

# LEGISLATIVE ASSEMBLY DEBATES

(OFFICIAL REPORT)

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Vol. IX, 1933

*(11th December to 22nd December, 1933)*

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SIXTH SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY

1933



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# Legislative Assembly.

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*Deputy President :*

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**M335LAD**

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# LEGISLATIVE ASSEMBLY.

Friday, 15th December, 1983.

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.

## SHORT NOTICE QUESTION AND ANSWER.

### HUNGER STRIKE IN THE DEOLI DETENTION CAMP.

\***Mr. S. O. Mitra:** (a) Is it a fact that there was recently a hunger strike in the Deoli Detention Camp? . If so, will Government be pleased to state when the hunger strike began?

(b) Will Government be pleased to state the number of persons involved in the said hunger strike?

(c) Will Government be pleased to state the reasons for which the strike was resorted to by the inmates of the Deoli Camp?

(d) Will Government be pleased to state whether any forced feeding was resorted to? If so, in how many cases was such feeding forced?

(e) Are any of the persons, who were subjected to the forced feeding, ill at present? If so, how many, and what are the illnesses from which they are suffering at present?

(f) Is the hunger strike still continuing? If so, what steps have Government taken to remedy the grievances for which hunger strike was resorted to?

(g) Did the men of the camp complain about their grievances before resorting to the hunger strike? If so, to whom, and what action was taken by Government to redress those grievances? If no action was taken, why not?

**The Honourable Sir Harry Haig:** (a) and (b). Two detenus went on hunger-strike on November 30. 16 others joined them on December 12th.

(c) and (g). The reasons for the strike were given in the following words by the two detenus who began the strike:

"We fail to realise why you (that is the Superintendent) should transfer us to other camps without allowing us food by our bedsides in our own camp No. 5. We may accept food if all 14 of us are re-instated to our camp and food supplied in our barracks in camp No. 5."

In explanation of that statement I should add that on November 29, 12 detenus informed the Superintendent that they would go on hunger-strike as a protest against his action in refusing to allow them to have meals in their own rooms instead of in the common dining-room. The

Superintendent thereupon transferred these 12 detenus, and also two others, from camp 5 to other camps.

(d) The answer is in the negative.

(e) So far as I am aware, none of the detenus who went on hunger-strike is suffering from illness though the two, who originally went on strike, are in a weak condition.

(f) The detenus abandoned the hunger-strike unconditionally on December 13.

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## OBSERVANCE OF HOLIDAYS BY THE LEGISLATIVE ASSEMBLY.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The House will remember that on the first December the Chair undertook to make an announcement regarding the principle which will be followed in the observance of holidays in the Legislative Assembly. The Chair has since considered the question and it has been decided that in future only such holidays shall be observed in the Assembly as have been notified by the Local Government in whose area the Session of the Assembly is held for the time being.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): May I just say a word. The question of giving a holiday is really an exclusive privilege of the President who can adjourn the meeting to any time he likes. That is not really the concern of the Assembly at all. You can hold a Session on any holiday or even on a Sunday, that is not the concern of Honourable Members. We can only make a request regarding holidays and it is for you to decide in any way you please. It is no concern of ours at all.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair really does not understand what exactly is the idea underlying the observations of the Honourable Member. The reason why the Chair made this announcement is this. The Chair has had, once during the last Delhi Session and once during the present Session, requests from certain Honourable Members that they would be unable to attend a Session on a particular day, because of a particular festival and the Chair also found that those days were not gazetted as holidays. That places the Chair in a very difficult position and, therefore, the Chair must be guided by certain rules governing the conduct of public service in the country regarding holidays and this announcement has been made so that Honourable Members might understand what principles the Chair proposes to keep in mind in the observance of holidays for the Legislative Assembly in future.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): May we take it that you still reserve the right of discretion in particular cases, because it so happens that, though the Assembly may meet in Delhi and Simla, yet there are local holidays which are very important to particular Members coming from a particular province. I am just thinking about Bengalees. The *Mahalaya* is a very important religious observance for the Hindus of Bengal. But here in Delhi or Simla, it is not important. In the past, we made representations to the Honourable the President and, in particular cases, he used his discretion.

As my Honourable friend, Dr. Ziauddin Ahmad, put it, we will make our representations to you and we hope that, in spite of the fact that the local area have not declared a certain day to be a holiday, you will use your discretion in particular cases to make an exception if you think it necessary.

**Dr. Ziauddin Ahmad:** May I just explain? It is quite possible that in Delhi there may be a holiday on account of some match in which we, the Members of the Assembly, are not interested and it is quite possible that the work might be very heavy about that time. The question of giving a holiday is exclusively the privilege of the President. We can only make representations and it is for you to decide. It is no concern of ours and the Honourable the President need not ask our opinion in this matter.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair has not asked the Honourable Member's opinion. It has only made an announcement.

### THE RESERVE BANK OF INDIA BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank Bill, clause 14.

The next amendment is No. 16 in the Supplementary List in the name of Mr. S. C. Sen.

**Mr. S. C. Sen** (Bengal National Chamber of Commerce: Indian Commerce): Sir, I beg to move:

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

'(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

Sir, it may be remembered that when an amendment was moved by my Honourable friend, Mr. Mitra, regarding the power of the shareholders at a General Meeting to give directions to the Central Board regarding the management, the point was raised that unlike other companies, constituted under the Indian Companies Act, this Bill did not contain any provision regarding what was to be done in a particular General Meeting of the company and it was suggested by Sir Cowasji Jehangir that if an amendment of this nature was moved, namely, as to what would be the duty of a General Meeting of shareholders, then the Government should consider it. Thereafter, negotiations ensued between the Government Benches and the Opposition and the result of that is the present amendment which I am moving.

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

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

'(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

**The Honourable Sir George Schuster** (Finance Member): I might perhaps shorten the time of the House if I were to say at this stage that we are perfectly prepared to accept this amendment. (Hear, hear.)

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

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

'(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Mubarnadan Rural): Sir, on a point of order, I should like to know what would happen to No. 17 if this is accepted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Member must know that the Chair can give a ruling whether or not No. 17 is in order only when that is actually reached and not when No. 16 is put to the vote.

The question is:

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

'(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

The motion was adopted.

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

"That for sub-clause (2) of clause 14 of the Bill, the following be substituted:

'(2) Every shareholder shall be entitled to attend at any general meeting and each shareholder who has been registered on any register, for a period of not less than three months ending with the date of the meeting, as holding five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an officer or employee of the Bank'."

Sir, this amendment is in keeping with the practice in many other companies. Whenever a meeting of the shareholders is held, they are first asked to express their opinion by show of hands; and whenever a poll is demanded, votes are recorded according to the strength which a voter is entitled to by virtue of other clauses of the Act, and at that time the proxies are not counted. No such provision is made in the original clause and this clause is really more comprehensive than the one which is now already in the Bill. This is really the form in which votes are taken in every company and I hope the Honourable the Finance Member will have no difficulty in accepting it. The difference is only this that, whenever there is a discussion, the President always asks for an expression of opinion which is given by show of hands and, if at any time opinions are divided and a poll is demanded, it is taken in the manner I have just described, that is, a person entitled will record one vote and a person keeping a proxy will also deposit the proxies, but only



on the occasion when the poll is demanded. So it is well to clarify the position and it is in accordance with the practice now in vogue in many companies. I hope the Finance Member will have no difficulty in accepting this amendment.

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

"That for sub-clause (2) of clause 14 of the Bill, the following be substituted:

'(2) Every shareholder shall be entitled to attend at any general meeting and each shareholder who has been registered on any register, for a period of not less than three months ending with the date of the meeting, as holding five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an officer or employee of the Bank.'

**The Honourable Sir George Schuster:** Sir, my Honourable friend has made two changes of substance in this amendment. In the first place, he has changed six months to three months and, in the second place, he has added in this case a provision which was already adopted as regards Local Boards that a proxy must be a shareholder and not an officer or employee of the Bank. As regards the procedure embodied in this amendment, we have no objection to that at all; in fact we thought that that would be the procedure which would be laid down by regulations. As regards three months, instead of six months, we do object to that. As regards the question of who is to exercise proxies, we have no objection. If my Honourable friend would alter the "three months" to "six months", we will be glad to accept this amendment.

**Dr. Ziauddin Ahmad:** Sir, if you permit me,—and it is only a small change and in keeping with other provisions,—I will change "three" into "six" if the Honourable Member accepts that.

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

"That for sub-clause (2) of clause 14 of the Bill, the following be substituted:

'(2) Every shareholder shall be entitled to attend at any general meeting and each shareholder who has been registered on any register, for a period of not less than six months ending with the date of the meeting, as holding five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an officer or employee of the Bank.'

The motion was adopted

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

"That in sub-clause (2) of clause 14 of the Bill, the words 'as holding five shares' and the words 'and each shareholder so registered as having more than five shares' shall have one vote for each five shares, but subject to a maximum of ten votes' be omitted."

Sir, clause 14 is a comprehensive one and deals with all the rights of the shareholders. At the General Meeting, they have got to discuss the

[Mr. K. P. Thampan.]

annual report, the auditors' report and approve of the rate of dividend which is recommended by the Directors. All these are valuable rights and, it is with reference to these rights, that the shareholders are expected to use their best discretion. Though the House turned down my proposal for restricting similarly the number of votes of a shareholder at an election of the members to the Local Board under clause 9, this ought to be accepted. I will only read.....

**The Honourable Sir George Schuster:** On a point of order, Sir. The House has just accepted an amendment which is surely inconsistent with my Honourable friend's present proposal. Quite apart from the fact that the question of "one man one vote" has already been discussed under clause 9. I do submit that, as the House has just accepted an amendment which is contradictory to my Honourable friend's amendment, the House cannot discuss that same question again.

**Mr. K. P. Thampan:** This will be a kind of amendment to the clause that the House has just adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House has given a definite verdict on the amendment of Dr. Ziauddin which has been passed and adopted, which gives one vote for every five shares, subject to a maximum of ten.

**Mr. K. P. Thampan:** Then a good many amendments will have to go.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Yes: the chair cannot help it.

**An Honourable Member:** This is rather unfortunate: we did not see the implications of it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The same will apply to Mr. Navalrai's amendment, because Dr. Ziauddin's amendment has been adopted by the House, under which proxies have to be accepted for a General Meeting.

**Mr. B. Das** (Orissa Division. Non-Muhammadan): The learned Doctor has cleared the stable!

**Mr. N. M. Joshi** (Nominated Non-Official): On a point of order, Sir, may I ask whether it is not open to the House to move an amendment to the amended clause?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair does not understand what exactly Mr. Joshi's procedure is.

**Mr. N. M. Joshi:** The point is this: I quite agree that when my Honourable friend, Dr. Ziauddin Ahmad, moved his amendment, the other amendments should have been moved as an amendment to that amendment before it was carried; but as the House did not realise what the effect would be, I think it is still open—there is nothing in the rules to prevent that course being followed.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question under consideration now is that clause 14 stand part of the Bill, to which amendments are being moved: does the Honourable Member suggest that, on the question that clause 14, as amended, do stand part of the Bill, there is again a right of amendment?

**Mr. N. M. Joshi:** There is nothing in the procedure to prevent it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): No; the Honourable Member cannot do it.

The question is :

"That clause 14, as amended, stand part of the Bill."

The motion was adopted.

Clause 14, as amended, was added to the Bill.

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

"That clause 15 stand part of the Bill."

No. 159, in the name of Dr Ziauddin Ahmad, is already barred.....

**Dr. Ziauddin Ahmad:** May I just point out that this concerns the nomination of the first Directors and this is very different from the case of the election, because, in the case of the election, you have put certain restrictions on shareholders which may or may not be achievable: in this case the nominations are to be made by the Governor General and, therefore, my amendment is in order. ....

**The Honourable Sir George Schuster:** I hope my Honourable friend will not take that very technical point. I submit the House has really decided in principle on this question and I feel that no useful purpose will be served by continuing this discussion.

**Dr. Ziauddin Ahmad:** I know that no useful purpose will be served by a division, but at the same time this is a question for which the Government are directly responsible in nominating the Directors. I have already pointed out the difference between the nomination by Government in this particular case and the election by shareholders in the previous case: and though we said we ought not to put down any restriction on shareholders, we have a right to put down any restrictions we like on the nominations by the Government in the case of the first Directors.

**The Honourable Sir George Schuster:** I would remind my Honourable friend that I have given a certain assurance on this point and I make it quite clear that we can go no further. I do suggest to my Honourable friend that no useful purpose will be served by moving this amendment.

**Dr. Ziauddin Ahmad:** If the Honourable gentleman gives an assurance that this thing will be followed, then I need not move it; but I said on the previous occasion that these assurances did not have the force of law, and, therefore, though he might perhaps accept it, since the appointments

[Dr. Ziauddin Ahmad.]

are to be made by the Governor General in Council, his colleagues might or might not accept his suggestion and, therefore, he has not the final say . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member might move it, if he wants to.

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

"That to sub-clause (1) of clause 15 of the Bill, the following proviso be added :

'Provided not less than 75 per cent. of the voting Directors shall be Indians both on the Central Board and on the Local Boards'."

The reason for my moving it is that it has now been definitely settled that a Director once appointed will hold the position for life, unless removed by an Act of God. This is really the principle, and I, therefore, want that if 75 per cent. are to be Indians, this may be observed from the very outset. The Honourable gentleman has given an assurance that, in the first nomination, this principle, as far as he is concerned, will be followed; but we would like to press . . . .

**The Honourable Sir George Schuster:** Not exactly in those terms: my Honourable friend is aware of the assurances I gave.

