the shareholders in this Bill? There is absolutely nothing:

"Normally, therefore, in view of the different safeguards provided in the constitution of the Bank for the protection of the public interest, the business of the shareholders' meeting, which is held at least once a year, is allowed to cover the following matters: . . . . ."

**Sir Cowasji Jehangir:** What book are you reading from?

**Mr. K. P. Thampan:** Kisch's book, at page 64. He further says:

"The election of Directors,

The receipt of the Directors' report and the Auditors' report.

The approval of the balance sheet.

The appropriation of profits, subject to the conditions prescribed in the law or Statutes.

The submission of proposals for change in the bye-laws, subject to the general provisions of the law."

In certain Statutes, for example those of the Netherlands Bank and the Bank of Lithuania, provision is made for the election by the shareholders of a small advisory Committee "to confer with the Board of Management or to consider questions submitted to it by the Board".

I do not propose anything of the kind.

He goes on to say:

"In Czechoslovakia, the shareholders elect an Audit Committee to examine the balance sheets and the general situation of the Bank. . . . . Even wider powers are given to the shareholders in the case of the Bank of Danzig."

That is what a well-known authority, often quoted in this House, says. The shareholders should exercise their right as the proprietors of the concern. Even those provisions that are generally seen in ordinary Companies' Act are not seen here. For example, there is no provision to hold a meeting at the instance of the shareholders. I understand, even in the case of the Imperial Bank of India, if a certain percentage of the shareholders want a meeting to be held, there is a provision enabling them to do it. Other provisions equally important are also missing. Even with regard to the domestic matters of the Bank, the shareholders cannot do anything. Their voice will not count. The whole thing is entrusted to the Directors and they are the masters of the situation, just like the public servants of this country who are the masters of the public and the tax-payers who maintain them are the subjects of the public servants and not of His Majesty the King. I will point out another instance. There are certain provisions which enable the Bank to do something hereafter— as for instance the opening of a branch in London: with regard to that subject we have, by a fluke vote, got over that difficulty. (*An Honourable Member:* "No, no.") It is for the Opposition to decide whether they should muster together hereafter and defeat Government on all important points: I should certainly be glad to vote with them . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** Does the Honourable Member want this amendment to be varied by the Council of State? If he does not, I hope he will not say it is a fluke.

**Mr. K. P. Thampan:** Supposing there is a proposal to open a branch in some place in India itself or there is a demand for Indianising the staff on a more liberal scale: the majority of the shareholders want that these should be done, while the Directors sit tight and do not take any steps: what are the shareholders to do? How can they make their opinion felt in the Directorate? There is absolutely no way. The Directors should always be made responsible to the shareholders who are their masters. They should be made answerable for their actions: not only the Directors, but also the Governors, because the Governors are also the servants of the Bank. That is what I want and, with these words, I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That to clause 7 of the Bill the following proviso be added:

"Provided that subject to the powers given to the Governor General in Council by this Act, the shareholders, in General Meeting assembled, may give directions for the conduct of the business and administration of the Bank and the Board shall be bound to act according to such instructions."

**Mr. S. C. Sen** (Bengal National Chamber of Commerce: Indian Commerce): Sir, there are two amendments now before us, one moved by my Honourable friend, Mr. Mitra, and the other by Mr. Thampan. There are differences in language in these amendments, although the purport is the same. In the first amendment, the power of the General Meeting is subject to the provisions contained in the Bill itself: whereas, in Mr. Thampan's amendment, it is subject to the powers conferred by this Bill on the Governor General in Council. The Governor General in Council does not deal with all the details of the working, but the Bill provides for the detailed working and vests the power in the Central Board: therefore, so far as Mr. Mitra's amendment is concerned, it must be subject to those powers. If I may paraphrase it in another way, it means that the power of the General Meeting shall not be inconsistent with the powers conferred on the Central Board of Directors by this Act. Now we know that in various companies, formed under the Indian Companies Act, similar provision exists, that the powers of the Directors shall be exercised subject to any resolutions not inconsistent with the provisions of the Articles of Association. Then it has been held in various cases that the shareholders cannot do anything. For my proposition, I only point out to you the passage which will be found in Palmer's Company Precedents, Vol. I, page 781. Here it says:

"Where the articles vest the general powers of the company in the Directors, subject to such regulations not being inconsistent with the aforesaid regulations—(that is what according to me is the substance of this clause)—as may be prescribed by the company in General Meeting, a company in General Meeting cannot override the Directors' powers by prescribing a regulation or passing a regulation inconsistent with the articles."

Therefore, by passing the amendment, as moved by Mr. Mitra, we are exactly in the same place as if that amendment had not been passed.

because the general body of the shareholders cannot move or in any way interfere with or affect the powers conferred upon the Central Board by the Statute. Moreover, how are the shareholders going to exercise their power? They can do it only by a General Meeting. There is no provision in the Statute as at present framed for the shareholders to call a General Meeting. The Statute provides that the ordinary General Meeting can be called once a year, and the Central Board can call a General Meeting. Under the new Companies Act, which came into force in 1912—as against the Act of 1882—there is a special provision that, notwithstanding anything contained in the articles of registration, a certain percentage of the shareholders—I believe 10 per cent.—can call a meeting of the general body of shareholders. That power is also given to the shareholders of the Imperial Bank—clause 14 of Schedule II. Clause 14 of Schedule II says this:

“Any hundred or more shareholders holding shares to the aggregate amount of 500 thousand rupees or any three Governors may convene a special meeting upon giving sixty days’ previous notice of such meeting and the purpose for which the same is convened.”

There is no such provision . . . .

**Dr. Ziauddin Ahmad:** I have given notice of a similar amendment

**Mr. S. C. Sen:** I am coming to it. Dr. Ziauddin has, however, given notice of an amendment under which he wants powers to be given to 25 members to convene a meeting of the shareholders, and I do not know whether it will be accepted by the Government. If that is accepted, then, on the basis of that, we can say that General Meetings should be called, and according to Mr. Mitra’s amendment, the shareholders can pass certain resolutions, but, as I have shown from Mr. Palmer’s book, they have no rights to interfere with the powers conferred upon them by the Statute itself. Therefore, I do not like my friend Mr. Mitra’s amendment, because it will be as ineffectual as if it had not been passed here. On the other hand, I support the amendment of my friend, Mr. Thampan, because there, it is subject, not to the provisions of the Bill, but to the powers conferred upon the Governor General in Council under the Bill. Of course, the Governor General’s powers are defined although his name appears there for more than 92 times, but, so far as the administration of the Bank is concerned, his interference is practically nil, except that he has the power to appoint the Governors and the first members of the Central Board and also, under certain circumstances, to remove any of the Directors.

**An Honourable Member:** Do you mean superseding them?

**Mr. S. C. Sen:** No. Supersecession is another thing, which means changing the whole body of Directors and the power of management is taken over by the Governor General in Council. We have nothing to do with it here. We are here thinking of circumstances in which the Bank should go on smoothly and the Directors require to be controlled under certain circumstances.

The other day, my friend, Diwan Bahadur Mudaliar, when speaking on the difference between a Shareholders Bank and a State Bank, stated that in a Shareholders Bank, apart from other things which are common to both the Shareholders Bank and a State Bank, the shareholders have

[Mr. S. C. Sen.]

certain powers of interference with or control over the management. Under this Bill, we have got rid of the bogey of State Bank. We are now enacting a measure on the basis of a Shareholders Bank; and I do not find any vestige of any power given to the shareholders under this Bill. Therefore, Sir, I support the amendment of my friend, Mr. Thampan.

**Mr. E. Studd** (Bengal: European): Sir, I am afraid I am entirely opposed to both these amendments for reasons which are quite simple. In the first place, it seems to me that they contravene all democratic principles. Surely, if you are to elect your representatives to any body, whether it be a Board of Directors or a legislative body, the fact of your electing them to serve in that position carries with it the implication that you consider them fit for the job and that you are prepared to trust them. If you are not prepared to do that, it seems to me that it is much better that you should not send them there at all, it is much better that you should do without a Board of Directors . . . .

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): Is that the position of the companies with which my friend is associated?

**Mr. F. E. James** (Madras: European): That is the position of my friend, Mr. Neogy, in the Assembly.

**Mr. K. C. Neogy**: We are not talking now of the Assembly; we are talking of a company, of a Shareholders Bank, not a State Bank.

**Mr. E. Studd**: I am not prepared to give way. Therefore, I think that in principle this is undemocratic. But it seems to me, Sir, that apart from that, there are many more cogent reasons why these two amendments should be opposed. In the first place, I think they are entirely unworkable, and I think also that they might very easily cause grave injustice. In both amendments, it is stated that the shareholders, in General Meeting assembled, may give directions for the conduct of the business and the administration of the Bank and the Board shall be bound to act in accordance with such instructions. I find nothing in either of the amendments to compel notice being given previously so that the shareholders, who happened not to be at that meeting, may know what is coming up and may have a chance of expressing their opinion. It seems to me, it is quite likely that at the various annual meetings of the Bank, the shareholders in the particular locality where the meeting is held will probably be more largely represented than the shareholders in the other registers, unless there is any particular matter to cause shareholders to send in special proxies, and it might well be that something was brought up at a meeting which many of the shareholders knew nothing about, that the majority of those who were present might pass a resolution directing the Directors to do so, and so, on a matter which vitally affected interests in other areas and which would certainly be unacceptable to them. . . . .

**Mr. Gaya Prasad Singh**: But these are to be provided in the rules and regulations.

**Mr. E. Studd**: At present there are no regulations. If this amendment were carried, there is no guarantee that it would be provided in the regulations . . . .

**Mr. K. C. Neogy:** Look at clause 57.

**Mr. E. Studd:** But, Sir, apart from that it seems to me that would make the position of the Directors impossible. There must obviously be in the management of any business, when some problem comes up for decision, a very great deal of confidential information which becomes available to the Board of Directors before they make up their minds and come to a decision which, in the interests of the concern itself, in the interest of the shareholders themselves, it would be very unwise to make public, and you might easily have the position at the General Meeting where the shareholders were trying to press some particular course on the Board of Directors thereby compelling the Directors to disclose certain information which would be, in the opinion of the Directors, contrary to the interests of the Bank. It is a matter of common knowledge that in every company there are quite frequently occasions where information in the possession of the Directors would do harm to the company if it was made public. I don't think, Sir, to any business man any argument is necessary to prove that both these amendments are dangerous, impracticable and unworkable, and, therefore, Sir, I oppose them both.

**Sir Cowasji Jehangir:** Mr. President, I must admit at the outset that I have not been able to understand the real motive and idea underlying these two amendments. Perhaps, Sir, that is due to the fact that it is Saturday afternoon when everybody is rather sleepy (*Several Honourable Members:* "No, no") or hopes or expects to get an afternoon siesta; but whatever may be the cause, I repeat, I am unable to understand the real meaning of these amendments. Sir, it may be that the real motive underlying these two amendments is due to some Honourable Members of this House being obsessed with the idea that the Directors will not represent the shareholders and that the Directors will be appointed, as was graphically explained by my friend, who is not here today, Mr. Pandya. It has been mentioned in this House more than once that the scheme of this Bank is so different from other banks or from other joint stock companies that it is,—I won't say, impossible,—but very very improbable that what Mr. Pandya complained of, when this Bill was introduced, will really take place. The shareholders will really elect men in whom they have confidence to serve on the Local Boards and the Local Boards will send to the Central Board men in whom they have confidence.

Now, Sir, anybody who has had experience of joint stock companies will tell you that the shareholders' powers are limited to a certain extent and that their most important function is to appoint Directors. Once they have appointed those Directors, they at least for one year trust those Directors to carry on the business of the Bank in the interests of the shareholders and if the majority of the shareholders at the end of the year have any complaints to make or feel that their interests have not been looked after by the Directors, they are removed and replaced by another set of Directors who will carry out their intentions and look after their interests better than was done in the past. My Honourable friend, the Doctor, says that the Governor General can remove them. I am not talking of removing the Directors by the Governor General. I am talking of the annual elections that must take place under this Act of a certain number of Directors. If my Honourable friend would

[Sir Cowasji Jehangir.]

have seen the Bill and the amendments made in it by the Select Committee, he would have noticed that at the end of the very first year two Directors will have to be elected. At the end of the first year, the shareholders will have an opportunity of expressing a definite opinion as to whether those two Directors have been worthy of their position in the Central Board and if they have not been, then there will be, at the end of the very first year, an opportunity of asserting their rights and displacing those two Directors and having two of their own choice on the Local Board.

**Mr. B. V. Jadhav:** That will be in one centre only?

**Sir Cowasji Jehangir:** Then automatically the next centre comes in and every year there will be elections in rotation.

**Diwan Bahadur A. Ramaswami Mudaliar:** May I point out to my Honourable friend that the shareholders will have nothing to do with it. When once they elect two or three Local Boards, five Directors for each Local Board, for the next five years nothing happens and the election directed by rotation is only a question for the Local Boards and has nothing to do with the shareholders. The shareholders elect, at the end of the first year, five Boards in these various areas, five members each. Then, for the next five years, there is no vacancy in the Local Boards.

**Dr. Ziauddin Ahmad:** May I also point out that no provision has been made for holding any annual General Meeting in which any general resolution can be passed.

**Sir Cowasji Jehangir:** My Honourable friend is right. If, in the first instance, those two Directors have not the confidence of the Local Board, they can be changed by two others in rotation and, after five years or whatever the period may be, the shareholders have an opportunity of replacing the whole of the Local Board.

**Mr. K. O. Neogy:** Double distilled control.

**Sir Cowasji Jehangir:** In many places there is double distilled control which is very good for the institution itself.

**Mr. K. O. Neogy:** Will any shareholder subscribe for any company whose articles of association reveal such a condition?

**Sir Cowasji Jehangir:** Many have and many will in the future. If my Honourable friend was better acquainted with joint stock companies.....

**Mr. K. O. Neogy:** I am not. I seek light.

**Sir Cowasji Jehangir:** ..... he would have realised that there had been a constant complaint of shareholders that they had not had enough control over Directors. It is a very common complaint and, notwithstanding that complaint having been made for years and years, still no Legislatures, which have Acts for joint stock companies, have thought it fit to change their Acts. It is a right of people in this world to complain



and to be dissatisfied. It is their privilege, but how far that dissatisfaction should be met by giving them powers is a very different matter. They have their opportunity at the annual General Meetings to express their opinions, and a responsible Board of Directors is always able to gauge the feeling of the shareholders and act accordingly. If the Directors continue to defy the majority of the shareholders, they come to grief. That has been the experience in most parts of the world, not merely in India.

**Mr. K. C. Neogy:** The Honourable Member assumes that the shareholders have got the right to express their opinions. Will the Honourable Member point out any particular clause in this Bill where that power is given to the shareholders?

**Sir Cowasji Jehangir:** I know my Honourable friend raised that point in his first speech. Well, I believe that those powers will be given under the rules.

**Mr. K. C. Neogy:** How can they be given? Will it be consistent with the Act?

**Sir Cowasji Jehangir:** Why not? I think the Honourable the Finance Member will explain that point.

**Mr. K. C. Neogy:** That is a technical point. His explanation would not do.

**Sir Cowasji Jehangir:** He will explain that technical point, but there is no doubt that there is no intention of depriving the shareholders of expressing opinions every year. There is no doubt about it. It may be that the shareholders in a Reserve Bank of this kind have not all the powers and privileges that the shareholders in an ordinary joint stock company may have. But by this Bill the shareholders will have greater opportunities of sending Directors to the Local Boards of their own choice than in an ordinary joint stock company. I am convinced of that. It is impossible to give shareholders a direct control over the management of any concern. It is unheard of. You cannot possibly give the shareholders administrative powers. The administrative powers are exercised by the Board.

**Mr. Gaya Prasad Singh:** The policy of the Bank.

**Sir Cowasji Jehangir:** They express opinion on policy by resolutions.

**Mr. Gaya Prasad Singh:** They can give directions.

**Sir Cowasji Jehangir:** The Directors are not bound to carry out the directions. In no company can the shareholders give actual instructions which the Directorate are bound to carry out. There will be chaos in any company. I should not care to be a Director of a company where the shareholders by a resolution can give directions to the Board to act in a certain way. Under these conditions, no Directors would be able to work. They will have to resign immediately.

**Mr. Gaya Prasad Singh:** Then it is a Directors Bank, not a Shareholders Bank.

**Sir Cowasji Jehangir:** But you have the remedy. If the shareholders come to the conclusion that if either the Local Board or the Board of Directors have acted unfairly or unwisely, their remedy is to remove them. That is the power they have. You cannot give them directions but you do much better—you send them away. That is the principle in all companies, and I do not see why in the Reserve Bank, of all banks, of all companies we should have other principles. As regards the wording of these amendments, I do not know whether Honourable Members meant them in this way. The wording of these amendments appears to me to give the shareholders executive powers.

**Mr. B. B. Puri** (West Punjab: Non-Muhammadan): Would the Honourable Member be pleased to explain this anomaly? He says that a shareholder should not be empowered or permitted to control directly the conduct of a Director, but he would permit him indirectly to coerce the Director at the general meeting by removing him. The two positions are inconsistent. How does the Honourable Member reconcile the two positions?

**Sir Cowasji Jehangir:** It is perfectly consistent. The shareholders cannot give directions to the Board, but, if they are dissatisfied, they can tell the Board to go away, and elect others who will carry out their intentions provided they have got a majority, and that is exactly the principle in all constitutional Governments. Even supposing the Benches opposite were responsible to this House, this House cannot give directions to the Government to do so and so. It can tell the Government: "If you do not do so and so, we will turn you out. We will have somebody else to do our work." The Government of the day can say: "We are unable to carry out your views. You go and get somebody else to do our work."

**Mr. B. B. Puri:** Do you make any distinction between policy and routine day to day work of an institution? Do you make any distinction?

**Sir Cowasji Jehangir:** Even in questions of policy, you cannot force a policy upon a Directorate if that Directorate is unwilling to carry it out. Your remedy is to remove that Directorate. That is your remedy, just as it is with a constitutional Government. You cannot with a constitutional Government force that Government to act in a way that you choose. All you can do with that Government is to turn it out, to remove it . . . .