**Dr. Ziauddin Ahmad:** I am not myself a lawyer and I do not like to have this thing; but I do think that when the Government do not want to do a thing, they always provide some loophole or some window by means of which they can get out of it if they want to do so. This is a thing on which we on this side are really very keen, that, even in the case of the first nomination, the Government ought to realise that at least the non-official opinion in this House and the opinion in the country outside is that at least 75 per cent of the seats should be reserved for Indians when the first nominations are made, and I hope that the Government will respect the opinion of this House, though we may not adopt it as an amendment or put it in as a Statutory provision. So I would like that other Members also should express their opinions on this question as I feel very strongly on this point. I beg to move my amendment.

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

"That to sub-clause (1) of clause 15 of the Bill, the following proviso be added :

'Provided not less than 75 per cent. of the voting Directors shall be Indians both on the Central Board and on the Local Boards'."

There is a similar amendment, No. 164, of Mr. Navalrai: it is in a slightly different form, but raises the same issue.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, I will support this instead of moving my amendment. I strongly support this amendment. We want to make it clear to the House that this is the opinion on the national side that national interests ought to be very well protected. I agree with the Honourable the Mover that the Government are at present leaving certain loopholes. Those loopholes ought to be

closed as we know that, if any are left open, then it becomes more or less the whim of the Government whether to fill them up or not. When they make certain promises or give certain assurances, they are always open to interpretations and misinterpretations: therefore, I submit that it is necessary that a provision of this nature should be inserted definitely in the Bill itself. I cannot understand for a moment why, if the Government have a *bona fide* desire to meet the demand of the people, they are not prepared to accept an amendment like this. Why should they say that we should wait and that they will try to meet with our demands hereafter? I think there is absolutely no reason. I cannot find any substantial or tangible ground advanced up to now by the Government. This Bill is going to be passed and the constitution of the Reserve Bank is to be settled now; then why should we wait for anything to be done hereafter? There is nothing in this matter to be further considered or watched. There are certain amendments on which the Honourable the Finance Member is right when he says that he must watch the working of the provisions. When there is some doubt about a certain procedure, that of course can be left for experience to be gained, because, it is only by actual working of certain things that we can know what the good or bad points there will be for improvement; but, in this instance, I do not see any reason or any justification for postponement. We cannot enter into the mentality of the Government which they have at present to find out their motive, and I, therefore, must support this amendment.

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): Sir, although I support this amendment, I have to submit that the assurance by the Honourable the Finance Member is not on his own behalf, but on behalf of Government and it ought to be relied upon. The feeling in this House is well known to Government side, and this is once more emphasised in the shape of this amendment. We do feel that this Reserve Bank should be a national institution, and, therefore, it should be run wholly by nationals. That time has not come yet. All the members of the Board or the members of the staff cannot be Indians in the beginning, but that is the ultimate goal when the whole show will be run by Indians, and that is the goal for which we should all strive. I think the assurance of the Honourable the Finance Member is quite sufficient and should be accepted, and, therefore, I advise that this motion need not be pressed to a division, but Members on this side ought to emphasise this point of view, and, therefore, there should be a good discussion.

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, my friend, Dr. Ziauddin Ahmad, has asked us to express our opinion on this, and that is the special reason why I rise to oppose it, because the interpretation of this amendment will be that at least 25 per cent. of the Directorate should go to Europeans. I am not satisfied, as I have already said, with 75 per cent. reserved for nationals, and I do not want to leave any impression in the minds of Members that 75 per cent. will satisfy Indians. It is a temporary provision for the constitution of the first Board of Directors, and, in a permanent Statute, I think it is not only unnecessary, but it is unreasonable, to put such a provision when we know for certain,—and we have an assurance on it,—that we shall get at least 75 per cent. The Select Committee in its Report said this:

“As regards the general purpose of this sub-clause, the non-official members of the Committee have made it clear that they would not consider anything less than 75 per cent. of the voting Directorate as affording proper representation of Indians.

[Mr. S. C. Mitra.]

We have received an assurance on behalf of the Government from the Government members of the Committee that the Governor General in Council will exercise this power so as to ensure the proper representation of Indians on the first Board."

So, Sir, it is clear that we do not gain anything by inserting such a provision in the permanent Statute of the land, when it is certain that we claim not merely 75 per cent. but much more. Sir, I oppose the amendment.

**Rai Bahadur Kunwar Raghubir Singh** (Agra Division: Non-Muhammadan Rural): May I ask a question of the Honourable the Mover of this amendment?

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Sir, there appears to be some misunderstanding in the minds of Honourable Members. My friend, Dr. Ziauddin Ahmad, wants some sort of guarantee about Local Boards. I do not know whether Honourable Members quite realise how these Local Boards are to be elected. Government have nothing to do with the election to the Local Boards or the nomination to these Boards. Five are to be elected and three are to be nominated by the Central Board,—and not by the Government,—and, therefore, with regard to the Local Boards, Government have nothing to do with the question of the formation of these Boards. It is the shareholders and shareholders alone who will have to elect members to these Local Boards, and I presume that there is nobody in this House who desires to lay down conditions as to who should be elected and who should not be elected by the shareholders.

Then, with regard to the Central Board, my friend, Mr. Mitra, has read out the assurance that the Finance Member gave us in the Select Committee with regard to the first appointment. The first appointment of the Central Board is in the hands of the Government and only after that, there will be elections. In those elections, we can lay down no conditions. With regard to the nominations which are to be made to the Central Board, there are recommendations in the Select Committee's Report whereby some provision will be included in the Instrument of Instructions to the Governor General which will guide the Governor General in Council with regard to these nominations, and I will not repeat what is already in the Report about these instructions. Under the circumstances, if I may respectfully point out, there does not seem to be any necessity for the amendment as worded by my friend, Dr. Ziauddin Ahmad, and supported by other Members in this House.

**Rai Bahadur Kunwar Raghubir Singh**: I wanted to ask my Honourable friend, the Mover, whether the term "Indians" included Anglo-Indians, Domiciled Europeans and Indian Indians, that is to say, Indians from Native States, or it merely means Indians living in British India, and not Anglo-Indians or domiciled Europeans in India? I wanted to ask this question.

**Dr. Ziauddin Ahmad**: I use the word "Indians" in the sense in which the word is used in law.

**The Honourable Sir George Schuster:** Sir, I must oppose this amendment for reasons which I have already explained in connection with the other amendments, the objections being to the inclusion of anything of this kind in a Statutory provision. I need not repeat the assurance which I have already given; it is recorded in the Select Committee's Report and has already been referred to by my friend, Mr. Mitra. I would only point out that the Mover and my friend, Mr. Lalchand Navalrai, who have made speeches on this subject, have not improved their own position. If Government really should wish now to get out of this assurance that has been given, they would be able to quote with great effect the speeches made by my two Honourable friends, and, when they were accused of getting out of their assurances, they would be able to reply: "Well, you always said that we were going to do that—authorities like Dr. Ziauddin Ahmad and Mr. Lalchand Navalrai told you that we would and you accepted our assurance on that understanding". Sir, I think it is important that Honourable Members should realise that expressions of distrust of that kind really harm their own cause.

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

"That to sub-clause (1) of clause 15 of the Bill, the following proviso be added:

'Provided not less than 75 per cent. of the voting Directors shall be Indians both on the Central Board and on the Local Boards'."

**Dr. Ziauddin Ahmad:** Sir, I would like to ask the leave of the House to withdraw my amendment.

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

**Mr. President** (The Honourable Sir Shanmukham Chetty): Mr. Bhuput Sing, amendment No. 1 in Supplementary List No. II.

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): I only want . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member should first move his amendment. There cannot be a discussion, because the principle has been discussed.

**Mr. Bhuput Sing:** I beg to move:

"That to sub-clause (2) of clause 15 of the Bill, the following proviso be added:

'Provided the first Governor must be a man with banking and financial experience'."

I should like to say only a few words. This proviso applies only to the first appointment of a Governor and does not apply when making subsequent appointments. So I wanted to have an assurance from the Government to this effect.

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

"That to sub-clause (2) of clause 15 of the Bill, the following proviso be added:

'Provided the first Governor must be a man with banking and financial experience'."

**Sir Cowasji Jehangir:** Sir, I must point out that the amendment that was discussed and rejected by this House did not really refer to the first appointment. This amendment directly refers to the first appointment to be made by Government . . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is why I have allowed him to move it.

**Sir Cowasji Jehangir:** Sir, there is a considerable distinction between the two. Although the Governor General in Council will make the second appointment and subsequent appointments in consultation with the Central Board, when this appointment is made, there will be no Central Board in existence, and it will be made entirely on the responsibility of the Governor General in Council, and, therefore, any sort of assurance from the opposite Benches with regard to this first appointment would be most welcome. It will then not necessitate the moving of this amendment which only refers to one specific appointment. I trust that the Honourable the Finance Member will be able to give us some assurance that this appointment will at least go to a man who has some banking experience and that he will not come straight out of a Government office.

**Mr. S. C. Mitra:** Sir, I support this amendment. I remember it was from the United India Party that a similar amendment was moved so far as clause 10 was concerned.

**The Honourable Sir George Schuster:** May I point out to my Honourable friend that the amendment that was proposed to be moved had the words "banking or financial experience".

**Mr. S. C. Mitra:** I remember the phrase, "banking or financial experience". But it is no secret to tell the House that Mr. Yamin Khan, the Leader of the Party, assured us that he had no objection to the wording of the present amendment and that he was ready to support it. I hope when he, later on, comes, he is at present absent from the House, he will support us. After all, what we want by this amendment is that at least the first Governor should not only have banking experience—we do not here specify any period, we simply say, a man with banking experience, and, in addition, he should be a man with experience in general finance as well. It is not a large demand considering the huge amount of monthly salary that the Government of India are agreeable to pay to the Governor. My argument becomes stronger, because we are only considering the first Governor. It may be that later on when appointments will be made after consultation with the Central Board, the Central Board may not consider that banking experience would be very essential,—though I doubt it very much personally,—but in later appointments the responsibility will be both on the Central Board and the Governor General. But, as regards the first appointment, however great an individual may be, he is more liable to err than when he is advised by a body of experts. On the first occasion, he will not be assisted in any way by any advice from the Central Board. So we ask that the first Governor, ~~on whom~~ will fall the organisation of this Bank, should be a man who has not only financial experience but banking experience as well, and I hope that there will be no contrary ukase from the Secretary of State that the Government should not accept this very simple amendment.



**Mr. B. Das:** If I could make a speech in support of the amendment of my Honourable friend Mr. Bhuput Sing, I could quote the whole speech—I have not got the speech which the Finance Member made in support of the motion of my Honourable friend, Mr. Aravamudha Ayangar. opposing the proposition that the Governor should be a man with at least five years' tested banking experience. The whole speech of the Finance Member supports the amendment which my Honourable friend, Mr. Bhuput Sing, has moved today. Unfortunately I overlooked this particular amendment, and when it was read out, I thought: "Hullo, what has happened? How has the Finance Member influenced my Honourable friend, Mr. Bhuput Sing, to bring forward this particular amendment?" Then I began to recollect in my mind the arguments that were advanced by the Finance Member the other day. I find that great experts like Sir Henry Strakosch, Sir Otto Niemeyer and Sir Edward Cook are not banned—I find all of them come under this particular amendment, and it does not rule out any of those great geniuses coming and occupying the Governorship of the Reserve Bank. So, I do not think the Finance Member will raise any objection. He has had the supreme satisfaction to see that a minute of dissent signed by only two people overruled a majority of 26 people in the Select Committee, and also this House has gone with him. Above all, there is something like popular opinion and popular view, and if, as the Finance Member the other day very kindly said, he does appreciate the arguments that are offered by some of us on this side, I hope he would appreciate that there is an apprehension in certain minds that this amendment, which my Honourable friend, Mr. Bhuput Sing, has moved, is not moved with a purpose to work inimically against the purpose of the financial circles in India or in England. The Finance Member, being a financial man, was himself and is still anxious that the Governor of the Reserve Bank should have more financial outlook than banking outlook. Well, this particular amendment gives him that latitude, and still we do want that the Governor should have some banking experience. Thereby we do not want that he should be actually an Agent of a Bank or Manager of a Bank, but we do want that he should at least be a Director of a Bank controlling the Bank, so that he could apply his banking knowledge to the control of the Reserve Bank. This is the last ditch where we can fight with the Finance Member as regards the qualifications of the Governor. It is not a fight; it is accommodation.

**An Honourable Member:** This is the last ditch; then we shall have to surrender.

**Mr. B. Das:** On this matter this is the last ditch. I wish to surrender not as enemies, but as friends. I do appeal to my Honourable friend to accept the surrender which we did when this House accepted the amendment that was inspired by the Finance Member. I do appeal to him to see our view point and accept this amendment.

I wish just to observe that this is the last speech that I shall make on the Reserve Bank Bill. I am sorry I have to leave for Orissa on some urgent business where I have to attend an important Conference. I wish only to tell him that some of us have tried our best to be very reasonable and to be very accommodating. It is not our desire to wreck the Bill, but man proposes, God disposes. I find that every amendment we have proposed God has disposed of, and, I am sure, God will also dispose of the

[Mr. B. Das.]

Reserve Bank Bill as my Honourable friend proposes. (Laughter.) Sir, my appeal to him is that he should try to understand our difficulty and try not only to accept this particular amendment, but that when the big amendment on the ratio question comes up on Monday—to my regret I shall not be here to contribute my quota to convince the Honourable the Finance Member on the merits of the case—I hope he will try to be human enough to appreciate our difficulties and try to persuade those on the other side to accept the amendment on the ratio question. With these few observations, I support the amendment of Mr. Bhuput Singh.