**Mr. K. C. Neogy:** Remove after how many years?

**An Honourable Member:** Five years!

**Sir Cowasji Jehangir:** Every year you can pass a resolution (Laughter), and the Local Board, if they have any sense of responsibility, would see that their representatives at the centre took heed of such resolutions.

**Mr. K. C. Neogy:** Where is the power of passing resolutions in this Bill?

**Sir Cowasji Jehangir:** It is the inherent right of shareholders to pass resolutions. That is the real position, and, therefore, I would deprecate on the whole—I do not really know what this amendment is, or what is the real intention of my Honourable friend, but I would deprecate giving any powers to the shareholders in order that those shareholders may be enabled to give directions either to the Local Boards or to the Central Board.

**Dr. Ziauddin Ahmad:** On a point of order, Sir: I have given notice of an amendment about the powers of the Local Boards. Will a decision on this amendment affect that amendment?

**Mr. President (The Honourable Sir Shanmukham Chetty):** The Honourable Member cannot anticipate what the ruling of the Chair will be on an amendment which is not before the House.

**The Honourable Sir George Schuster:** I am afraid that I regard these amendments as embodying an entirely impossible proposal. They raise a very important question which I am glad to have the opportunity to discuss with the House. But there is one point that I should like to make at the outset, and that is that when we come to amendments of this kind, discussion of the formal nature which alone is possible in the Assembly is very unsuitable. This is the sort of proposal which really ought to be threshed out in Select Committee where one can have an opportunity of meeting the points as they arise, and so on. It is very unfortunate that a fundamental proposal of this kind should come up at this late stage of the proceedings without the opportunity for careful examination in Select Committee.

**Dr. Ziauddin Ahmad:** Whose fault is it? Not ours.

**The Honourable Sir George Schuster:** I am not concerned with apportioning the blame; I am merely saying that it is very unfortunate.

**Sir Cowasji Jehangir:** Most unfortunate that you (Dr. Ziauddin Ahmad) were not on the Select Committee.

**The Honourable Sir George Schuster:** It is somewhat curious that those who have opposed a shareholders' idea should now be advocates of a shareholding system which I can only describe as a shareholding system gone mad; and it is curious that we on the other side should have to step in to redress the balance by pointing out the very real practical limitations that there are to any idea of detailed control of the operations of a bank of this kind by the shareholders. Really this proposal would entirely upset the whole balance of a very carefully prepared scheme. Various points have been made most effectively by others who have spoken before me.—the point, for example, that this completely upsets the whole idea of a system of representative government. I may have something to say about that again, but there is one point that I particularly want to ask Honourable Members opposite to consider which has not yet been mentioned, and that is this. We are dealing in India with an enormous country, a country where it is impossible—we recognise that in the Bill—where it is impossible to expect that you can get a representative meeting of shareholders together. The great difficulty, having regard to that condition, is to provide a method by which the main function of the shareholders, the election of Directors, can be fairly and evenly performed by the whole body of the shareholders. With that object in view, we have introduced this system of indirect election through the Local Boards, each Local Board representing an area which is of a comparatively manageable size. By that means we have hoped to provide in the Board of Directors an evenly balanced representative body so that each group of shareholders might be fairly represented on that central body. It, therefore, may be reasonably expected that any meeting of the Board of Directors will be a representative meeting and that the

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decisions of the Board of Directors will have taken into account all the various interests spread out over this enormous country of India. If now it is attempted to give direct executive powers to the body of shareholders, that will completely upset this evenly balanced scheme.

My Honourable friend, Mr. Vidya Sagar Pandya—I am sorry he is not here today—has paraded before us pretty frequently a sort of nightmare vision that he has of the way in which shareholders' meetings are composed and the way in which the body of shareholders exercise their powers. I have ventured to take the line that his vision is exaggerated and incorrect, and that, so far as the election of Directors is concerned, the machinery which we have provided in this Bill will work quite differently to anything that he has pictured to us; that in fact the shareholders will take an interest in the election of the Local Boards and that they will be fairly well represented in each area when the time for election of the Local Boards comes on. But I would certainly be inclined to think that much of what Mr. Pandya has said is true when we come to consider a General Meeting of shareholders summoned at any time—as it would be if some of the proposals that are to come before us later were to be accepted—summoned at any time to take place in some particular spot in India. You might at such a meeting have a completely unrepresentative body and then a decision might be taken according to which the Directors under this amendment would be bound to act, representing the vote, almost a snatch vote, of a particular section of the shareholders. I think Honourable Members have only got to consider that position to realise that a proposal of this kind completely upsets the even balance that we are trying to provide in this scheme; and it would, if it were to be effective, make our scheme unworkable and turn it into something which we could not possibly accept.

Now, a good deal has been said about the limitation on the powers of the shareholders as provided in this Bill. We have been told that we have talked a lot about a Shareholders Bank and that, when one comes to look at the Bill, the shareholders have got practically no powers, and that, therefore it becomes almost a force to talk about a Shareholders Bank. Now, I have always tried to point out to the House that what one has to consider in setting up a Central Bank of this kind is to provide an evenly balanced scheme—taking into account the public interest on the one side and the creation of an authority independent of Government on the other. Those are the two vital ideas. We have thought that by providing this electorate in the form of the body of the shareholders, we should be able to create a body of Directors which would constitute an authority independent of the Government, capable of standing up to the Government, capable of acting as a balance and as a check in a system where there will be many balances and checks as there must be in every constitution, capable possibly of providing a rallying point for Indian opinion when there is opposition to the Government of the day. But we do not seek to do more than that, and we ask in this Bill really no more from the shareholders than to perform the functions of an electorate. That is their essential purpose. I do not wish to misrepresent the case or exaggerate it in any way. That is the essential purpose, and apart from that we fully recognise that the direct powers of the shareholders are limited, and that was always intended to be the case. Apart from acting as an electorate, they have powers to elect the auditors, which is a very important point, and they have the power at a General Meeting to ventilate their grievances, when under section 52 (2), they have the report of the auditors put before them. That is their position and we think that that will answer the essential purpose of this

Bill. If you now try to give the shareholders any right to intervene in the executive management of the Bank, you will produce a complete chaos. Let us consider what the body of the shareholders . . .

**Sir Cowasji Jehangir:** May I ask the Honourable Member whether, in the case of ordinary joint-stock companies, there is a general rule that the shareholders have executive powers of this sort?

**The Honourable Sir George Schuster:** I have never in the whole of my experience known of any company in which the shareholders have any executive powers. It would be impossible to carry on business on those lines.

**Mr. K. C. Neogy:** In that case they have themselves delegated those powers to the Directors.

**The Honourable Sir George Schuster:** Business is a matter which has to be transacted from day to day and, as my Honourable friend, Mr. Studd, pointed out, a great deal of confidential information has to come up for consideration when decisions are made which it would be quite impossible to put before the body of the shareholders. The shareholders are not in a position to give any directions as regards the general policy of the Bank,—and, in fact, I would go further than that and say that, if the general policy of the Bank is open to criticism, that is much more a matter for this Legislature to consider; it is not a matter for the general body of the shareholders to consider at all.

Now, the Honourable Members opposite are very anxious that this should be a democratic institution and we share their wishes to a great extent in that matter and we have gone a very long way to meet them; we have now reduced the voting qualification to Rs. 500. The body of the shareholders will, therefore, be an evenly distributed mass of people all over India, but they will be people who will know nothing about the details of working a Central Bank, and it will be impossible for them to give effective directions to the Directors as regards the business for which they are responsible. Moreover, there is another point. We are considering the setting up of a Reserve Bank which has a very special function to perform. Its duties, the kind of business which it has to do, the way in which it has got to do that business, all these things are specified and laid down with great precision and great detail in this Bill. This Bill itself constitutes the general direction to the Board as to the way in which they are to conduct their business: and to bring in this miscellaneous body of shareholders—as regards whom, at a General Meeting, I think it is extremely doubtful as to whether one will ever get a representative group—to bring in that body to give directions to the Central Board as to the way they are to conduct their business is completely to upset the balance of our scheme and to bring in a new feature which is quite inconsistent with the whole plan which we have been discussing for the last four months. Sir, I hope very much that this amendment will not be pressed. As I say, it would, in our opinion, create a completely impossible position and I do not believe that the Honourable Members who have moved it, if they had been sitting in Select Committee and we had had the chance of talking this out together, would ever have proceeded with a proposal of this kind.

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

"That to clause 7 of the Bill the following proviso be added:

'Provided that the shareholders, in General Meeting assembled, may give directions for the conduct of business and administration of the Bank subject to the provisions of this Act and the Board shall be bound to act accordingly'."

The motion was negatived.

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

"That to clause 7 of the Bill the following proviso be added:

'Provided that subject to the powers given to the Governor General in Council by this Act, the shareholders, in General Meeting assembled, may give directions for the conduct of the business and administration of the Bank and the Board shall be bound to act according to such instructions'."

The motion was negatived.

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

"That clause 7 stand part of the Bill."

The motion was adopted.

Clause 7 was added to the Bill.

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

"That clause 8 stand part of the Bill."

The House now comes to amendment No. 74 by Mr. S. C. Mitra.

**Mr. S. C. Mitra:** Sir, I suggested this amendment on the assumption that the scheme of a State Bank would be accepted. So, I do not like to move it.