**Mr. N. M. Joshi:** Mr. President, I feel it my duty to do honour to the last speech of my Honourable friend, Mr. Das. I, therefore, have risen to oppose the amendment. The speeches which were made on the last occasion on this point have made it quite clear that the object of the amendment is to keep out of the Governorship a particular class of people and that class of people is the class of public servants. Now, when we consider the qualification of the Governor of a Reserve Bank, what do we find? He wants some practical experience; he wants several other things; he must know finance; he must know how to manage currency; he must also know how to float big loans on behalf of the country. So, mere experience is not going to give you the right type of man. Banking experience is proposed, but it is only a certain class of people who possess it. When we consider this question, I judge it from the point of view of national interests. I would like to get the right type of man by confining the choice of a candidate only to people who have got the experience of private banking, but I have come to the conclusion that, on the whole, it is not wise to confine the choice only to such people. This Reserve Bank is not the Bank of the shareholders although the Directors are going to be elected by the shareholders. The Bank is a National Bank and it is going to serve the interests of the country. The Governor has to look, not to the interests of the shareholders, but to the interests of the country as a whole. Where can you get the right type of man with this attitude of mind? In the first place, there is more likelihood of getting that type of man, as I said, among those who have worked in a private bank or among those who have done public work. But when I consider this question more deeply, I ask myself this: What is the kind of mental attitude that is developed by people who work in a private bank? Their mental attitude is to look to the interests of their shareholders. It is the first duty of the Governor of a private Bank to look to the interests of the shareholders. If you draw your man from the staff of a private Bank, that man will be in the habit of looking to the interests of the shareholders. It will take some time for that man to learn to disregard the interests of the shareholders and to look to the interests of the country as a whole. Sir, I am not a great friend of the public servants, but at the same time I am prepared to state that a public servant is expected to look to the interests of the country and not to the interests of the people who have appointed him. The public servants at least profess that whoever might have appointed them, it is their duty to look to the interests of the country first. Now, from that point of view, there is a greater likelihood of securing a man who will look to the interests of the country if you make your choice from the public servants than if you make it from amongst those who have worked only in private Banks. It is this point alone that counts more than anything else. We want a

Governor who will refuse to look to the interests of the shareholders, but we want a Governor who will keep the interests of the country first and foremost.

**Nawab Major Malik Talib Mehdi Khan** (North Punjab: Muhammadan): Sir, there is no doubt that for carrying out the work of the Reserve Bank, a man who has the knowledge of finance and banking experience is essential. But, at the same time, we cannot lose sight of the fact, as my friend, Mr. Joshi, has pointed out, that a person who moreover combines in himself the organising capacity, breadth of view and wide outlook, would prove more useful. Although we are considering every clause of the Bill and trying to work out the details, still a lot remains to be done by the person who will hold the appointment of the Governor as he shall have to carry out the policy laid down by the House, and see that every part of the country is served adequately by the Bank. So, I am afraid that, by laying stress on the points mentioned in the amendment, we may not run the risk of limiting the field of selection.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muhammadan): Sir, I hope the moving appeal of my friend on my left, Mr. B. Das, the last ditcher, will strike a sympathetic chord in the heart of my Honourable friend, the Finance Member. Mr. Das says that he has made his last speech, so far as this Session of the Assembly is concerned, on the Reserve Bank.

This amendment is a very innocent one. I do not know why it has been proposed at all, but as it has been proposed, I do not know what difficulty there can be on the part of the Government in accepting it. The substance of this amendment is that the first Governor must be a man with banking and financial experience. Nobody can doubt this proposition. It is an obvious proposition, and, therefore, it does not require anybody to second or to support it. Now, my Honourable friend, Mr. Joshi, has objected to this amendment on the ground that it limits the field of choice. But it does not. It does not mean that the man must have only banking and financial experience, and that he need not possess any other qualifications. He must be a man of honesty, of integrity and of organising capacity. It is needless to mention all these qualifications in this Bill at all. He must have power of initiative, driving capacity, administrative ability, and so on. These qualifications are all necessary, and it does not mean that the mere laying down of this proviso should exclude the possession of other qualifications by the incumbents. But since it is a Shareholders Bank and a private Bank, the financial and the banking experience should be the guiding consideration in the appointment of the first Governor. Therefore, I do not think that my Honourable friend need have any objection to it on that ground. I think my Honourable friend, the Finance Member, the other day was willing to accept an amendment provided it was couched in the following terms, namely:

"The first Governor must be a man with banking or financial experience."

If I understood him aright on that day, he was prepared to accept this amendment if "and" was changed into "or". I do not think this makes much difference. The banking or financial experience is not vitally different from banking and financial experience. Banking experience is included in financial experience, but every financial transaction is not

[Mr. Gaya Prasad Singh.]

included in the banking transaction. This is a specific amendment, and I do not think my Honourable friend should be opposed to accept this amendment merely relying upon the strength of votes which he always commands in this House.

**The Honourable Sir George Schuster:** My Honourable friend, the Leader of the Independent Party, has asked me to give an assurance. There is only one assurance that I can give, and that is that the man, who will be selected for the post as the first Governor, will be the best man that can be found. My Honourable friend knows perfectly well that we have not yet been able to tackle this problem in a practical way and approach any particular individual to find out whether he would accept the post. We do not know when the Bank will be set up. We do not even know, I am sorry to say, when this measure will become law, and, in fact, a hypothetical proposition has in the last few days come to appear still more hypothetical. In these circumstances, I cannot give my Honourable friend any assurance, and Honourable Members know already the reasons why we feel a difficulty in putting any phrase into the Statute which might be too restrictive. We are prepared to accept a phrase that he must be a man of banking or financial experience, and as my Honourable friend, Mr. Gaya Prasad Singh, pointed out that that is really identical with the present amendment. I am sure he will have no difficulty in turning round to his Honourable friend who sits behind him and asking him to ask your leave to change "and" into "or" in his amendment in which case the discussion can be shortly concluded.

Now, I would just like to call the attention of the House to one fact that is of interest. I have just had put before me a report  
12 Noon. of a Committee which sat to consider the setting up of a Central Bank in Chile. (Laughter.) It was, as a matter of fact, a very strong Committee and they say that "the combination of qualifications needed for a successful President for such a Central Bank is exceedingly rare in one man.—judgment, tact, broad economic knowledge, initiative, energy and executive ability of a high order"—and they go on, "the Board of Directors should be restricted as little as possible in their power to elect such a man wherever he can be found", and they proceed to recommend a law which embodies no restrictions of any kind. Sir, I think that is a very good model. That is the kind of man we want and we must be completely unrestricted in our choice as to where we shall find him. On these grounds, I must oppose the amendment.

**Dr. Ziauddin Ahmad:** May I ask a question? Does the Honourable Member think that the Chilean constitution is the best? If so, will he accept that constitution in respect of other features also?

**The Honourable Sir George Schuster:** No, Sir, I would do nothing of the kind.

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

"That to sub-clause (2) of clause 15 of the Bill, the following proviso be added: 'Provided the first Governor must be man with banking and financial experience'."

The motion was negatived.

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

"That for sub-clause (4) of clause 15 of the Bill, the following be substituted:

"(4) That a Director nominated under clauses (b) and (c) of sub-section (1) of section 8 shall hold office for two years or thereafter until his successor has been duly nominated or elected as the case may be."

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order. The period of tenure of Directors nominated or elected under sub-clause (5) of clause 8 is affected by this sub-clause, and how is this then in order? The Chair would invite the Honourable Member's attention to sub-clause (5) of clause 8 which says:

"... A Director, nominated under clause (b) or elected under clause (c) of sub-section (1), shall hold office for five years, or thereafter until his successor shall have been duly nominated or elected, and, subject to the provisions of section 10, shall be eligible for re-nomination or re-election."

**Dr. Ziauddin Ahmad:** May I just point out that, in spite of that, the provision made in sub-clause (4) of this clause 15 does provide that the nomination or election of Directors, as the case may be, for one year, two years, three years, four years and five years shall hold good, and I am giving you an alternative scheme. There will be an enormous number of cases which I am going to explain . . . . .

**The Honourable Sir George Schuster:** Sir, these Directors are nominated under this clause and not under clause 8. The provision is that, of the first Directors nominated to constitute the first Central Board, one pair should retire at the end of each year. That has nothing to do with clause 8.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Dr. Ziauddin Ahmad's amendment deals with the Directors nominated under clause 8?

**Dr. Ziauddin Ahmad:** Instead of being asked to vacate at the end of the first, second and third years, I propose they should all vacate their office simultaneously at the end of the second year. That is my alternative suggestion. That is the object of my amendment,—that the first Directors, instead of being asked to vacate their offices at the end of the first, second and third years, should all vacate their offices at the end of the second year.

**The Honourable Sir George Schuster:** That may be what my Honourable friend asks, but that is not what Mr. Vidya Sagar Pandya, who drafted this amendment, proposes in this amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The amendment definitely says that a Director, nominated under clauses (b) and (c) of sub-clause (1) of clause 8, shall hold office for a certain period, but, under sub-clause (5) of clause 8, the period of office for these Directors has already been agreed upon by the House.

**Dr. Ziauddin Ahmad:** I quite realize that the object is really concerning the Directors nominated under sub-clause (3) of clause 15.

**Mr. President** (The Honourable Sir Shanmukham Chetty): So the Doctor agrees that the wording does not give effect to his intention.

Mr. Thampan.

**Mr. K. P. Thampan:** Sir, I beg to move:

"That in sub-clause (4) of clause 15 of the Bill, for the words 'twelve months', in the second line, the words 'six months' be substituted."

Sir, I am one of those who think that there is no necessity to nominate the first Directors. It is wrong in principle, in the first place. I said, during the first reading of the Bill, that the nominated Directors ought to vacate as soon as the shares are allotted and the election of Directors from the provinces are over. Well, I tabled an amendment also to carry out that purpose in preference to which an amendment moved by Mr. S. C. Mitra was adopted. The Select Committee has thought it fit to eliminate the nominated Directors before their normal term of five years. They say in their report:

"We have re-drafted these sub-clauses on lines which we consider to be a definite improvement on the original draft of these sub-clauses by providing both for a more even flow of replacement and for a quicker replacement of nominated by elected Directors."

It is certainly, I admit, an improvement on the original clause, but my proposal is that it still does not meet the requirements of the case. In effect, it only reduces their term from five years, which is the normal period, to four years only. Of course there is a process evolved which will eliminate one set of Directors from one region in the first year, the next set in the second year and so on. My proposal is that this process of elimination should take place once in six months, so that all the nominated Directors will vacate within a period of two years. Two years is sufficient time for the nominated Directors to continue in office. They ought to be completely replaced by the elected Directors by that time. It is for that purpose that this amendment is made. Inasmuch as the Select Committee has accepted the principle of replacing the nominated members, I am confident that the Finance Member will not find any difficulty in accepting my suggestion. Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amend-  
ment moved:

"That in sub-clause (4) of clause 15 of the Bill, for the words 'twelve months', in the second line, the words 'six months' be substituted."

**Dr. Ziauddin Ahmad:** I strongly oppose the scheme embodied in this clause, but I think the amendment improves it. I really cannot visualize and I hope the Honourable the Finance Member has not visualized how the whole thing would work and I am confident that, in future, there will be enormous cases of litigation and enormous cases of transfer of shares from one register to another. At some future date, as soon as the transition period is over, elections will be held simultaneously and, if they are not held, several difficulties would arise. Suppose, at the end of the first year, the Bombay people retire. Then they will be elected by the Local Boards and they will hold office for five years from the end of the first year.

**The Honourable Sir George Schuster:** May I point out to my Honourable friend that this amendment would not create simultaneous elections? It is open to all the objections which I anticipate my Honourable friend is going to put forward.

**Dr. Ziauddin Ahmad:** There will be one election every year for some Local Board or another. That will be the result of this particular proviso. Suppose there is an election at the Bombay centre this year and another election, say, at the Calcutta centre next year. What would happen will be that the value of the shares in the Bombay centre will be very much increased. Everybody would like to buy a share in the Bombay centre in order to qualify to become a voter. The same person will not be able to transfer his name from one place to another. Transfers can be made in the names of friends and relations who will be concentrated at that particular centre whether the elections are to be held or not. Therefore, any attempt to have elections every year will be exceedingly difficult. It is necessary that your Directors must be persons elected from Local Boards and, if they are elected members of a Local Board, that is also a difficulty. Now, as soon as the Local Boards have been created, the first Directors may or may not be members of Local Boards and we have not made provision anywhere that the first Directors may not be members of the Local Boards. People may say that these persons are not members of the Local Board and, therefore, they are not eligible to be members of the Central Board. Therefore, I think it is desirable that we should visualize how the whole thing would work. As soon as the Bank is fully established, then all of them should resign simultaneously and there should be a simultaneous election for all the Local Boards and the Local Boards ultimately may make selection for the Central Board so that, if this process goes on from year to year, that is, one election for each centre, I am afraid, we shall have the movements of this capital from one centre to another, and a difficult situation may arise. The clause has been improved by my Honourable friend over there. I also do not like the creation of a situation by which the member of the Central Board may not be a member of the Local Board. With these words, I support the motion.

**The Honourable Sir George Schuster:** Sir, while my Honourable friend was speaking, I was tempted to feel with some regret that either he or I had added a second disqualification to prevent us becoming members of the Central Board of this Bank. I was tempted to feel that either he or I was not only a member of this Assembly, but also a lunatic.

**Dr. Ziauddin Ahmad:** Both of us are M. L. As.

**The Honourable Sir George Schuster:** I am quite unable to understand how my Honourable friend relates his argument to this particular amendment, but I will turn my attention to the amendment itself. What I would point out to my Honourable friend who moved it is that intervals of six months are not really adequate. The Board will have a good deal of work to do when it is first set up—very important work in organising the starting of the Bank and it would be most inconvenient to have an election of Directors after six months. What we have proposed now represents a compromise which, every one was disposed to think in the Select Committee, was a pretty good arrangement. We provide for a

[**Sir George Schuster.**]

change of two Directors, one pair of Directors every year. We provide for continuity throughout the existence of the Bank and we do provide that the first Board will have time to settle down and do something before they have to contemplate making changes or standing for election. I would ask the House to accept the clause.

**Dr. Ziauddin Ahmad:** Suppose these four members of the Central Board do not happen to be on the Local Boards, then will any legal difficulty arise?

**The Honourable Sir George Schuster:** I am afraid I don't understand.

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

"That in sub-clause (4) of clause 15 of the Bill, for the words 'twelve months', in the second line, the words 'six months' be substituted."

The motion was negatived.

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

"That clause 15 stand part of the Bill."

The motion was adopted.

Clause 15 was added to the Bill.

Clause 16 was added to the Bill.

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

"That clause 17 stand part of the Bill."

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

"That in sub-clause (2) (a) of clause 17 of the Bill, for the words 'bearing two or more good signatures' the words 'which are backed by two more obligees of known solvency' be substituted."

These words are taken from the Reich Bank of Germany. The words which I have suggested will be more comprehensive, and it is only a question of nomenclature. Sir, I move.

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

"That in sub-clause (2) (a) of clause 17 of the Bill, for the words 'bearing two or more good signatures' the words 'which are backed by two more obligees of known solvency' be substituted."

**The Honourable Sir George Schuster:** Sir, I prefer a phrase which is well-known in commercial circles and well understood to this translation of a phrase which occurs, according to my Honourable friend, in a German Act. I must oppose the amendment.



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

“That in sub-clause (2) (a) of clause 17 of the Bill, for the words ‘bearing two or more good signatures’ the words ‘which are backed by two more obligees of known solvency’ be substituted.”

The motion was negatived.

**Mr. Sitakanta Mahapatra** (Orissa Division: Non-Muhammadan): Sir, I beg to move:

“That in sub-clause (2) (a) of clause 17 of the Bill, after the words ‘scheduled bank’ the words ‘or a provincial co-operative bank’ be inserted.”

Sir, some facilities to agricultural co-operative societies have been given through provincial co-operative banks in part (b) of this sub-clause. But the co-operative movement in India comprises in its scope both agricultural and non-agricultural co-operative societies. The co-operative movement in my own province, Bihar and Orissa, is much less developed than in many other provinces in India, than even probably the Nizam's Dominions. But in Bihar and Orissa alone,—I have got figures for Bihar and Orissa only,—there are many non-agricultural societies. Let me read a portion from the report entitled “on the Working of Co-operative Societies in Bihar and Orissa for the year 1932”. On page 26, it is said:

“The total number of these societies was 317 as against 329 last year, but their membership rose from 27,460 to 28,660 and their working capital from Rs. 38·86 to Rs. 40·93 lakhs.”

There are Employees' Societies, Provincial Employees' Associations, People's Bank, Artisans' Societies, Weavers' Societies, Fishermen's Societies, Societies for Depressed Classes, Stores and other types which include two Home Industries Associations, one Housing Society, a Co-operative Press and a few Thrift Societies.

Sir, I believe such non-agricultural societies are there in much larger numbers in other provinces. Sir, unless the same facilities are opened to the provincial co-operative banks as the scheduled banks will enjoy in part (a) of this sub-clause in the way as I am suggesting, these so many thousands of non-agricultural co-operative societies in India will languish for want of adequate help from the apex banks or other provincial co-operative banks. I think I had better read a portion from the memorandum submitted by Mr. Raudas Pantulu, President of the Indian Provincial Co-operative Banks Association and the Madras Provincial Co-operative Bank. At page 6 of his memorandum, he says:

“Clause 17 (2) (a), which empowers purchase, sale and rediscounting of bills and promissory notes, arising out of commercial and trade transactions, excludes Provincial Co-operative Banks from its scope and confines itself to scheduled banks. It is extremely desirable to include the Provincial Co-operative Banks within the scope of this sub-clause as well. The Urban Bank Movement is now developing in this country. The Urban Banks, that is, Co-operative Credit Societies, with a limited liability, operating in urban areas, are primarily intended to finance small traders, artisans and those engaged in cottage industries. A description of their useful and growing activities is to be found in the several Provincial Banking Enquiry Committees' Reports. These Urban Banks are financed by Co-operative Central Banks for such purposes. These Co-operative Central Banks, in their turn, derive their finance from the Provincial Co-operative Banks on promissory notes. Moreover, Consumers' Stores and Industrial and Trading Societies, like Sugar Factories, Handloom Weaving Societies, and Milk Supply Unions, to mention only a few varieties of new

[Mr. Sitakanta Mahapatra.]

co-operative ventures, are fast springing up. In order to encourage all these co-operative enterprises and to finance them through Co-operative Banks, it is desirable to include the Provincial Co-operative Bank also within the scope of clause 17 (2) (a)."

**Mr. G. Morgan** (Bengal: European): May I tell my Honourable friend that if he reads sub-clause (2) (b), it seems to me that the point he is discussing under sub-clause (2) (a) is met.

**Mr. Sitakanta Mahapatra:** Part (b) deals with agricultural societies only. Then, again, Sir, Mr. V. M. Thakore, a renowned co-operative financier and Secretary of the Provincial Co-operative Bank, Patna, writes thus on the subject:

"The modification suggested by you in sub-clause (2) (a) of clause 17 is, from my point of view, very important. The Co-operative Banks are not likely to have many bills of exchange for purchase, sale and re-discount with the Reserve Bank, but they possess Promissory Notes of Central Banks in large quantities. The agricultural paper held by Co-operative Banks, in the shape of loan bonds and pro-notes, as you are aware, can neither be re-discounted nor sold at present. The commercial banks are better placed in this respect in that in case they desire to dispose of the paper held by them against advances, they can do so either by re-discounting or by selling it in the market. The resources of commercial banks, therefore, are comparatively more fluid than the resources of Co-operative Banks. By fluid, I mean realisable in case of need. It is very necessary to impart some slight fluidity to the agricultural paper held by Co-operative Banks at present and this cannot be done unless the re-discounting of promissory notes of Co-operative Banks is made permissible under sub-clause (2) (a) of clause 17. From this point of view, the inclusion of the words 'or the Provincial Co-operative Bank' after the words 'Scheduled Bank' is very necessary."

Sir, the Joint Select Committee discussed this question and it seems to me that the Government side accepted the principle. But, I do not understand why they have not given effect to it in the Bill. With your permission, Sir, I shall read out a portion from page 199 of the proceedings of the Select Committee. Mr. Ramdas Pantulu says . . . .

**The Honourable Sir George Schuster:** I must object to the Honourable Member quoting this. We certainly have never had this evidence quoted before.

**Mr. President** (The Honourable Sir Shanmukham Chetty): What is the point?

**The Honourable Sir George Schuster:** My Honourable friend was proceeding to read from the record of the discussions with the experts in the Joint Select Committee. This is the only time that any Honourable Member has done that. I raise objection to that, not that I am afraid of his reading out what is contained in the discussions, but it is a matter of principle.

**Mr. Sitakanta Mahapatra:** In that case, I shall give only the substance. If I understood aright, the Government side accepted the principle underlying the suggestion of Mr. Ramdas Pantulu. I will suggest to the Honourable the Finance Member to read page 199 of the proceedings. Mr. Taylor accepted the principle when Mr. Ramdas Pantulu raised a very important question.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member cannot refer to anything except the published proceedings of the Select Committee.

**Mr. Sitakanta Mahapatra:** Sir, I move my amendment.

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

"That in sub-clause (2) (a) of clause 17 of the Bill, after the words 'scheduled bank' the words 'or a provincial co-operative bank' be inserted."

**Mr. Bhuput Sing:** Sir, I have some difficulty in supporting this amendment. First of all, the co-operative banks do not stand in the same category as the ordinary scheduled banks, because the essential condition for the scheduled banks is that they have to deposit compulsorily a certain percentage against their time and demand liabilities, which the co-operative banks are not required to deposit. Besides, as far as I remember, there was no demand from the representatives of the co-operative banks when they came before the Joint Committee to have such facilities; and though it may be said that there are some non-agricultural co-operative banks, I think the majority of that class of banks are agricultural and their primary object is to help agricultural operations and as such there will not be much hardship to the majority of them. So I do not think any such legislation is required to give them facilities for commercial and trade transactions. If, in future, they want to come in the same line with other commercial banks, they may do so by applying to the Reserve Bank to include them amongst the scheduled banks. Sir, I oppose the amendment.

**The Honourable Sir George Schuster:** Sir, I would just like to explain our position in this matter. The position of co-operative banks in relation to the Reserve Bank is a curious one. They are not put under the obligations which apply to scheduled banks, but they are given certain privileges. They are given special privileges under clause 17 (2) (b) as regards the rediscounting of agricultural bills. That position is the position which was recommended by the original Joint Select Committee on the Reserve Bank Bill. It is also the position which was recommended by the Central Banking Inquiry Committee. One of the recommendations was that the Reserve Bank should be authorised to rediscount agricultural bills for co-operative societies; and we do not think that at the present stage we could go further than that. This is not the last word as regards the relation between co-operative banks and the Reserve Bank. If the co-operative banks want to come in to all the privileges, then they should come in also to the obligations. They should take their place exactly *pari passu* with the scheduled banks; and that was in fact the attitude of Mr. Ramdas Pantulu to whom my Honourable friend, who moved this amendment, referred. He actually supported the idea that the provincial co-operative banks should be treated as scheduled banks for all purposes. We, after careful consideration, thought that that was going rather too far at the present stage and the result is that we have left the Bill in this form. But there is nothing to prevent further developments for co-operative banks to come in on a par with scheduled banks, in which case they will get all the privileges that are given to scheduled banks under the Bill. That being our position, I must oppose this amendment at the present stage.

**Mr. B. V. Jadhav:** Sir, I rise to support the amendment. When the Co-Operative Act was first passed in 1904, only agricultural finance operation was in view and provisions were made in that Act for the helping of such co-operation. But, since then, the co-operative movement in various parts of the country has developed in different ways. Not only is there agricultural banking as provided in the Co-Operative Act, but it has extended

[Mr. B. V. Jadhav.]

to bring under it men engaged in other industries. For example, people's banks on the Italian model have been lately started and now that movement is taking a leading part in the co-operative field. Many thousands of people's banks have been started and are being worked and they are financing the small trader and the small manufacturer, and in that way dealing with a good deal of the paper mentioned in clause 17(2)(a). This sort of business is being done by the people's banks and the provincial banks are helping the people's banks, and, in this way, there is a good deal of necessity of backing from the Reserve Bank. Not only that, but there non-agricultural co-operation is on the increase and the non-agricultural societies are also requiring a good deal of finance. The Select Committee has made provision in clause 17(2)(b) for sums provided for agricultural operations. But these are not all the operations which the co-operative provincial banks or the co-operative central banks have to finance. As I have pointed out, the people's bank movement is now growing strong and that requires a good deal of financing. I will give another instance. In the town of Poona, the Maharashtra Traders' Association has been registered and is doing a good deal of business with manufacturers like Ogale's and Kirloskar; these are being financed to the extent of a lakh or two and sometimes three lakhs for each manufactory and, in that way, this co-operative agency, as it is called, of Maharashtra traders is doing a good deal of business. It is financed by the Poona Central Co-operative Bank and that, again, in its turn, is financed by the Bombay Provincial Bank. So the provincial banks of the various provinces will require a good deal of financial backing to carry on all these operations; and, therefore, what I claim is that the provincial banks should be brought under clause 17(2)(a). It has been said that the provincial banks are not to submit to the restrictions or to the liabilities put upon the scheduled banks and, therefore, if they are not liable to the liabilities, they ought to be out of the operations of this sub-clause. I say, Sir, that the co-operative movement does not require to be freed from the liabilities which are placed on the scheduled banks. My claim is that such provincial banks, as do accept the liability of depositing their sums with the Reserve Bank, should come under the Schedule.

**The Honourable Sir George Schuster:** If they accept that, they can be treated as scheduled banks under the Bill.

**Mr. B. V. Jadhav:** Opportunities should be given to them from the very first. Such co-operative banks, as do accept liabilities, should be provided for here. . . .

**The Honourable Sir George Schuster:** There is nothing to prevent that as the Bill stands.

**Mr. B. V. Jadhav:** So, I support the amendment.

**Mr. Sitakanta Mahapatra:** Sir, I beg leave of the House to withdraw my amendment.

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

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

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

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment is No. 168 standing in the name of Raja Bahadur Krishnamachariar.

**Raja Bahadur G. Krishnamachariar** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, the amendment that is down on the list against my name is an extremely small and innocent one. It runs as follows:

"That in sub-clause (2) (b) of clause 17 of the Bill, after the words 'agricultural operations' the words 'payment of Government demands' be inserted."

Sir, if the House will kindly turn to the Bill, it will observe that, so far as the agricultural portion of the community is concerned, the Government have agreed to finance seasonal agricultural operations and also to facilitate the marketing of crops, and, in one of these operations, there is a very important lacuna. You have the agricultural operations; you reap your produce, and before you market your produce, you have got to pay the Government demand, otherwise the whole thing goes. Generally, there is a combine in the towns and even in the villages when the price of agricultural produce is lowered as much as possible, because people there know that most of us have not got cash, and as we have got to pay the Government demand, we must go to these buyers at any cost and sell our produce, otherwise the Government come in. Sir, if the facilities that I want are afforded against all the securities the Bank may want, and even against greater securities if necessary, we would be enabled to tide over the crisis, because, then, we could sell our produce for such prices as we may get and pay this money. Of course, if the Government had said that they were not going to help agriculture at all, that would have been a different matter. If you want to help agriculture, the best way in which you could give us that help is by enabling us to pay the Government revenue. Otherwise, if you do not pay the amount, there is an attachment and it must be paid within 15 days' time, and if it is not paid, the whole produce goes away for even much less than what we would sell it at ordinarily. But, Sir, having agreed to finance agricultural operations, what is the good if you don't come to our help in time. You say you are going to help the marketing of our crops, but when there will be no crops at all to market, what will be the use of your offer to help marketing? I do beg of the Finance Member who, I think, has been bored very nearly—I won't say death, but very near to that,—by the opposition in time and out of time by appeals to do this and to do that, but this, Sir, I really think he ought to do.