**Mr. B. Das:** Sir, I beg to move:

"That in sub-clause (1) (a) of clause 8 of the Bill for the words 'two Deputy Governors' the words 'one Deputy Governor' be substituted."

Sir, I will cut short my argument by giving an extract from the minute of dissent that I appended to the report of the Joint Select Committee. I would like to draw the attention of the House to the fact that in 1927 the Joint Committee proposed that there should be one Deputy Governor, and although the 1928 Bill, which was not allowed to be moved on the floor of this House, had two Deputy Governors, the London Committee, on which some of the Members of this House sat, provided that there should be one or two Deputy Governors and in the first draft of the Bill that was introduced by the Honourable the Finance Member in September last, the same provision was made, but somehow the capitalist instinct of

some of the members of the Joint Select Committee got the better of it and it was provided that there should be two Deputy Governors. Let me now read out from the note of dissent (page 22):

"The Joint Committee Report of 1927 provided for for one Governor and one Deputy Governor, and specified in the body of the Bill that 'one of these two shall be an Indian'. At that time it was given out that the first Deputy Governor would be an Indian who would become full-fledged Governor after five years."

Sir, I may add here that it was well known at that time—I do not know if the Honourable the Finance Member has got a note left from his predecessor to that effect—that a young Indian gentleman would be appointed as the first Deputy Governor and it was freely mentioned in the Lobby and in private talks that that gentleman would become the Governor after five years. Had we had the Reserve Bank in 1927, today we would be having an Indian Governor of the Reserve Bank. To continue the note of dissent:

"We dissent from the change agreed to by our colleagues that there should be two Deputy Governors from the beginning. No reasons have been adduced that work will be too heavy for one Deputy Governor. In 1927 there was a talk of an Indian Assistant Deputy Governor. We are of opinion that there should be only one Deputy Governor for the present and that he should be an Indian sufficiently young to become Governor after five years. There should be no camouflage of appointment of a superannuated Indian as Deputy Governor, for there would then be no chance of that Indian becoming a Governor."

We further wish to record here the strong public feeling against any I. C. S. being appointed Governor or Deputy Governor of the Reserve Bank. The frenzied financial policy of civilian Finance Members should serve as a grave warning against their inclusion."

Sir, in 1927, there was no economic depression and the country was then in financial affluence and we were thinking that the credit and the control of the Reserve Bank could be managed by one Governor and one Deputy Governor. I fail to understand what has happened since then that in the year 1933, when there is grave financial disaster and the finances are not flowing to the Banks or to the Government, they should ask for two Deputy Governors. Those who have read the Bill in detail will find that much of the work that the Reserve Bank will do will be handed over to the Imperial Bank of India which also has got two Managing Governors and one Deputy Governor. It may be that the Imperial Bank is going to reduce one of the Managing Governors and will have only one Managing Governor and one Deputy Governor. I felt at the Joint Select Committee that we were going to have two Deputy Governors unless the policy of Government was to distrust the Indian Deputy Governor and not to permit him to become the Managing Governor of the Reserve Bank. I am still under that suspicion.

**The Honourable Sir George Schuster:** May I remind my Honourable friend that the alteration in the Bill making it obligatory to have two Deputy Governors was made in the Select Committee at the special request of the non-official members of that Select Committee?

**Mr. B. Das:** That is true. My Honourable friend, Sir Cowasji Jehangir, persuaded everybody to have two Deputy Governors and that is why I added my minute of dissent. The House and the country wish

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to be assured that the Reserve Bank will have in the near future, say, five years hence, an Indian Managing Governor.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Suppose a person who is in his 65th year is somehow recruited by the Government of India,—say, he is living in retirement, and he is asked to be the Indian Deputy Governor—and another European is made the senior Deputy Governor. Therefore, when this Indian Deputy Governor becomes the senior Deputy Governor, he will be 70 years of age and, when his time comes to become the Governor at the age of 76, he will be in the other land. He will not be able to become the Governor in his 76th year. I do hope, the Honourable the Finance Member will satisfy the House as to what was the necessity of having two Deputy Governors. It may be that some of us agreed with him at the moment, but in the committees, as everybody knows, many people become accommodating. But, Sir, when I speak on behalf of the nation, I must voice the feeling of strong protest with regard to the appointment of two Deputy Governors, as thereby no Indian Deputy Governor will get a chance of becoming the Governor for at least 10 years. If there is too much work and if, as is said, the currency and the issue department should be managed by one of the Deputy Governors and the establishment should be looked after by another Deputy Governor, then our fear is that the establishment will be looked after by this poor Indian Deputy Governor and he will not be given the chance to understand the currency and credit policy of the Reserve Bank. Why not have an Assistant Deputy Governor as was talked of in 1927? You may call a rose by any name you like. Why should you have two Deputy Governors? Let there be one Deputy Governor and let there be another officer who will look after the different sections of the Reserve Bank. I hope, therefore, that the House will accept my amendment and thereby ensure the appointment of an Indian as the Governor of the Reserve Bank five years hence.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** Amendment moved:

"That in sub-clause (1) (a) of clause 8 of the Bill for the words 'two Deputy Governors' the words 'one Deputy Governor' be substituted."

**Raja Bahadur G. Krishnamachariar:** As a matter of information, I would like to know what happens to my amendment No. 77 and to Mr. Thampan's amendment No. 76 which contain a similar proposal?

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** As Mr. Das has moved his amendment, the Chair does not think it is necessary for the Raja Bahadur or Mr. Thampan to move their amendments.

**Raja Bahadur G. Krishnamachariar:** So, we will support Mr. Das's amendment.

**Mr. Muhammad Yamin Khan (Agra Division Muhammadan Rural):** Sir, in the original Bill, provision was made only for one Deputy Governor and, in the London Committee, where it was agreed that there might be



one or two Deputy Governors, even there the Indian point of view was for two Deputy Governors. When this Bill came before the Select Committee, the non-official members wanted to have an Indian Deputy Governor, and so a provision was inserted for two Deputy Governors, one of whom shall be an Indian. At that time it was argued that it would be really difficult to find a suitable Indian to be appointed as Governor, because it requires technical knowledge and experience. For this purpose it was argued by the Indian members of the Select Committee—as far as I remember by an overwhelming majority of the Joint Select Committee—that we must have one Indian as the Deputy Governor and he should be trained from the beginning so that he may, later on, be prepared to take up the post of the Governor in the future.

**Raja Bahadur G. Krishnamachariar:** You do not find anything to that effect in the Bill.

**Mr. Muhammad Yamin Khan:** When we proposed for two Deputy Governors in the Joint Select Committee, we wanted an assurance from the Government not only in words, but also we wanted a specific provision to be made in the Bill to that effect. The Select Committee intended that one of the Deputy Governors should be an Indian and that was how it came about that, instead of one Deputy Governor, we have two. Here I must congratulate the Honourable the Finance Member for meeting the view of the non-official members in the Select Committee. He said that, even if we did not ask for one Indian Deputy Governor, he was going to give an assurance on behalf of Government that one of these two posts would go to an Indian. He said he would also give the same assurance on the floor of the House.

**The Honourable Sir George Schuster:** I have given it already.

**Mr. Muhammad Yamin Khan:** Yes. On account of the agreement we arrived at in the Select Committee, the Honourable the Finance Member has come up here and has given this assurance on the floor of the House that one of them is going to be an Indian. So this is part and parcel of the whole scheme and of the agreement that, by the addition of one more Deputy Governor, we had intended that the additional man should be an Indian. I do not see what is the grievance of my Honourable friend, Mr. Das, and I do not know why he wants to go back upon the agreement which we made in the Select Committee to which he was also a party. The assurance that has been given is that, out of the three posts, that is the Governor and the two Deputy Governors, one of the posts will go to an Indian. Does my Honourable friend want that that agreement should be broken off? The Government have fulfilled their part of the agreement by giving the assurance on the floor of the House and it is the duty of Honourable Members of this House to stand by their part of the agreement.

**Raja Bahadur G. Krishnamachariar:** Who authorised you to compromise? The Select Committee has absolutely no right under any law to go and compromise.

**Mr. Muhammad Yamin Khan:** My Honourable friend may be right that legally the Select Committee should not compromise. The Government

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came to this House and asked that certain representatives should be sent to the Select Committee and this House was pleased to send us to sit on the Joint Select Committee. If we, the representatives of this House, go and agree to a certain thing in the Select Committee, this House is morally bound to support us. This House sent us to negotiate with the Government on their behalf and they must give us some latitude when we have entered into an agreement with the Government for the benefit of the country. The Joint Select Committee have really achieved something for the advancement of the country.

**Raja Bahadur G. Krishnamachariar:** Is it the compromise that unless they agreed to two Deputy Governors, they would not get even one Indian at all?

**Sardar Sant Singh:** May I inform the Honourable Member that in fact there was no compromise in the Select Committee?

**Mr. Muhammad Yamin Khan:** My Honourable friend must have been living some where in Lyallpur when this question was being discussed in the Select Committee.

**Sardar Sant Singh:** My Honourable friend ought to know that he never attended more meetings than I did.

**Mr. Muhammad Yamin Khan:** The records will show that.

**The Honourable Sir George Schuster:** Might I perhaps point out what I think my Honourable friend has in mind, and what is certainly the case, is this—that I gave a certain assurance on a certain understanding. If that understanding is not honoured, then, of course, the assurance will have to be withdrawn. Nobody would suggest that this House is bound by any sort of compromise made in the Select Committee.