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

"That in sub-clause (2) (b) of clause 17 of the Bill, after the words 'agricultural operations' the words 'payment of Government demands' be inserted."

**Dr. Ziauddin Ahmad**: Sir, I very strongly support this motion. I generally support every motion that is made by Raja Bahadur Krishnamachariar, as his opinions often coincide with mine. People, who are

[Dr. Ziauddin Ahmad.]

not themselves zamindars and tenant proprietors, may not be able to appreciate the importance of this particular motion, because they have never been subjected to the trouble to which these people are put. It is really the way in which the Government revenue is extracted that is mainly responsible for the high rates prevalent in country places. If the land revenue is not paid in time, the person is put in jail immediately and all his property is confiscated, and, in order that the man may be released from the jail, his relations have to borrow money under any condition which may be offered to them, and all the money-lenders, looking to the helpless condition of this poor man, immediately raise their rates of interest for this man, with the result that he has sometimes to borrow at the rate of 25 per cent or even 30 per cent, and this is really a very high rate of interest. Not only this, but everything which belongs to this poor man is sold by auction which fetches a very small amount generally. Of course, he has to sell, in the first place, his gold, which is really given out as distress gold, and I am sure that, out of the 160 crores of rupees worth of gold which we have exported, a major portion represents this distress gold. . . . .

**Raja Bahadur G. Krishnamachariar:** There is no more gold now, certainly not in Madras.

**Dr. Ziauddin Ahmad:** Evidently very little is left now; but, at this rate, these landed classes will be practically ruined in a very short time. I do not want to dwell on the fact that India was a manufacturing country, and during the last 100 years, this manufacturing country has been reduced to an agricultural country, and if this process continues, this agricultural country will be converted to a starving country, and I hope the Honourable the Finance Member will realise the importance of this particular amendment from the point of view of zamindars and will accept it.

**The Honourable Sir George Schuster:** Sir, I think that the words which my friend wishes to insert here would really be misplaced in a clause of this kind. We are, after all, here trying to lay down the kind of business which a Bank should do in order that they may maintain itself in a sound financial position. The object here in a clause of this kind is to cover advances in cases where, what I may describe as self-liquidating transactions are involved. What the Bank has got to look to in making an advance is what are the chances of repayment, what is going to be the result of its advancing that money? If the result is going to be the creation of value which will itself liquidate the advance, then it is good business. I do not suppose that a Bank in dealing with a client would inquire exactly into the purposes for which the money is to be spent. What I mean by that is that it might be safe to make an advance if there was a sufficient security of repayment which would help to finance the borrower for meeting Government taxes as well as other expenses of cultivation. That, I submit, is not a thing that should be mentioned in a clause of this kind. What this clause is aiming at is to ensure that advances shall not be made except to finance transactions which, as I have already said, will be self-liquidating transactions and will in the end result in the repayment of the advance. . . . .

**Raja Bahadur G. Krishnamachariar:** May I put a question to the Honourable Member? He says for the financing of seasonal and agricultural operations. I borrow from him Rs. 2,000, and, at the end of the operations, just when the field is going to be harvested, there is a huge flood and the whole thing is wiped out. Where is the chance of self-liquidation then?

**The Honourable Sir George Schuster:** That, of course, is one of the risks which anybody who advances money to finance agriculture has to take, but we do not want to increase those risks or to put in any words which would encourage a Bank to do unsound business. I submit this is a clause in the sort of form which would be normal for covering any sort of banking business, and that my friend's words are either unnecessary or out of place.

**Raja Bahadur G. Krishnamachariar:** Then show me some other place where I can put in those words. I don't mind where it is.

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

"That in sub-clause (2) (b) of clause 17 of the Bill, after the words 'agricultural operations' the words 'payment of Government demands' be inserted."

The motion was negatived.

**Mr. T. N. Ramakrishna Reddi** (Madras Ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I beg to move:

"That in part (b) of sub-clause (2) of clause 17 of the Bill, for the words 'nine months' the words 'twelve months' be substituted."

One of the functions of the Reserve Bank is to rediscount the agricultural bills of a provincial co-operative bank or a scheduled bank for the monies which have been advanced for financing agricultural operations. In the original Bill, only six months' time was given, and that has been extended to nine months, the idea being that usually agricultural crops take six months to grow and they require a period of two or three months more for being marketed, so that the amount which has been taken may be disposed of after the crops have been sold in the market, and that is why nine months' time has been given. At that time they did not take notice of a very important crop, that is sugar cane. Sugar cane takes about ten months for its growth. On account of the protection that has been given to sugar industry, the sugar cane produce has been given great impetus, and I find a very large increase in the acreage growth with sugar cane in recent years. Further, sugar cane does require high initial cost. Owing to the development in agricultural research, the initial cost for crops like paddy and other things has been reduced to the lowest limit . . .

**Raja Bahadur G. Krishnamachariar:** Do you cultivate paddy?

**Mr. T. N. Ramakrishna Reddi:** Yes.

**Raja Bahadur G. Krishnamachariar:** A single plantation means more manure, more weeding and more ploughing and careful transplanting.

**Mr. T. N. Ramakrishna Reddi:** I accept that correction. But sugar cane requires much more for seedling, and it costs very much. It has to be manured many a time during the course of its growth, and, at the same time, sugar cane is grown under lands with precarious irrigation resources. When the water source fails, they have to dig wells, deepen them, and so on. They have to spend a lot of money on all these things. What I am driving at is that sugar cane requires great initial cost for its growth, and hence, if money is to be advanced for agricultural operations, it must be not for nine months, but for nearly 12 months, because it takes 10 months for its growth and then one or two months are required for its milling and being converted into sugar or jaggery. Therefore, 12 months' time must be given in order that the agriculturist may reap the greatest amount of benefit under this scheme.

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

"That in part (b) of sub-clause (2) of clause 17 of the Bill, for the words 'nine months' the words 'twelve months' be substituted."

**The Honourable Sir George Schuster:** This is a sort of point which, I submit, ought really to have been taken in the Select Committee. I am quite ready to accept my Honourable friend's statement that possibly the financing of the sugar crop may require longer credit than normal crops. But, on the other hand, I would remind him that the actual wording of this clause is "within nine months from the date of such purchase or rediscount". That is to say, a commercial bank is not necessarily limited to giving only nine months' credit in the first instance. If it is given for a longer time, then it may have to hold that bill for a time until it goes to the Reserve Bank to rediscount it. We went into this question very carefully in Select Committee and every one had an opportunity of representing their views. We discussed it with the expert bankers. We extended the period of six months, as it was originally, to nine months, on the understanding that that was adequate. And I do not think that it would be wise to extend the period still longer for agricultural bills merely for the sake of dealing with the sugar cane crop, particularly having regard to the fact, as I have already pointed out to my Honourable friend, that this does not actually limit the period of credit which the commercial bank on whom the cultivator must himself rely can give. On these grounds, I think I must oppose this amendment.

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

"That in part (b) of sub-clause (2) of clause 17 of the Bill, for the words 'nine months' the words 'twelve months' be substituted."

The motion was negatived.

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

"That to sub-clause (2) (b) of clause 17 of the Bill, the following proviso be added:

'Provided that the total face value of bills or notes so purchased or rediscounted shall not at any time exceed one-fifth of the total liabilities of the Bank in respect of deposits'."



I have got before me the corresponding clauses in the 1927 Bill. In that Bill, as it emerged from the Select Committee, and also in the Bill, as it was originally laid before us, I find that this proviso existed in all these Bills, but it has been quietly omitted in the Bill which is now before us, I notice that in the 1927 Bill, it was clearly put down:

"Provided that the face value of bills or notes so purchased or re-discounted shall not at any time exceed one-fifth of the total face value of the bills and notes purchased or re-discounted by the Bank."

In that Bill, as it emerged from the Select Committee of 1927, the same words existed except that "one-fifth" was changed into "one-fourth". In the 1928 Bill, the same proviso exists, but we have got "one-fourth" instead of "one-fifth". In the Bill, as it was originally introduced here, we find:

"...provided that the total face value of bills or notes so purchased or re-discounted shall not at any time exceed one-fourth of the total face value of all bills and notes purchased or re-discounted by the Bank up to that time."

This sort of proviso exists in all the Bills that have so far been drafted and laid before the Assembly, but the Select Committee has quietly omitted this very important proviso without giving sufficient reasons. I have great apprehension that, if this proviso does not exist, there may be accumulation of a particular kind of securities to an abnormal extent, and it might affect the value of the different kinds of securities. I think the proviso should be re-inserted and no argument has so far been given for the removal of this salutary proviso. I think it is a matter worth consideration. Sir, I move.

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

"That to sub-clause (2) (b) of clause 17 of the Bill, the following proviso be added:

'Provided that the total face value of bills or notes so purchased or rediscounted shall not at any time exceed one-fifth of the total liabilities of the Bank in respect of deposits.'"

**The Honourable Sir George Schuster:** It is a little difficult to follow the workings of my Honourable friend's mind. At one time he appears before us as the champion of agricultural interests and asks for the extension of facilities to help those classes, and, at another moment, just because a particular clause which appeared in a former Bill or which appears in some other Bank Statute is not included, he asks that it should be included regardless of its effect on the agricultural classes. In this case we considered this matter very carefully in the Select Committee, and we have said in the report:

"We have also omitted the proviso in the original clause as being undesirable in the present conditions of India."

We do not want to hamper the discretion of the Bank as regards the amount of finance which it could give for agricultural purposes. We felt that this limitation of one-fifth might in practice prove very hampering and we were prepared to take the risk and leave it to the discretion of the Board. I submit that if one is attempting to put a limitation on such advances, on locking up money in that sort of way, it is almost impossible

[Sir George Schuster.]

to fix a limit which one can say with any certainty would not be unduly hampering. On these grounds, we omitted any limitation at all and left it to the discretion of the Board.

**Dr. Ziauddin Ahmad:** Is this proviso or the limit removed simply in the interest of agriculture and are you expecting that a very large amount will be given to every agricultural interest?

**The Honourable Sir George Schuster:** That is the purport of everything that I have been saying.

**Dr. Ziauddin Ahmad:** Then I beg leave of the House to withdraw my amendment.

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

**Raja Bahadur G. Krishnamachariar:** Sir, I move:

"That after part (b) of sub-clause (2) of clause 17 of the Bill, the following new part be inserted and the existing part (c) be re-lettered as (d):

'(c) making loans and advances to agriculturists on the security of movable goods, wares, merchandise, as well as against ware-house warrants or ware-house receipts representing such goods'."

My Honourable friend, in opposing my last amendment, said that the object of providing for this sort of business was that the loan might be easily liquidated. Whereas that proposal did not appeal to him as coming under one of those heads, I respectfully submit that this amendment does, because he has got every facility to realise that money directly it falls due. This clause, I may say, was recommended by the Central Banking Inquiry Committee, a Committee which, I suppose, consisted of experts, both local and foreign, and they all agreed that, in view of the conditions existing in India, this sort of provision must be made. The learned members of the London Committee observed as follows with regard to this, in paragraph 17, on page 4. They say:

"The Banking Inquiry Committee recommended that additional provision should be made to enable the Bank to make loans and advances on the security of movable goods, wares, merchandise, etc. We do not feel able to recommend any such provision since it would tend to render the Bank's resources less liquid and might involve it in undesirable competition with commercial banks."

Now, Sir, with regard to this question about less liquid, I will come later, but, as regards the competition with the commercial banks, the Banking Inquiry Committee themselves had reckoned with this question and, with your leave, I shall read a few sentences from their report. It is from paragraph 607 of the Central Banking Inquiry Committee Majority Report on page 419: After discussing the provision which I want to put in as an amendment, namely, clause (b), they proceed:

"We consider that this provision is only a partial remedy to the existing situation. In the first place, the number of member banks would, at the outset, be only about 60 of which 18 are exchange banks mostly unconnected with agriculture and inland trade. In the second place, it is not inconceivable that, owing to the absence of an extensive bill market in India which would ordinarily enable the Reserve Bank to enforce its policy by its operations therein, the Reserve Bank might have to follow in respect of controlling the member banks with regard to the interest rates in the country in the busy season. As a result, the position in India, after the Reserve Bank is established, may differ little from what it is today, etc."

—and then, they say—

“Owing to these considerations, we agree with the foreign banking experts—

—(not only these gentlemen in India say this, but also the foreign experts who were brought out at great cost for finding a solution of the existing difficulties)—

“that additional provision should be made in the Reserve Bank Bill enabling the Bank to make loans and advances.”

—and then the words follow which I have moved as an amendment—

“This provision may perhaps be criticised as likely to encourage too much competition between the Reserve Bank and other commercial banks in the country. We agree that the Reserve Bank should not ordinarily compete with commercial banks for profit, but, in our opinion, it ought to be in a position to operate in the open market, and compete with the commercial banks so as to make its policy effective. We contemplate that the Reserve Bank need not necessarily avail itself of this provision to a large extent, but the mere fact of its existence will enhance its influence and level of interest rates. We may also draw attention to the fact that a number of the recent modifications to the South African Reserve Bank Act have been on the above terms, the object being to render its working more effective.”

Upon that argument, I submit that the question of the competition with the commercial banks has not got very much force. Every item of business laid down in clause 17, at least portions relating to purchase and sale of bills and re-discount and that sort of thing, must, to a certain extent, compete with the commercial banks and did they not agree to it. Why should they decline to agree, so far as this proposal is concerned, and with regard to the resources being less liquid, I submit, as observed by Mr. Nalini Ranjan Sarkar in his pamphlet regarding the Reserve Bank:

“The danger to liquidity of resources may be avoided by strictly regulating the tenure of the loans and advances and by prescribing a definite maximum limit to the total amount of money that may be invested through such instruments of credit.”