**Mr. Muhammad Yamin Khan:** That is exactly the point. (Interruption.) I find several Honourable Members interrupting me.

**Mr. Deputy President (Mr. Abdul Matin Chaudhury):** In that case the Honourable Member need not give way.

**Mr. Muhammad Yamin Khan:** I gave too much latitude and I find that Honourable Members were not restricting themselves, but were making speeches without allowing me to proceed. The point is this there is no legal obligation on the part of this House to respect any kind of agreement entered into in the Select Committee. It was only an understanding in the Committee and, on that understanding, the Government also gave us the assurance. To that assurance there are two parties, the representatives of this House on the one hand and the Government on the other. The Government have honoured their assurance and it is left to this House to ratify the understanding on the part of the members of the Select Committee.

**Some Honourable Members:** No, no.

**Mr. Muhammad Yamin Khan:** Well, on that understanding the assurance has been given that one of the posts will go to an Indian. If we take away one post of Deputy Governor, we will be disturbing the assurance given by the Honourable the Finance Member. But I may point out that this House has got ample opportunities to say no, we do not want a European Governor or a European Deputy Governor. They may go on saying all sorts of things. There is nobody to stop them from saying so. But we have to see what is the practical thing which we have achieved by this assurance and whether, by this, it is an advance on the position which we had in the original Bill. If it is not an advance, this House has certainly a right to throw it out; but if it is an advance,—and it came out of the Select Committee with a great advantage for Indians,—it will not be doing proper justice to India and Indian aspirations to throw it out. It will not do any good and we will not achieve our object. What is the idea of sending a thing to Select Committee if the people do not stand by the Select Committee. After all, compromise is a matter of give and take, and this is a most beneficial amendment that has been made in the Select Committee. It is in the interest of the country and there is no question of dictation from Whitehall or wirepulling from any side, but it was done at the express desire of the representatives of both Houses. If the majority of the House does not want it, then certainly Government will withdraw their assurance and that will be harmful to the cause of India. It might create a certain amount of excitement, but that will do no good to the country. If the House thinks that this is not an advantage, they can throw it out; but I will remind the House that it will make the Finance Member free from the assurance which he has given. With these words, I oppose the amendment, and I hope the House will reject it.

**Raja Bahadur G. Krishnamachariar:** Sir, it is somewhat difficult for me to deal with this proposition in view of the numerous contradictory and impossible arguments that my Honourable friend, Mr. Yamin Khan,—I say so with all respect to him,—has addressed this House. His argument is just the reason why I submit that the claim made on behalf of the Select Committee that when they came to a certain conclusion it is up to this House to honour that conclusion is a fallacy and a position which it is absolutely impossible for this House to endorse. Sir, I happen to know something about the administration of Legislative Councils though in another part of the country, and I always understood that, during the second reading of a Bill, the principle of the Bill is accepted by the Council, and, as that principle may or may not have been worked out to its fullest extent by the drafting made in the first instance, a small committee is appointed in order to go in detail into those provisions to see,—not a change of policy,—but that the principle that has been endorsed by the Council is fully, completely and thoroughly represented by the wording used. That and that alone is the proper function of a Select Committee and I respectfully submit that no committee, however well intentioned it may be, has any right, by being appointed as a Select Committee, to go beyond its duty which is to set right the drafting so that it may be in accord with the principle that the Legislative Council has endorsed. My Honourable friend, I am sorry to say, has put Government in a very false position by pleading for them. It is always well . . .

**Mr. Muhammad Yamin Khan:** I am sorry to interrupt my Honourable friend, but I never pleaded for Government and I will never plead for

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Government. I only pleaded on behalf of the Committee and I agree that the business of the Select Committee was only to make verbal alterations; and I said that the Select Committee was intending to put a certain verbal addition in this which they only dropped, simply because an assurance was given. That was my intention and nothing more than that.

**Raja Bahadur G. Krishnamachariar:** Although my Honourable friend grew very angry when he was interrupted and said he was not going to yield, because the other people were making speeches when interrupting, I think he started making a speech himself. But that is by the way. I am extremely glad to be interrupted, and I would very much like to be interrupted, because the fallacies will then come out and I would be able to meet every contention and reckon with it before I sit down.

**The Honourable Sir George Schuster:** On that invitation, may I interrupt my Honourable friend (Laughter) and say that my Honourable friend, Mr. Yamin Khan, has certainly not put me in any false position?

**Raja Bahadur G. Krishnamachariar:** If my Honourable friend will just wait for a minute, I will point out how that is so, and I deliberately say that he did put the Government in a false position, a position which was never in their minds; and I will prove it immediately.

Sir, my friend Mr. Yamin Khan is, I believe, a very experienced lawyer and a very successful lawyer. He knows exactly how to defend a case without making you believe he is defending it; and, therefore, although he says he does not plead for Government, what does he say? He says, "If you do not agree, it is the Government that will withdraw". I suppose I can have my own account with Government without his help and I shall, first of all, stop him and have my account with Government. Now, what will you say to me? Because I am the authority to decide it and not the Select Committee. The position is stated to be that there was a compromise, but I am very glad to see that the word "compromise" has been withdrawn.

**The Honourable Sir Brojendra Mitter (Law Member):** It is an understanding.

**Raja Bahadur G. Krishnamachariar:** Now the Law Member gives his gloss of what has been stated to be a definite compromise. Of course the Law Member and myself, although I am very far distant from him, belong to the same profession, and if lawyers cannot give different views, as many as there are, they are not worth their salt. (Laughter.)

Now, what is the position? I said that my Honourable friend has put Government in a false position and I proceed to redeem my promise, although I am not sure if I will be successful. I will only make the attempt and, whether I am successful or not, it will be for the House to decide. What does my Honourable friend say? He said that the Finance Member said: "If you have one Governor and two Deputy Governors, I shall give you an Indian". That means to say that if we do not have two Deputy Governors, we will not have an Indian. Is that what the Government meant? I do not want to defend Government, but I am perfectly sure that Government had never had it in their minds, when

they said there will be a Governor and a Deputy Governor, whether he shall be an Indian or he shall be a European or whether he shall be of any nationality. I take it that all that they said and all that I would have said, if I were in their position, was, I want a Reserve Bank and I want a Governor and a Deputy Governor. Whom are you going to appoint? I shall see who the best man is. There is already a clause over which I have some little dispute with the members of the Select Committee and it is coming up later. But I ask Government: "Whom will you appoint as Governor and Deputy Governor?" and the Government say: "I shall try to find out the best qualified man and I shall appoint him". Now, I shall come to the Government and say: "As you have not said that you are going to appoint a European, I say here is an Indian,—and as you have one Governor and one Deputy Governor,—I do not mind where you put the Indian." I have an amendment to that effect and, therefore, I do not want to say much in detail now. But my friend has put Government in a false position, because he says that Government had already made up their minds that they are going to appoint two Europeans. Do you want to have an Indian in their place? All right, make a provision in the Bill for having two Deputy Governors and then we will give you one. As my Honourable friend, Mr. B. Das, said: "A superannuated old gentleman who would like to have more time on his lounge than on a banker's chair"—which is always a very small one as he cannot afford to sit very comfortably on it, because he will fall asleep when business had to be transacted. Therefore, I submit and very respectfully submit that the pleading given on behalf of the Government—and I say it again and I will continue to say it again—by my Honourable friend has put the Government in a false position.

**Diwan Bahadur A. Ramaswami Mudaliar:** As usual!

**Raja Bahadur G. Krishnamachariar:** I now come to the amendment: my Honourable friend, Mr. Das, has informed the House how, 4 P. M. on a previous occasion, they wanted only one Deputy Governor: the London Committee said: "One Deputy Governor", or two Deputy Governors if appointed. They said that in a halting manner: what they said was: "One Deputy Governor: but if you want two Deputy Governors: I do not know the local conditions: you may appoint if you like." That is what the London Committee also said and I believe my Honourable friend, the Finance Member, in the Bill that he introduced into this Assembly provided only for one Deputy Governor; I am very glad that I have been told that this provision has been inserted at the request of the non-official members of the Select Committee, and that is another reason why I say, the decision of the Select Committee should not be sacrosanct. That is the reason why I say that the decision of the Select Committee, both as a matter of law and as a matter of practice, is at the disposal of this House, in order to be reviewed, in order to be rejected or in order to be approved, because these gentlemen say: "The Bill says we shall have only one Deputy Governor: the Government is quite satisfied that they can do the work with one Governor and one Deputy Governor." Remember that. In view of the clause that I am going to read from the report of the Select Committee, it is absolutely necessary to remember this point. So far as the Bill that the Government introduced is concerned, they were *prima facie* at least quite satisfied that they could go on with the work of the Reserve Bank with all its

[Raja Bahadur G. Krishnamachariar.]

volume of work with one Governor and one Deputy Governor. Now, my Honourable friends, the non-official members, induced the Honourable the Finance Member to appoint two persons, probably because they thought that, unless they agreed to two Deputy Governors, they would not have an Indian. I hope it is not so, and I do not want to believe that it is so, because it will be paying a poor compliment to their intelligence to say: "Unless I have so many persons; I shall not get any Indian as one of the chief executive officers of the Bank." In view of the fact, therefore, that Government themselves were quite satisfied that they could get on with one Deputy Governor—here is what the report of the Select Committee says:

"We consider that the responsibilities falling on the chief executive officers of the Bank will be such that it will, from the very outset, be necessary that there should be two Deputy Governors and we have amended this clause so as to make their appointment obligatory."