I think that is very fair and I have specially kept the clause vague so that, at the time of granting each loan, they might fix a time within which it is repayable. What I really want is that some provision should be made to enable us to get this money. Unfortunately, in view of the very small number of banks, as has been pointed out by the Central Banking Inquiry Committee, it is, I submit, very difficult for us to run from one part of the Presidency to another on the off chance of getting this money, whereas the Reserve Bank, being admittedly a National Bank, ought to have more pity upon us and I think they should, instead of killing the goose that lays the golden eggs, try to save it, and that is the reason why I say that, as this clause satisfies the condition that my Honourable friend objected to regarding my previous amendment and as it would enable us to directly borrow money without any camouflage in order to pay the Government demand, that is the object with which most of these agricultural people come for loan. It is all bunkum to say that they are for agricultural operations, and so on. It will never pay. It will not be possible for the ordinary agriculturist to run about these banks in order to borrow Rs. 100 or Rs. 200 or Rs. 300. Those amounts are not to be spent at once, but to be spread over a period of between three to six months and, secondly, the one item upon which you can come to the rescue, if you do want, as I have no doubt you want to, because you have reckoned with the agricultural interests also, is in the provisions of this Act. I say if that has got

[Raja Bahadur G. Krishnamachariar.]

to be done, please do it effectively, and the only way you can do it is by acting according to the recommendations of the Central Banking Enquiry Committee, which, after all, I suppose, understood the conditions existing in the country, which, I suppose, knew something about banking, and I take it the foreign experts, who came out from abroad in order to assist these gentlemen in their deliberations, knew what they were talking about. So, taking into consideration everything, they made this recommendation and it surely does not lie in the mouths of those who sat in London to say that they do not agree, because it is less liquid. But they ought to have considered how to avoid that difficulty and how to go about helping the agriculturist. If they did so with all the intelligence at their command and with all the help of the experts behind them, they ought to have made some provision or other. Unfortunately it looks as if they have not made any serious attempt, with the result that, so far as we are concerned, our cry is a cry in the wilderness.

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

"That after part (b) of sub-clause (2) of clause 17 of the Bill, the following new part be inserted and the existing part (c) be re-lettered as (d):

'(c) making loans and advances to agriculturists on the security of movable goods, wares, merchandise, as well as against ware-house warrants or ware-house receipts representing such goods'."

**Mr. K. P. Thampian:** Sir, I have great pleasure in supporting this amendment. It might be urged that the financing of agricultural operations and giving loans to agriculturists are, strictly speaking, more the legitimate work of co-operative societies and other banking concerns, but, Sir, those institutions are not discharging their work in this respect quite satisfactorily. Probably, the very fact that, there is a provision like this in the Reserve Bank Statute, might have a salutary effect on those institutions. It may be that hereafter, with the money, that they take as loans from the Reserve Bank, they will be in a better position to advance such loans. If, moreover, there is a provision to enable the Reserve Bank to give loans directly to these people, I am sure, it will be an additional inducement to those institutions to help the agriculturists who are unfortunately always in need. Sir, India is essentially an agricultural country. The foreign trade of this country is on an average only about Rs. 300 crores per annum, while the internal trade is about Rs. 5,000 crores. That is a very modest estimate, and it is the duty of the Members of this House to safeguard the interests of the agriculturists rather than those of people engaged in foreign trade and commerce. The merchants and others engaged in commerce and industrial pursuits are vocal and make their voice heard and they carry on a ceaseless agitation. It is always their interests that are safeguarded by the Legislature. It ought not to be so. We ought to safeguard primarily the interests of the agriculturists who form more than 80 per cent of the population. Agriculture is the stable industry of this country. It is also the main source of taxation, and it is, therefore, the primary duty of the Legislature to protect the agriculturist. I, therefore, have great pleasure in supporting the amendment moved by my Honourable friend, the Raja Bahadur.

**Mr. S. C. Sen:** Sir, I have been listening very carefully to the speeches made by my Honourable friends, Raja Bahadur Krishnamachariar and Mr.

Thampan, but none of them have referred to the practical difficulties in the way of the Reserve Bank advancing against agricultural produce on the guarantee of the agriculturist himself. If you will kindly refer to sub-clause (4) (d) of clause 17, you will find that as against goods, which are given as security to any scheduled bank or a provincial co-operative bank, they can come to the Reserve Bank and have a loan against their securities. It is the same security which is being proposed to be given by the agriculturist and, even if this is allowed, I do not know how the security is to be practically enforced against the agriculturist. Is the Reserve Bank to have a godown or a warehouse in every village where goods are to be kept and which will be taken as security for the advances to be made? These are some of the practical difficulties which weigh with me in coming to the conclusion that such a provision is not at all suitable for a Reserve Bank, but they can be used by the provincial co-operative credit societies.

**Raja Bahadur G. Krishnamachariar:** Why then did the Banking Inquiry Committee recommend this?

**Mr. S. C. Sen:** I was not on the Banking Inquiry Committee. If I had been there, I would have had my presence felt in that Committee.

**The Honourable Sir George Schuster:** Sir, my Honourable friend, who moved this amendment, has stated very well the case for it and he has also stated the case against it shortly by quoting from the Report of the London Committee. There was one part of my Honourable friend's speech which I did not quite understand. He said that all the sections of this long clause were really opening the way for the Reserve Bank to compete with commercial banks.

**Raja Bahadur G. Krishnamachariar:** I said only the clauses relating to the purchase or re-discounting of bills—only those clauses, not all.

**The Honourable Sir George Schuster:** Well, the re-discounting of bills bearing the signature of a scheduled bank is not surely an operation which competes with the commercial banks, but rather an operation which helps them in their own business, and that is the whole purpose of this clause, and the whole purpose of the Bank is to stand behind the ordinary commercial banks and make their position more elastic in time of need. My Honourable friend, Mr. Sen, has very well pointed out the objections to this proposal. I must confess that I find it difficult to understand how the foreign experts came to make such a recommendation. It would be impossible for the Central Bank to undertake work of this kind unless it had a very large number of branches all over the country and unless there were well-regulated warehouses which would issue reliable warrants. Now, that is a condition which does not exist in India, and, if business of this type is to be encouraged, the first step that has to be taken is to create an organization of warehouses where goods and merchandise can be stored in such a way that money could be raised easily upon that security. If we were to put a provision of this kind into the Reserve Bank Bill now, I submit it would have very little effect, and there are the two grave objections,—first of all, that it involves the Bank getting into direct relations with private clients, outside its own and proper sphere of business and in competition with commercial banks, and, secondly,

[Sir George Schuster.]

that the financing of goods which are stored in warehouses is not merely the financing of the marketing of goods which are moving towards the market and going to be liquidated within a reasonable period. That kind of financing leads to frozen credits and must tend to get the Bank into a very unliquid position. I would not like to prophesy myself as to whether, in future, if a system of warehouses is developed, it might not be possible for the Reserve Bank in India to start a special department which might do business of this kind. It is conceivable that, in the special conditions of India, something of that kind will be necessary, but we are not ready to take such a step now and it would be starting the Bank off on the wrong lines and creating false expectations if such provisions were to be inserted. After very careful consideration and discussion with the banking experts in London, we decided to reject this recommendation, and I am afraid I must adhere to that position.

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

"That after part (b) of sub-clause (2) of clause 17 of the Bill, the following new part be inserted and the existing part (c) be re-lettered as (d):

'(c) making loans and advances to agriculturists on the security of movable goods, wares, merchandise, as well as against ware-house warrants or ware-house receipts representing such goods'."

The motion was negatived.

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

"That in sub-clause (2) (c) of clause 17 of the Bill, after the words 'exclusive of days of grace' the words 'and such bills of exchange and promissory notes shall not ordinarily be renewed' be added."

Sir, the intention of this particular amendment is to avoid speculation in Government securities. If this thing is put in, we are afraid that there may be a good deal of speculation in Government securities. I have not, however, prohibited this thing altogether as I have put down "ordinarily", so that, in special circumstances, this thing may be permissible. It is a very salutary provision and I hope the Honourable the Finance Member will accept it. The intention is simply to prevent people from entering into speculation on Government securities so that the price of the securities may not be raised or lowered artificially.

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

"That in sub-clause (2) (c) of clause 17 of the Bill, after the words 'exclusive of days of grace' the words 'and such bills of exchange and promissory notes shall not ordinarily be renewed' be added."

**The Honourable Sir George Schuster**: Sir, I do not think this addition is necessary. We prefer to leave it to the discretion of the Bank not to allow undesirably long advances to be carried on under this sub-clause. and I would submit to my Honourable friend that a phrase of this kind "shall not ordinarily be renewed" is a very ineffective form of a phrase to put into a Statute. It must be left entirely to the discretion of the Board really as to what circumstances are to be regarded as ordinary and

what as extraordinary. I venture to put it to him that it would have very little effect. We think this is one of the matters which should be left to the discretion of the Board, and I oppose the amendment.

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

"That in sub-clause (2) (c) of clause 17 of the Bill, after the words 'exclusive of days of grace' the words 'and such bills of exchange and promissory notes shall not ordinarily be renewed' be added."

The motion was negatived.

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

"That for sub-clause (3) of clause 17 of the Bill, the following be substituted:

'(3) (a) the purchase from and sale to scheduled banks and persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette of sterling in amounts of not less than the equivalent of twenty-five thousand of rupees;

(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, exclusive of days of grace; provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette; and

(c) the keeping of balance with the Bank of England;."

Sir, so far as part (c) of my amendment is concerned, now that we have decided that we should have a branch of our own in London, it is only a consequential amendment and it should go out. Sub-clause (c) was put in on the understanding that the Bank of England would be used as a branch of the Reserve Bank.

As regards the other two clauses, I have a very strong apprehension and I do not mind giving vent to it on the floor of this House. My apprehension is that all these exchange banks may form a clique and thus may raise up the value of the exchange rates and may act prejudicially against the interests of the Reserve Bank. Therefore, the object of this amendment is that, in case these exchange banks may form a combine, as some of the Petroleum Companies do combine against the interests of the consumers and do certain things which are against the interests of the Reserve Bank, then there should be some opportunity provided for the Reserve Bank to come out of that situation. I thought that they should be able to carry on the transactions through such men as Rally Brothers and Volkart Brothers and other leading exporters and importers. If all these persons are required to come through the exchange banks, then it is quite possible that they may form a clique and thus may put up the exchange value. The object in moving the amendment is that the Reserve Bank should be left free to negotiate not necessarily through the exchange banks, but also through the importers and exporters at its own discretion.

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

"That for sub-clause (3) of clause 17 of the Bill, the following be substituted:

'(3) (a) the purchase from and sale to scheduled banks and persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette of sterling in amounts of not less than the equivalent of twenty-five thousand of rupees;

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(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, exclusive of days of grace; provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette; and

(c) the keeping of balance with the Bank of England;”

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muhamadan Urban): Is Mr. Morgan's amendment going to be moved, Sir?

**Mr. President** (The Honourable Sir Shanmukham Chetty): It all depends on what the decision on this amendment is going to be.

**Diwan Bahadur A. Ramaswami Mudaliar**: I should like to oppose this amendment, because it gives too much latitude to fortunate individuals to deal in the exchange market. I think we had a very unhappy experience in 1919—1920, when a list of individuals was published through whom these exchange operations were also done. This is a matter in which the scheduled banks should have the right to come to the Reserve Bank and get the necessary exchange operations performed and individuals should approach only the scheduled banks. Now, we have brought the scheduled banks under discipline. We are going to provide that they should hold certain balances with the Reserve Bank and I do not see why individual persons should compete with the scheduled banks in this matter when they are not under such obligations. They can go to any exchange bank and get these exchanges. Moreover, whatever limit we may put, it will be only helpful to the rich people who want to send money to England, and the poorer persons who want to send small amounts will have to go to these individuals or scheduled banks. It will also lead to charges of favouritism.

As regards the argument about combines, I think the few individuals that will be scheduled under this qualification can very well enter into some combination with exchange banks and then we will be just as badly placed as ever we were before these individuals were given this opportunity. Sir, I oppose this amendment.

**Mr. Bhuput Singh**: Besides the point raised by Mr. Mudaliar, there is another question, the question of favouritism if any approved list is kept. We do not like that the Central Board should be criticised for it. There must be equal chances for all persons and no favours should be shown to any particular individual. Sir, I oppose the amendment.

**The Honourable Sir George Schuster**: It is very difficult to deal with an amendment of this kind which substitutes a whole new long sub-clause for the one which is in the Bill. My Honourable friend, Dr. Ziauddin Ahmad, raises quite a number of different points, one of which, at any rate, is dealt with in isolation in some of the other amendments which are down. If this amendment is rejected, I do not know whether other amendments will also be ruled out.

**Mr. President** (The Honourable Sir Shanmukham Chetty): No, this amendment raises quite a number of issues and, if this amendment is



carried, then the amendment of Mr. Morgan will be included in this. But if this amendment is rejected, then the amendment of Mr. Morgan and Mr. B. Das will be in order.

**The Honourable Sir George Schuster:** Then, I must reserve something to say in answer to the amendment of Mr. Morgan. I do not think I need go into any great length in opposing this amendment. The Honourable Member, who has just spoken, has raised one point. Another point is this. The sum of Rs. 25,000 is too small, and, on various points, I oppose this amendment.

**Dr. Ziauddin Ahmad:** I just want to draw the attention of the House to part (c), because the House has decided that the Reserve Bank should open a branch in London. If my amendment is rejected, does it mean that the Reserve Bank should be asked compulsorily to keep its balance with the Bank of England instead of having it in its own branch in London?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The provisions of this clause do not impose any compulsory obligation on the Reserve Bank. This clause enumerates the class of business that the Reserve Bank is permitted to do. Even if the Reserve Bank has got a branch in London, it is not precluded from keeping its balance in any other Bank.

The question is:

"That for sub-clause (3) of clause 17 of the Bill, the following be substituted:

'(3) (a) the purchase from and sale to scheduled banks and persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette of sterling in amounts of not less than the equivalent of twenty-five thousand of rupees;

(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, exclusive of days of grace; provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette; and

(c) the keeping of balance with the Bank of England;."

The motion was negatived.

**Mr. G. Morgan:** Sir, I beg to move:

"That in sub-clause (3) (a) of clause 17 of the Bill, after the words 'scheduled banks' the words 'and persons approved by the Central Board' be inserted and after the word 'sterling' the words 'Telegraphic Transfers' be inserted."

After the reception of the previous amendment, the atmosphere is slightly chilly with regard to this particular point. The Honourable the Finance Member has already threatened that he has something to say on the subject. I can guess what it is, but, nevertheless, I should like to move my amendment. I want the point brought forward in this House and, even if it is not accepted, it will at any rate have brought this particular position before Honourable Members. The Honourable the Finance Member does not care very much for references to previous Bills and what was done in the past in other places with regard to other Bills, but I may mention that when discussing the Bill of 1927, the Joint

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Committee discussed this very point and, by a considerable majority, retained the approved persons in that Bill. That privilege is enjoyed at present by persons approved by the Government of India.

Now, the reason for this amendment is that although there are strong objections—and I know there are objections from many quarters—the main objection is a banker's objection and had the terms of sub-clause (3) of clause 17, as they appeared in the Bill placed before the Select Committee, been approved by the Select Committee and come before this House in that form, it would have been very difficult for me to move an amendment of this description, unless it had also included the provision that those approved persons should come under all the terms which apply to scheduled banks, such as deposits and under clause 42. That was perfectly evident. But the Select Committee divided that clause into three parts, two of which pertain to what I am talking about. It divided it into three parts, (a), (b), and (c) and the (a) and (b) are the ones which pertain to my amendment. Having done so, the objections raised by bankers lose a considerable part of their force. But, at the same time, it did not entirely do away with the objections, because it was still possible to purchase and sell demand drafts, which is an ordinary day-to-day banking transaction. Now, in confining this amendment to telegraphic transfers, it would enable persons to be approved by the Central Board on the same principle as persons are now approved by the Government of India and they come under the heading of large exporters of produce in India. They very often are able to quote favourable rates for these remittances when Government call for tenders. The Central Board will be calling for tenders in the same way for Home remittances as is done by the Government of India today, and so on. The whole question is, should the Reserve Bank restrict its area of operations to a narrower degree than the area which is now enjoyed by the Government of India in calling for these particular tenders. That really, Sir, is all I have to say on this point. Telegraphic transfers are to a great degree treasury work and quite apart from ordinary day-to-day banking work. The definition that this is a banker's bank stands, and I do not think my amendment vitiates that particular heading. Sir, I move.

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

"That in sub-clause (3) (a) of clause 17 of the Bill, after the words 'scheduled banks' the words 'and persons approved by the Central Board' be inserted and after the word 'sterling' the words 'Telegraphic Transfers' be inserted."

**The Honourable Sir George Schuster:** Sir, this is one of the points in this Bill on which it is quite possible to find a great deal to be said on both sides. We discussed it at very great length in the Select Committee. We fully recognised the possible disadvantages of excluding certain firms with whom the Government now deal direct from purchasing and selling sterling and we came to this conclusion that it was the right principle to stand on, that dealings of that kind should be restricted to scheduled banks and we hoped that, by doing this, we should be offering an encouragement to Indian Joint Stock Banks to get into foreign exchange business. I might inform the House that at present there are certain firms with which we do business of this kind, but we find it rather an embarrassing position that there should be a

certain discretion vested in Government as to who should be included or not. The firms with which we do business are firms who have been on our list for a very long time and we are always getting applications from other firms to be added to the list. The only answer that we can give is that pending the consideration of the Reserve Bank, we are not going to add to the list; but it is very difficult, if one has any discretion at all, to know whom to refuse or whom to accept, and it always involves a certain amount of ill-feeling if one has to exercise a discretion of that kind. We think that the interests of the Bank or Government with their own remittance business will not suffer very severely by the exclusion of those few firms outside the scheduled banks who are now on our list. We think that it is the right principle and that we had, therefore, better start with the right principle straightaway from the beginning. On these grounds, Sir, I oppose the amendment.

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

"That in sub-clause (3) (a) of clause 17 of the Bill, after the words 'scheduled banks' the words 'and persons approved by the Central Board' be inserted and after the word 'sterling' the words 'Telegraphic Transfers' be inserted."

The motion was negatived.

**Mr. T. N. Ramakrishna Reddi**: Sir, I beg to move:

"That in sub-clause (4) of clause 17 of the Bill, for the words 'ninety days' the words 'one hundred and eighty days' be substituted."

Sir, much of the internal trade and commerce has been carried on by means of cash credits granted by the various banks and also the co-operative banks. Of course, Government want to discourage this habit and want to introduce the bill habit in the country. It is a very laudable object, but we have to face the facts, and it will be very difficult to remove this habit of the people which has been going on for a long time. In the original Bill, it was provided that the loans should be granted only for a period of five years, but that proviso has been taken away, because the Select Committee itself felt that it was not possible for Indians to get away from that habit. This is what the Committee says:

"We have omitted the proviso because we consider that there is little likelihood of the bill habit developing within five years to such an extent as to make it possible to discontinue this practice within that time."

So the Committee itself has felt that it is not possible to remove this habit. But it has been felt that this three months' time given for cash credits is too short a period and it has been hampering the internal trade and commerce. So I have moved that 180 days should be substituted for 90 days.

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

"That in sub-clause (4) of clause 17 of the Bill, for the words 'ninety days' the words 'one hundred and eighty days' be substituted."

**The Honourable Sir George Schuster**: Sir, I must oppose this amendment. My Honourable friend has really advanced no reasons for extending this period which we consider adequate.

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

"That in sub-clause (4) of clause 17 of the Bill, for the words 'ninety days' the words 'one hundred and eighty days' be substituted."

The motion was negatived.

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

"That in sub-clause (4) (d) of clause 17 of the Bill, after the words 'cash credit' the words 'or overdraft' be inserted."

It is only to clarify what is really intended in this Bill and it is only a verbal amendment in order to make it quite clear. There is no principle involved in this.

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

"That in sub-clause (4) (d) of clause 17 of the Bill, after the words 'cash credit' the words 'or overdraft' be inserted."

**The Honourable Sir George Schuster:** Sir, I have no particular objection to this amendment and I am prepared to accept it.

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

"That in sub-clause (4) (d) of clause 17 of the Bill, after the words 'cash credit' the words 'or overdraft' be inserted."

The motion was adopted.

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

"That in sub-clause (7) of clause 17 of the Bill, for the word 'ten' the word 'five' be substituted."

If we hold a security which will mature in ten years, then it will not fetch a good value if money is required for some other purpose from the Bank. So it is always advantageous to possess a security which may mature at a shorter interval, and ten years is rather too long a period. Suppose we require to remit money to England for some reason and we hold a number of securities maturing in ten years. If we want to sell them, we will have to do so at a great loss and will have to pay a good deal of discount. It is always advantageous for a Reserve Bank to hold short term securities instead of long term securities. Long term loans are advantageous to the Government. For example, if Government are going to float a loan, it is always advantageous to have a long term loan so that they may be free from the bother of constant loans and thus know exactly their budgetary obligations. But, as regards banks, it is always advantageous for them to buy short term securities, so that, in case they require money immediately, they may get cash and meet their expenses. So I think it is a very reasonable demand. We do not want that the money should be deposited and locked up in these long term securities. The money may be required immediately and conditions may change. We know we are living in the days of a great economic deluge,

and we know that we have to pay about 50 millions every year to the United Kingdom. It is quite possible that the economic conditions may be clarified and the money may be required for some other purposes, or the financial condition may go down and the value of these securities also may go down and then we will be at a very great disadvantage. It is always advantageous to have short term securities and not long term securities; and it is for that reason that I suggest that the words "ten years" should be changed into "five years". These securities will mature at the end of five years, and five years is quite enough and a sufficiently long time: ten years is too long a period for the Reserve Bank to have a large number of these securities, because we do not know when the money will be required and we may be put to great disadvantage. Sir, I move.

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

"That in sub-clause (7) of clause 17 of the Bill, for the word 'ten' the word 'five' be substituted."

**The Honourable Sir George Schuster**: Sir, we did not regard securities maturing within ten years as long term securities and we considered that five years was so short as to be likely to be unduly restrictive: after very careful consideration we have extended the period to ten years: I must oppose the amendment.

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

"That in sub-clause (7) of clause 17 of the Bill, for the word 'ten' the word 'five' be substituted."

The motion was negatived.

**Mr. K. P. Thampan**: Sir, I beg to move:

"That in sub-clause (8) of clause 17 of the Bill, the words 'or of such States in India' be omitted."

The provision, as drafted, enables the Reserve Bank to purchase and sell the securities not only of the Government of India and of the Provincial Governments and local bodies in British India, but also of Indian States. My object in moving this amendment is to leave out the States and to preclude the Bank from dealing in securities of Indian States. My reasons are these. There are in this country about 600 and odd Indian States, ranging from the big territories like that of His Exalted Highness the Nizam to the smallest State where the Ruler has only a few acres with an income of about Rs. 100. I am not casting any reflection on the credit or otherwise of these Indian States. Far be it from me to do so. At any rate, the occasion does not demand it. Instances of Indian States, whose loans have been repudiated, are not rare. Two years ago, I had occasion to put some interpellations with regard to the repudiation of a loan that was raised by the Bharatpur State. Your predecessor, Sir, disallowed those questions on the ground that they related to subjects outside the sphere of the Assembly. That is, however, beside the point; the Bharatpur State raised, on the security of its revenue, a loan of about Rs. 70 lakhs or so. After four or five years, the creditors were offered

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the choice of accepting 40 or 30 per cent. of the money they had subscribed or losing everything, and the poor people had to close in with what was given. There were some British subjects also who lost their money in connection with this loan. Even yesterday, at question time, reference was made to the loan given to the Bahawalpur State, and it was said that the amount due from that State was about Rs. 12 crores; and, in the course of supplementary questions, the Honourable the Finance Member said that there were proposals to give loans to some other big States also. It was said that the administration of the Alwar State was about to collapse for want of finance; and, with a view to help the State, the Government of India are advancing to the extent of Rs. 25 lakhs. A year ago, nobody would have believed that the finances of Alwar were in a deplorable condition. None can say when these States become paupers. Though it is distinctly provided in this clause that such loans ought to be dealt in only on the recommendation of the Governor General in Council, I am afraid, it is not a sufficient safeguard, because the attitude of the Governor General in Council might depend upon the report of the Agent to the Governor General or the Political Secretary for the time being. With regard to the loan given to the Bahawalpur State, it was said that it was on the distinct recommendation of the Punjab Government that the Government of India gave its sanction: the Punjab Government thought that the irrigation project, for which the loan was raised, would be a nice scheme and that arid wastes in Bahawalpur would be converted into smiling fields and that crores and crores would flow into the State treasury. It proved to be an utter failure. So, we do not know what will happen in these Indian States and I do not want that the taxpayer's money should be wasted like that. I have strong feelings on this point and I request the House to drop the idea altogether. Sir, I move.

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

"That in sub-clause (8) of clause 17 of the Bill, the words 'or of such States in India' be omitted."

**Mr. B. B. Puri** (West Punjab; Non-Muhammadian): Sir, there is just one aspect of this question which I wish to place before the House, that if you permit that certain States, whose financial position is approved by the Government of India, may be brought on that list whose securities would be acceptable, then you inadvertently perhaps are placing the other States, that are left out, in a very awkward financial position: you will then be drawing a certain amount of discrimination between their respective financial stability and you will be placing them in a very awkward position. I would ask the Honourable the Finance Member to give us some satisfactory explanation as to that contingency arising. That might not perhaps be in the best interests of those States. Therefore, I say, that either these States should be brought in whole-hog or they should be excluded altogether.

**Diwan Bahadur A. Ramaswami Mudaliar**: Mr. President, this particular suggestion was adopted at the instance of representatives of Indian States who met us on the London Committee. If we accept Provincial Governments, there is no reason why Indian States' Governments also

should not come in under the same qualifications especially when we remember that this Reserve Bank is intended to function in a Federated India. But it was realised that all States cannot be brought in. In the first place, the budgets of all States cannot be scrutinised in the same way as the budgets of Provincial Governments. There are no checks with reference to the budgets of many Indian States; but there are some States which have got a regular budget even as a Provincial Government has. In Mysore, for instance, or Travancore, these States are well regulated: they have got their budgets discussed in Legislative Councils: they are published and they are scrutinised and properly audited. Therefore, it was felt that there was a strong case to include some States at least. The difficulty arose as to where to draw the line, and then the suggestion was made that there should be two authorities who should approve of any particular State which can come in under this qualification: there is the first authority, the Central Board itself; and my friend, Mr. Thampan, has ignored that authority. The Government of India cannot put these States on the approved list unless there is a positive recommendation of the Central Board to the effect that they should be included . . .

**Mr. K. P. Thampan:** Does my Honourable friend forget the fact that the Governors of the Bank are creatures of the Government of India and the Government of India themselves are likely to be duped in this matter?