Now, compare it with the statement and the implication made by my Honourable friend, Mr. Yamin Khan: "If you do not agree to the appointment of two Deputy Governors, the Government and ourselves are quits. The assurance that the Honourable the Finance Member has given is withdrawn: in other words, you agree to the two Deputy Governors, not because there is work, not because the responsibility is so much that you want two Deputy . . . ."

**Sir Cowasji Jehangir:** May I interrupt the Honourable Member for one minute? If my memory serves me right, I suggested in the Select Committee two Deputy Governors after the assurance was given that an Indian would be appointed to one of the higher posts in the Bank—if my memory serves me right: I may be wrong. But I think I suggested two—not the Government: the suggestion did not come from the Finance Member: it came from me.

**Raja Bahadur G. Krishnamachariar:** I did not say it came from the Honourable the Finance Member . . . .

**The Honourable Sir George Schuster:** I do not wish to interrupt my Honourable friend while he is speaking and, therefore, I hope, you, Sir, will allow me to state the position when my Honourable friend has finished.

**Raja Bahadur G. Krishnamachariar:** I do not resent any interruption at all: as I said, I shall feel extremely obliged, as far as I am concerned, if the Honourable the Finance Member says what exactly the position was, because I do not want to spin out my arguments on facts which later on are proved to be not what I imagine . . . .

**Sir Cowasji Jehangir:** That is why I interrupted.

**The Honourable Sir George Schuster:** I shall be very glad to tell the Honourable Member what the position is: the position is this: as far as the Government are concerned, as far as I am concerned, I have taken no initiative in this matter at all. The proposal came from the unofficial members of the Committee. They desired to have two things: first of all,

that it should not be left optional to appoint a second Deputy Governor, but that it should be obligatory on the Bank to have two Deputy Governors. Under the Bill, it was optional—one or two: they desired that change; and they desired secondly an assurance that in that case one at least of the three should be an Indian. Now, I must go perhaps a little more fully into what took place. I think my Honourable friends will bear me out in this that I put it to them—I said: “From an Indian point of view, I think you are making a mistake in asking for definite conditions of this kind: all that you can ask for is a minimum, and possibly a minimum may not in the future be satisfactory.” I think I went so far as to say that if I myself was an Indian, I should not be satisfied with the condition that one out of the three should be an Indian, always having in view that this is a provision that is going to be permanently in the Statute. At the same time, I made it clear that in no case could Government agree to putting a provision of this kind into the Statute, because that would really amount to its being one of the so-called “discriminatory provisions”: but I promised that I would do my best to get the Government to agree to give an assurance. That promise I fulfilled: Government did agree to give an assurance and an assurance has been given; but the assurance has been given on a certain understanding, on the basis of certain premises; and that assurance obviously does not hold good if the premises are changed. My Honourable friend has talked about people being put into false positions. If anybody has put me into a false position, it is my Honourable friend by moving his amendment, because having reached this understanding in the Select Committee, having agreed to propose in the Bill that there should be two Deputy Governors and having myself given that assurance, if my Honourable friend comes along and by moving his amendment forces me to withdraw that assurance, that does put me into a false position, because it makes Government appear as if they were against the idea of having an Indian among the chief executive officers. That is what I want to put to my Honourable friend. This is only a minimum provision. It does nobody any harm. Apart from this, on the merits of the case, I want to make this also clear—that I should never have agreed to an arrangement of this kind at all unless I had myself been convinced that on the merits of the case two Deputy Governors were certainly necessary. We have to consider that in this Bank there must be responsible officers certainly in Bombay and in Calcutta: we have to take into account the fact that the Governor will have to keep in close touch with the Government; he will not be able, as the Governor of the Bank of England can, to go every day after he has finished the work, and see the Chancellor of the Exchequer; but he should be free to go very frequently to Government headquarters and keep in close touch with the Government. On these grounds, on the merits. I myself am convinced that two Deputy Governors will be necessary.

**Raja Bahadur G. Krishnamachariar:** Sir, I am extremely obliged to the Honourable the Finance Member, but I am sorry to say that he thinks that I put him in a false position, and I feel that it is due to me that I did not put him in a false position. I do not want absolutely to disavow any blame that is rightly due to me, if I am really blameworthy, and that is why I put in my amendment. The position is this, Sir.

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

[Raja Bahadur G. Krishnamachariar.]

My Honourable friend says that upon a suggestion made at the Joint Select Committee that we want two Deputy Governors, he made this assurance. . . .

**The Honourable Sir George Schuster:** I did not volunteer the assurance. The whole proposal came from the other side.

**Raja Bahadur G. Krishnamachariar:** Very well, Sir. I suppose the other side said that if there were going to be two, at least one should be an Indian. Whoever made the proposal, there is no doubt that this assurance was given in the Select Committee.

Now, Sir, I was trying to show that I did not place my Honourable friend in a false position. The whole fallacy is dependent upon the idea that what the Select Committee did we would be bound by if this House considers that it is to the interests of the country and of the people that the decision of the Select Committee is right. That is so, but if they do not consider that the interests of the country had been served by what the Select Committee agreed, I very respectfully submit both as a constitutional matter, as a legal matter and as a matter of legislative practice, that no decision come to by the Select Committee is binding upon this House, that it practically becomes the law without this House being given an opportunity to open its mouth. Consequently, when my friends on the non-official side asked for two Deputy Governors, it shows that apart from the fact that the Government was convinced of the necessity of two Deputy Governors, there was also this thing—both sides must have known that whatever decisions may be elsewhere, they were subject to revision by this House.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Nobody can question that.

**Raja Bahadur G. Krishnamachariar:** Well, Sir, if that position cannot be questioned, then what follows? The point that I was developing, when you were not in the Chair, was this. The Honourable the Finance Member, with the courtesy that is always to be expected of him, kindly explained to me the position at my own instance so that I may not spin a long speech when the facts themselves did not justify it. In the course of his statement, after giving a full account of the position he explained, that it was I who put him in a false position, whereas my argument was that my friend, Mr. Yamin Khan, did the same thing. I am now trying to justify myself and prove that I did not place him in a false position, because the request by the non-official members or the understanding that was arrived at in the Select Committee was of course subject to revision by this House, and when this House does not agree to the position, then I respectfully submit that both are quits, there is no question of putting anybody in a false position, but my point in asserting that my friend, Mr. Yamin Khan, put the Government in a false position is that unless two Deputy Governors. . . .

**Mr. Muhammad Yamin Khan:** I never said that. I said that the point was pressed by non-official members that there should be not "one or two", but that there should be "two" Deputy Governors, and the point was pressed after getting an assurance from the Government that if there



are going to be two Deputy Governors, then one at least of the three posts, that is, one Governor and two Deputy Governors' posts should be given to an Indian. This does not mean, as has been explained by the Honourable the Finance Member, that he himself was advocating this course. He said, if you stick to one, you should ask for the minimum, and that if he were an Indian he would not press for it, as he thought that there might be an occasion when all the three posts might be held by Indians.

**Raja Bahadur G. Krishnamachariar:** What he said is on record and the House has heard it. What I said is also on record. I shall only repeat with great respect what my Honourable friend said. He said: "If I were an Indian, I would not be satisfied with this minimum". Sir, I happen to be an Indian, and, therefore, I am not satisfied with this minimum. I leave it at that.

Now, I will only make one observation, and that is, if the Government were really convinced that the work would necessitate two Deputy Governors, why was it not definitely stated in the Bill, why was an alternative given,—one or two,—and this point was not sufficiently considered. In the original Bill, there was mention of only one Deputy Governor. Even the London Committee said, there may be one or two; in the Bill that was introduced, there was also a halting hesitating demand for two, and not one. This clearly shows that whatever may be the eventful development in the work of the Reserve Bank, to begin with they thought that one Deputy Governor would quite answer the purpose, and if the work increased or if it was found that one man could not cope with the work as my friend, Mr. B. Das, suggested and as I also said when the Bill was taken into consideration, another man could be appointed, but we need not call him a Deputy Governor. That is all I have got to say for the present inasmuch as I have tabled an amendment to the effect that one of the persons, assuming that this amendment will get through, that one of the persons, either the Deputy Governor or the Governor, shall be an Indian, I take it that I shall have an opportunity to move it in its turn, and, therefore, I shall not trouble the House with any further observations as to the necessity of a Statutory declaration to that effect. I suppose I am right in my interpretation.

**Mr. K. P. Thampan:** Sir, I have also given notice of a similar amendment, and I wish to say a few words in support of it. If I take up the time of the House to speak in connection with this amendment, it is simply because I am anxious that in the interests of economy alone there should be only one Deputy Governor. The Honourable the Finance Member said that there should be two Deputy Governors, one in Bombay and the other in Calcutta. Apparently the idea is to place a Deputy Governor in both these places and the function of the Governor would then be merely to supervise these two offices. Sir, to my mind, two Deputy Governors are not necessary. If you have a Governor and one Deputy Governor, the Governor can look after the affairs of the office which has more work and the Deputy Governor can take charge of the office where there is less work. Sir, I find, in the constitution of the Bank of England, there is only one Governor and a Deputy Governor; you don't have there two Deputy Governors. It is only the Bank of France that has two Deputy Governors. I went through the constitutions of many Central Banks in Europe, and I find that, except in France, in no other

[Mr. K. P. Thampan.]

country there are two Deputy Governors. Do my friends, who advocate the appointment of two Deputy Governors, mean to suggest that the volume of work in the Reserve Bank of India will be more than the volume of work in the Bank of England, or, for that matter, the nature of the work done here will be more difficult than the work done in the Bank of England? I don't think so.

Then, Sir, a word must be said about the compromise that was arrived at in the Select Committee and the undertaking made by the Honourable the Finance Member. It is said that if two Deputy Governors were appointed, one would be an Indian. I would rather wish that there were no Indians appointed at all. Cannot the Governor and Deputy Governor both be Indians? Let both the Governor and the Deputy Governor be Englishmen, I would not mind it, because their salary but will have to be rooted by the tax-payer, and to that extent fresh taxation will have to be imposed on the country. The Europeans have always been appealing to us to trust them—now we will trust them. I do not care a fig for the undertakings that are given in this House by the Honourable Members. Solemn pledges made by the Sovereigns and the British Cabinets have been treated as scraps of paper. In the Proclamation of Queen Victoria, it was distinctly stated that there would be no racial discrimination in the matter of superior appointments under the State. I indulged in a little bit of arithmetical calculation and I found that, during the last 76 years of British administration in this country after that Proclamation, there have been 150 vacancies of Governorships in this country, and, with the exception of Lord Sinha, no Indian has so far been appointed to be a Governor of a Province. Mere solemn pledges made not only by the Secretaries of State and Viceroy but made by the Sovereign himself have been treated as scraps of paper and it is too much to expect us to have faith in these undertakings. The Honourable Sir George Schuster said that this alteration was made at the instance of non-officials, and Sir Cowasji said that it was done at his instance. I am very glad to hear that. That means that Government are not very keen on it and that they are prepared to accept any decision by this House. I ask Sir George Schuster whether he will ask his party to remain neutral if there is a division and allow this amendment to be voted upon by the non-official Members only. If he does not do that, it necessarily follows that he talks with his tongue in his cheek.

**Mr. C. S. Ranga Iyer:** Sir, I must admit at the very outset that it is a very controversial matter from a national point . . . (Some Honourable Members: "Speak up please.") I was saying that it was very controversial even from a national point of view, and this is how the two positions strike me. In the first place, if we are to have two Deputy Governors, for I do presume that in the transitional stage of, say, five years, the Governor will be an experienced banking expert from England—if we are to have two Deputy Governors in that case, and I hope both of them will be Indians, there will be opportunity to train two Indians, one of whom at any rate may prove a success,—I hope both of them will prove a success,—to take the place, if necessity arises and popular feeling dictates, of the Governor. Therefore, I do not know whether it should be said, at least one of whom should be an Indian. I want both of them to be Indians. As for the apprehension

of those who are against two Deputy Governors, they have come to the conclusion that the other one will also be an Englishman blocking for a long time to come an Indian taking the place of the Governor. I want the Government to make this position clear, because this statement of the Government will be examined from time to time by those who come after us here and by the Legislature. I personally would vote for two Deputy Governors—if the motion is pressed—in the hope that both of them will be Indians, for I do not conceal my hope that I want the Reserve Bank of India to be completely national and to be managed by Indians themselves and should be under Indian control even as the Bank of England is managed by Englishmen and under English control. I am willing to take the help of Englishmen in the transitional stage. That is my position. Therefore, I want, not "at least one" of the Deputy Governors should be an Indian, but at least both of whom would be Indians. I am not bound by the compromise arrived at by members in the Committee, nor am I very enthusiastic, or for the matter of that, inspired by the statement of the Finance Member that it was in deference to the non-official opinion that he yielded or his Government yielded in the matter. Whether the non-officials started with the idea that there should be at least one Indian or whether both of them should be Indians, will, I hope, be made by the non-officials concerned, but, speaking for the bulk of opinion in this country, I want that this Reserve Bank should be a training ground for two Indians so that one of them may be more qualified than the other to replace the Englishman who will be the Governor of the Bank, after a due transitional period. |

**Dr. Ziauddin Ahmad:** I do not want to make any speech. I have just to ask one question. The Finance Member has given us to understand that it was on account of the pressure from the non-official members that this provision was put in. May I ask him whether he would leave the question to be decided by the non-official votes of this House? If he is not willing to do that, and if he still insists upon the officials also voting on this question, then we have no other alternative but to draw the inference that that non-official pressure was inspired pressure, and that it was not really non-official opinion.

**Sardar Sant Singh:** I had no intention to intervene in this debate on this particular amendment, but certain incidents, in the course of the speeches of some Honourable Members, have prompted me to say something in the matter. I may point out at the very outset that there was no compromise in the Joint Select Committee to this effect that, because two Deputy Governors are to be appointed, therefore one of them shall be an Indian. My own personal view is that, as this Bank is going to be established for the economic interests of India, it should be Indian in outlook, and, as I put it in my minute of dissent, it should be as Indian as the Ganges. It is no argument that because Englishmen are at this time in power, therefore we are bound to provide the Governorship to an Englishman. As a matter of fact, we shall be only exercising our inherent right, our birth right, if we were to provide in the Bill, that all the three executive posts shall be occupied by Indians, but one of them may be occupied by an Englishman. (*An Honourable Member:* "Why?") In order to show that we are not discriminating. Discrimination in India lies just the other way. The whole complaint against the administration in India has been that Indians are discriminated against. There has

[Sardar Sant Singh.]

never been, to the best of my knowledge, any complaint from Englishmen that there has ever been any discrimination against them. As my Honourable friend, Mr. Thampan, has so well pointed out, since the Proclamation of 1858 of the late Queen Victoria of honoured memory, the higher posts have always been practically reserved for Englishmen. No Indian, except once, could attain to the distinction of being a Governor. (An Honourable Member: "Even in the army.") Yes, even in the army. There are certain offices under the Government of India in which no Indian is allowed to enter. Therefore, I find it very difficult to appreciate the argument when the Honourable Sir George Schuster says that he does not want any discriminatory provision to be included in the Bill because of its possible reactions in the Joint Parliamentary Committee in London. As a matter of fact, what he means to convey to the Members of this House is this: "Be good boys, play up according to the commands of the Great Moghal sitting in Whitehall." It is as yet known only to gods if India is going to get real power under the proposed White Paper scheme and when that scheme is likely to be introduced, but meanwhile India expects from every one of us to assert our self-respect in this House and refuse to be dictated to by Whitehall. Let us make it unmistakably clear to the Secretary of State that India refuses to take his dictation lying down. The other alternative to this would be neither consistent with our sense of responsibility nor would be in the best interests of India. It was very painful to me to point out in my note of dissent that in the Select Committee even the Honourable Members representing the Government of India were not allowed to have a free hand or to give a free opinion. Their hands seemed to be tied from above.

However, I will most emphatically assert that there will be no discrimination at all against Englishmen if we provide in the Bill that Governors and two Deputy Governors shall be Indians. What we are providing for is that there should be no discrimination against Indians and for that we are amply justified in securing as many safeguards as we can get in this Bill. The amendment moved by my friend, Mr. B. Das, is not only quite a reasonable one, but is a necessary one. We want that the Deputy Governor should be an Indian, so that at least he should step into the place of the Governor after five years and control the currency policy of India through this Reserve Bank.

**Mr. M. Maswood Ahmad:** In this question I want to say only a few words. I could not understand from where the Leader of the United India Party, or disunited India party or whatever it might be called, got it that if two Deputy Governors were not appointed, there was no chance for an Indian.

**Mr. Muhammad Yamin Khan:** Who said that? Probably Mr. Maswood Ahmad is saying that.

**Mr. M. Maswood Ahmad:** That is what we heard him say and the Raja Bahadur also made a long speech on that and I am very glad that my Honourable friend, Mr. Yamin Khan, is ready to correct his speech. Sir, we all want that all these three posts should go to Indians. All the English people are there in the Bank of England and such is the case in other countries. Why should not these posts go to Indians in India? We want that this Reserve Bank should be governed by Indians and that all

the capital should be Indian only. My Honourable friend, the Sardar Sahib, used the word "Mughal" to mean the Secretary of State in his speech. In this connection I will draw his attention and appeal to all the Members here, who have used this word on several occasions, not to use this word in future to mean the Secretary of State. There is no resemblance between the Mughals and the Secretary of State. The Mughals gave all the big posts like the *Sath Hazari* and so on to the inhabitants of this country.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member means it is insulting the Mughals.

**Mr. M. Maswood Ahmad**: It is insulting to the Mughals who gave all these big posts to their countrymen in this country, while the Secretary of State wants all such posts for his countrymen and he wants to control the Reserve Bank of India. I feel it very much and this is the feeling of my colleagues, and I would ask my Honourable friends not to use this word any more.

Now, if there are two Deputy Governors, they will get fat salaries and it will be a great burden on the Reserve Bank. There are so many Government Departments which are topheavy, and with two Deputy Governors in the Reserve Bank, the administration will become topheavy. We want that there should be only one Deputy Governor and that Deputy Governor should be an Indian, and I hope that my Honourable friend, Sir George Schuster, will stick to what he has promised that at least one will be an Indian, even if there is only one Deputy Governor. The feeling of this House should be respected and the Governor and the Deputy Governor should be both Indians.

**The Honourable Sir George Schuster**: I should like to start by giving my Honourable friend who has just spoken a definite assurance that I at least will not refer to the Secretary of State as the Great Mughal. (Laughter.) I think this has been rather an unfortunate discussion. Possibly it may have been due to what Sir Cowasji Jehangir referred to as a Saturday afternoon atmosphere. I want to ask the House to consider what really are the main questions involved. We are trying, and I am sure we shall all agree about this, to set up a Bank which is going to work well and particularly at the start. Connected with this motion there are three main questions which I think any one, who is considering how to give the Bank a good start, ought to put to himself. First of all, there is the question how many Deputy Governors are really required; and that, after all, is the only question which ought to be discussed in connection with this particular amendment. The second question is, how are you going to get the best men for the chief posts in the Bank. And I would put a third question as a subsidiary question—how are you going to satisfy Indian opinion in the sense of creating confidence in the Bank. Now, Sir, it is only in connection with the last question that I think it is legitimate to consider some of the issues that have been raised in this debate. After all, our object is to get a good Reserve Bank and it is only the first question, as I have already said, which is really relevant to the amendment before us. I have already, in the course of an earlier interruption, made it clear to the House that the Government view is that two Deputy Governors will really be required. There has been no change of view as suggested by my Honourable friend, the Raja Bahadur. The Bill always provided for the appointment of a second Deputy Governor. True, it was made optional, but we were asking for the power to do it. We ourselves felt that that power would be used,

[Sir George Schuster.]

and, therefore, there is no inconsistency between our present line and the line taken in the original Bill. But if there had been a change, there would have been a very good reason for having made a change. When the original Bill was drafted, it was drafted on the basis that the Bank would have one main office at Bombay. That has now been changed. We contemplate having more than one main office. We have not laid down exactly how many there will be, for that is left to the Board; but it is quite certain that there will be at least two principal offices, namely, at Calcutta and at Bombay. That in itself would be quite sufficient ground, even if we had only provided for one Deputy Governor in the original Bill, to alter our position and now provide for two. Sir, I have already explained to the House why I myself think that two Deputy Governors will be necessary, so I need not repeat that. I turn now to the next question as to how you are going to get the best man.

Now, I think one of the difficulties in dealing with this matter is that here we are introducing a Bill which will be turned into a Statute which it is hoped will have a long duration. Provisions which may be necessary at the beginning of the Bank's life may become entirely inappropriate after it has had five or ten years' existence. That is why I myself in speaking in the Select Committee on this matter, ventured to suggest that to lay down in the Statute any sort of provision for Indians with regard to the chief executive posts was not a very wise thing to do. A minimum may come to be regarded as a maximum, conditions will change, and what is suitable as a minimum may prove entirely unsuitable as a minimum in ten or fifteen years' time. Now, if we are to try and get the best men—I hope Honourable Members will face realities in this matter—they must acknowledge that at present there is not a very large choice of men available in India who would be capable of holding these highest posts in the Reserve Bank. It is not merely a question of whether men of the requisite capacity exist. For I would remind Honourable Members that there are two points which have got to be considered in this matter. The first is, is there a qualified Indian available? Secondly, if he is available, will he accept the position? There are Indians of whom I could say at once that they are suitable for one of these three posts today, but I doubt whether any of those whom I have in mind would accept the posts, and that is a point which has to be taken into consideration. And now, Sir, I come to the third point—how you are going to satisfy Indian opinion in the sense of creating confidence in the Bank. Well, I quite admit that, in order to satisfy Indian opinion and to create confidence, it is necessary to satisfy the country that the Bank is being run in the interest of India, and that there may be prejudices, and that, in view of those prejudices, it is necessary to have Indians associated with the management at the top. But that does not enable us to get over the difficulty that possibly at the present moment there may not be a very large number of Indians available for these posts. Now, if these facts are borne in mind, I do put it to the House that there is no use in imagining all sorts of hypothetical cases of what the Government would do, on the strength of the assurance I have already given. I was prepared to give the assurance that at least one out of the three posts should be filled by an Indian. We felt it quite safe to take that risk. But if you reduce the number of the posts, then the position undoubtedly becomes changed and certainly the matter would have to be reconsidered. Now, I ventured to put it to my Honourable friend, the Raja Bahadur, that by raising this issue he was putting the Government in a very false position. It is not

fair to put us in the position of having to retire from the line that we took up. I assure Honourable Members that when any of these questions come up—questions of filling important posts with Indians,—the question which we ask ourselves is not how to avoid putting an Indian into that post, but how to find an Indian who is qualified for filling it? We always look at the matter in that way and, appreciating as I do the importance of the issue raised in my third question, Honourable Members can rest assured that Government always will look at it in that way. My Honourable friend, Mr. B. Das, has imagined to himself that what we have in mind is something like this: "We have committed ourselves to one of the three posts being filled by an Indian. Now, then, let us see how we can fulfil this assurance with the least chance of benefiting Indian aspirations in this matter. What will we do? We will appoint as Governor a man of forty or forty-five, who will hold that appointment for five years. Secondly, we will put in as the senior Deputy Governor another Englishman again of about forty or forty-five who will hold his post for five years. He will then become the Governor when the first man goes. Thirdly, we will put in as the junior Deputy Governor an Indian, a man of about sixty, so that, when the ten years are up, he will be seventy years old and, therefore, quite incapable of promotion to the post of Governor. Then we start the whole process all over again and put in another man at the end of his career in the post of Deputy Governor". Sir, having seen the flights of my Honourable friend's imagination, I decided that I would offer him the post of senior assistant to my Honourable friend, Dr. Ziauddin Ahmad, in the hypothetical Finance Department which I propose to create. (Laughter.) That is a purely hypothetical proposition and I would put it to the House that no Honourable Member does his own interests or the interests of India any good by imagining a procedure of that kind. On this simple issue which is now before the House, I have no hesitation in recommending the House to reject this amendment. The Bank will need two Deputy Governors. This amendment would remove even the discretion which was provided in the former Bill and we should be committed by the Bill to limiting the Bank to one Deputy Governor. The entire object of doing that, the reason why this amendment is moved, is not in order to provide a proper organisation for the Bank, but in order to provide an opportunity for some of the amendments which are going to be moved later in the House. Sir, I do put it to the House that this is a matter which should not be considered on that sort of basis.

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

"That in sub-clause (1) (g) of clause 8 of the Bill, for the words 'two Deputy Governors' the words 'one Deputy Governor' be substituted."

The motion was negatived.

## STATEMENT OF BUSINESS.

**The Honourable Sir Brojendra Mitter** (Leader of the House): With your permission, Sir, I desire to make a statement as to the probable course of Government business in the week beginning Monday the 11th. You, Sir, have directed that the House shall sit for the transaction of Government business on the 11th, 12th, 13th, 14th, 15th and 16th. On Monday, the

[Sir Brojendra Mitter.]

11th, the business will be the resumption of the consideration of the Reserve Bank Bill. On Tuesday, the 12th, the consideration of this measure will be interrupted by bringing forward the motions to take into consideration and to pass the Tariff Act Amendment Bill which was reported by Select Committee on Friday, the 1st December. The reason for this interruption is that, in order to prevent further loss of revenue, it is desirable that this Bill should be passed without any avoidable delay. On the conclusion of the business in connection with this Bill, the consideration of the Reserve Bank Bill will be resumed and the remaining items on the agenda will be the motions for taking into consideration and passing the Bill to amend the Imperial Bank Act.

### THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): On Monday, after finishing clause 8, the Chair would go back to clause 4. The Chair would like first to finish the remaining two amendments and then put the original question on clause 4. So Honourable Members must make up their minds about those amendments.

**Mr. B. Das:** May I point out, Sir, that there is also one other amendment that I moved, while the Deputy President was in the Chair, on the Shareholders Bank.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is the other amendment to which the Chair referred. There is one amendment moved by Mr. Thampan and there is another amendment moved by Mr. Das.

**Sir Cowasji Jehangir:** The amendment moved by Mr. Das is a consequential amendment to clause 14 (2) of the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair has considered that point. That was suggested during the course of the debate, but the difficulty is that if the House does not take a decision on that amendment, the House is up against the same difficulty when it comes to clause 9.

**Sir Cowasji Jehangir:** That is also consequential.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is all the same whether the House treats the amendment to clause 4 as consequential, or after taking the decision on clauses 9 and 14 the House comes back and considers this as consequential. It is all the same. So, if the House really takes its decision on clause 9 or 14, then, during the third reading, Government will take necessary action to make the consequential amendment. What the Chair suggests, therefore, is that the Honourable Member, Mr. B. Das, should withdraw his amendment on clause 4. Then the question will come in a direct form on clause 14. If, under clause 14, the House decides that a shareholder, who has got one share, will have one vote, it comes back to clause 4 and makes the consequential amendment.

The Assembly then adjourned till Eleven of the Clock on Monday, the 11th December, 1933.