**Diwan Bahadur A. Ramaswami Mudaliar:** I am not forgetting that fact: but I am remembering another fact, that the Central Board does not consist of the Governor of the Bank alone: it consists of 14 Directors

**Mr. K. P. Thampan:** What about the first Directors?

**Diwan Bahadur A. Ramaswami Mudaliar:** The first Directors are nominated by the Governor General in Council . . .

**Mr. K. P. Thampan:** There you are.

**Diwan Bahadur A. Ramaswami Mudaliar:** But I do not agree with my friend that they are going to be creatures of the Government. I expect—and I shall be very much surprised indeed if it does not happen—that some of them will turn out to be very strong critics of the Government which nominate them: I expect some of them will at least adopt an independent attitude of mind, an attitude which will not be palatable to the appointing authority itself. I have no doubt at all on that point. Then, the Central Board has to recommend, and it is only on that recommendation that the Government of India can consider whether the State can come into the list. I take it that, before the Central Board reports on a particular State, it will have facilities to examine the budgetary position of the State. In fact, we understood from the State representatives that they submit themselves to that condition otherwise the Central Board will merely say it has got no information or data at its command which will enable it to suggest whether the State should come in on the approved list or not. With these guarantees, I do not think that there is any danger, and I do not see how we can question the position that can be taken up by any such State that, when it is a unit of the Federation, it

[Diwan Bahadur A. Ramaswami Mudaliar.]

must enjoy the same facilities as any other unit of the Federation, provided it accepts and comes in under checks and guarantees which prevail with reference to a Provincial Government . . . .

**Mr. K. P. Thampan:** Has my Honourable friend read the proviso which is incorporated by the Joint Select Committee?

**Diwan Bahadur A. Ramaswami Mudaliar:** I have read the proviso and I do not think there is anything in that proviso which militates against that argument. Sir, I oppose the amendment.

**Dr. Ziauddin Ahmad:** I would just like to draw the attention of the House to one point only, and that is, what is the value of the recommendation either of the Government or of the Central Bank? Suppose the money cannot be realised by the Bank on account of non-fulfilment of certain expectations; then, who will have to pay the money? It is the tax-payers. So the security of the Government is practically the security of the tax-payer, and the recommendation of the Central Bank is still worse, because that is the recommendation of the Bank itself. So I think both these recommendations are not of great value. If the recommendation comes from some body from whom money could be realised, then there would be some meaning in it . . . .

**Sir Cowasji Jehangir:** Recommendation from the borrower?

**Dr. Ziauddin Ahmad:** The recommendation from the Government will only fall upon the tax-payers for whom they are legislating. Then, again, we are not talking of hypothetical cases, because we have got before us the cases of some Indian States who were given advances on the supposition that those advances would be recovered together with interest, but the expectations of Government have not been materialised. Now, in cases like these, who will bear the burden? The burden will surely fall on the poor tax-payers of British India.

There is also a very important point of law to be considered, and if my friend, Sir George Schuster, does not know it, perhaps his colleague, the Law Member, who is sitting by his side, knows, and it is this. Suppose there is any difficulty for the Bank to recover the money from a State, then, can the Bank file a suit against that State, and, if so, in what Court? Will it be in the State Court or the Federal Court or in an British Indian Court itself? If the suit is to be filed in the Court of the Indian State itself, then we all know what . . . .

**Raja Bahadur G. Krishnamachariar:** I strongly protest against it.

**Mr. B. V. Jadhav:** No suit can be filed against a ruler of an Indian State.

**Dr. Ziauddin Ahmad:** I think objection has been raised on two grounds, one is a technical objection that a suit cannot be filed in the Courts of Indian States, and, therefore, the case does not arise. This is a point of law on which I hope the Honourable the Law Member will enlighten us, that is to say, whether in case a State defaults to repay the advance in



time, a case can be brought against it; and, if so, in what Court, or how can the money be realised. That is a point on which we require enlightenment from the Law Member.

Then, the third thing is, whatever we might say here, it is an absolute fact that the general condition of Indian States is not the same as that of the British Provinces . . . .

**Raja Bahadur G. Krishnamachariar:** It is much better.

**Dr. Ziauddin Ahmad:** You are quite right, from certain points of view, the people are much better and much happier,—there is no doubt about that . . . .

**Mr. B. V. Jadhav:** At any rate the officials are.

**Dr. Ziauddin Ahmad:** Still, from the point of view of general administration, the position of Indian States is not the same as that of the British Provinces, and we cannot easily compare the Indian States with the British Provinces. It is very easy to realise money from the British Provinces, because there is a machinery by which money could be collected, but it is exceedingly difficult to realise money from Indian States on account of lack of machinery without going to extreme measures. Then, again, though this House has got control over provinces, it has no control over the Indian States. These are some of my difficulties on account of which I become very sceptic, and I think there is a good deal of force in the arguments of my friend, Mr. Thampan.

**Raja Bahadur G. Krishnamachariar:** Sir, I oppose this amendment. I am afraid it has been misconceived. As pointed out by my friend, Diwan Bahadur Mudaliar, this Reserve Bank is going to operate in a Federated India in which Indian States have got to come. Without the Indian States coming in, there is no Federation, and, without Federation, there is no Reserve Bank. Without these gentlemen coming in, there is no responsibility in the Centre. The whole thing becomes topsy-turvey if this one little amendment is accepted, because you want to exclude Indian States, and, without the Indian States, what is the point in all this paraphernalia of Federation and all that sort of thing? As has been pointed out, it is impossible to bring everybody into this circle, and I hope the finances of everybody will soon improve, I hope they will never come in for loans to the Reserve Bank. But, Sir, occasions do arise when they have got to borrow. It is perfectly true that there has been difficulty in a few cases, but one swallow does not make a summer. Do we not default in the repayment of loans? Do we become men of no credit simply because some of our loans have not been repaid? That is an absolutely untenable argument, and I submit, knowing as I do the way these things work, it is easier to realise money from Indian States than from the provinces, because the provinces never pay. Even Belgium and other countries have said they would be able to pay the war debts to America? Where can they file a suit? But, in a Native State, there is no difficulty, you can recover the money within 24 hours, whereas in the provinces there is a lot of difficulty which my friend will understand when he comes to the next Assembly. Therefore, I submit, this amendment is misconceived, and I hope my friend, the Mover, will withdraw it.

**Mr. B. V. Jadhav:** Will my friend the Raja Bahadur, say whether a suit can lie against a Native State?

**Raja Bahadur G. Krishnamachariar:** There is a provision similar to the provision in England that you first apply to the Government to issue . . .

**An Honourable Member:** That permission will not be given.

**Raja Bahadur G. Krishnamachariar:** That is the only provision by which action can be taken against an Indian State as in England. The Government of India must allow that suit to be filed, because it is the successor of the East India Company, and as the East India Company could be sued in certain cases, the same power had to be given for suing in the case of the present Government of India Act. If my friend would see the Rangoon case, where it was decided . . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Sir George Schuster.

**The Honourable Sir George Schuster:** Sir, I must also oppose this amendment. I think several of those who have supported it have really spoken under a misconception. The purpose of this clause is to enable the Bank to buy securities of Indian States. Now, Sir, in the first place, I agree with those who have said that, looking to the future, we want to bring in the Indian States into the general financial field of India. In the second place, a clause of this kind will do a great deal to encourage principles of sound finance in the Indian States. It may encourage them to start going to the public for raising money by issuing securities, and there is no greater stimulus to sound finance than to have put one's credit to the test of a public market. Those who stand that test will have the added advantage that their securities are eligible for the Reserve Bank.

My friend, Mr. Thampan, sought to support his case by referring to the present position and he strongly expressed his objections against the Government of India advancing money to certain Indian States. Now, Sir, if Indian States are encouraged to issue loans to the public and have securities which are quoted in the market and which can be bought under this clause, there is nothing which is likely to do more to stop the present practice of their having to come to the Government of India to raise money whenever they need it. This is a far-seeing provision, and one which will really advance the objects and not retard the objects which lie behind the speech of my friend who moved this amendment. On these grounds, I oppose the amendment.

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

"That in sub-clause (2) of clause 17 of the Bill, the words 'or of such States in India' be omitted."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It appears that Nos. 190 and 191 are consequential?

**Mr. K. P. Thampan:** No, Sir; they are not consequential, because clause 8 deals directly with such securities, I mean the loans issued by the States themselves. This proviso enables the State to guarantee the loans raised by local authorities and other bodies in the State, and, in that case, such loans will also be treated as the loans raised by the State. That is the difference between the previous amendment and this amendment. My reason for leaving out the States in sub-clause (8) has greater force in regard to the proviso. So, I move:

"That in the first proviso to sub-clause (8) of clause 17 of the Bill, the words 'or a State in India' be omitted."

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

"That in the first proviso to sub-clause (8) of clause 17 of the Bill, the words 'or a State in India' be omitted."

**The Honourable Sir George Schuster:** I do not understand the difference between these two amendments, and, in any case, I oppose the present one.

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

"That in the first proviso to sub-clause (8) of clause 17 of the Bill, the words 'or a State in India' be omitted."

The motion was negatived.

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

"That sub-clause (9) of clause 17 of the Bill be omitted."

I draw the attention of the House to the report of the majority of the Select Committee on this sub-clause. The report says:

"We have not restricted the operation of this sub-clause to scheduled banks or public authorities because we consider that there might be cases in which such restriction would operate inconveniently in practice. At the same time we wish to make it clear that in our view this power should not be exercised by the Bank so as to compete in its normal business with the commercial business of other banks. It should be the duty of the Government to watch this and to see that the interests of other banks are in practice protected."

This sub-clause appears to me to be quite unnecessary in view of sub-clause (11) (c) which is to the effect:

"the collection of the proceeds, whether principal, interest or dividends, of any securities or shares."

In view of the recommendation of the majority of the Select Committee and also in view of the provision which already exists in sub-clause (11) (c), it is unnecessary, and, in any case, if it exists in the present form, there is an apprehension that it will compete with scheduled banks. If it is meant to restrict it only to the collection of proceeds, then sub-clause (11) (c) is sufficient and this sub-clause is not required, but if it goes a little further, then it will be competing with the scheduled banks. On these two grounds, I propose that sub-clause (9) be deleted.

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

"That sub-clause (9) of clause 17 of the Bill be omitted."

**Mr. Bhuput Sing:** I oppose the amendment moved by Dr. Ziauddin Ahmad. Supposing a man has got valuables which he desires to be kept in safe custody, I do not see any reason why should we deprive him of the privilege of keeping his valuables in the custody of the safest authority in the country? Besides, the Reserve Bank will never pay any interest on any deposit; on the contrary, it will only evoke criticism from the public if they are debarred from keeping their valuables or hoardings in the safe custody of the Bank. I oppose the amendment.

**Mr. E. Studd** (Bengal: European): I think there is no doubt that a provision of this kind has caused a certain amount of apprehension in banking circles in the country; that it might in fact lead to the Reserve Bank competing with commercial and indigenous banks in their ordinary business. I do not go quite so far as the Mover of this amendment, for I realise that it is quite possible that there may be exceptional circumstances which would make it advisable that this power should be included as one of the forms of business which the Reserve Bank might transact. But it would most certainly reassure and largely dispel those apprehensions in banking circles, if the Finance Member would make it perfectly clear that as far as possible the recommendations of the Joint Select Committee will be adhered to and that the provisions of this particular sub-clause will only be used in very exceptional cases.

**The Honourable Sir George Schuster:** Sir, I have no hesitation in giving my Honourable friend who has just spoken the assurance that that is our intention in proposing this measure and that we will do our best to see that the recommendation made by the Committee is brought to the attention of the Board of the Bank and kept before them. I must oppose this amendment for omitting this sub-clause, and again I must say that I find it extremely difficult to follow the workings of the mind of the Honourable Member who moved the amendment. He seemed to connect this sub-clause in some way or other with sub-clause (11) (c). But sub-clause (11) merely refers to "the acting as agent for the Secretary of State in Council, the Governor General in Council or any Local Government or local authority or State in India in the transaction of any of the following kinds of business, namely . . .". Sub-clause (9) deals with "the custody of monies, securities and other articles of value, and the collection of the proceeds, . . ." on behalf of any member of the public. The point which caused some concern to the banking representatives whom I have seen was the custody of securities. They were apprehensive that if the Reserve Bank entered into the business of keeping securities for its clients, it might easily develop into the collection of dividends, the effecting of purchases and sales and all sorts of matters connected with the investment of money which they themselves, at least several of them, have organised trustee departments to manage. That is what we had particularly in mind in making our recommendation. We did not see any objection to the Bank taking over the mere custody of certain valuables, but if, by virtue of having undertaken that custody, the Bank was then to extend its functions to the sort of transactions which I have mentioned, then we

felt that that would be going beyond the spirit of the proposal and that the Bank would really be entering into objectionable competition with commercial banks. That, Sir, is what we shall do our best to make clear to the Board of the Bank when they are first established. I hope that that will reassure my Honourable friend, Mr. Studd; otherwise I must oppose this amendment.

**Sir Cowasji Jehangir:** May I just add one more suggestion which was made in the Committee and it may be repeated here? It is, that the officer of Government who will be nominated to the Board of the Central Bank will watch this from year to year and that the attention of the Board will be continually drawn to this by the officer who will represent the Government on the Board?

**The Honourable Sir George Schuster:** I am very glad that my Honourable friend has reminded me and the House of that.

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

"That sub-clause (9) of clause 17 of the Bill be omitted."

The motion was negatived.

**Mr. V. K. Aravamudha Ayangar** (Government of India: Nominated Official): Sir, I beg to move:

"That at the end of sub-clause (13) of clause 17 of the Bill, the following be added:

'or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank'."

The present sub-clause (13) provides for co-operation between the Reserve Bank of India and other Central Banks, but there is no provision in the Bill for co-operation between the Reserve Bank of India and an International Bank like the Bank of International Settlements which has been formed by other Central Banks. This omission is probably due to the fact that the Bank of International Settlements was not in being when the original Bill was being discussed and that omission continued throughout. Sir, I move.

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

"That at the end of sub-clause (13) of clause 17 of the Bill, the following be added:

'or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank'."

**Mr. S. O. Sen:** May I point out that the words "international bank" has not been defined and we do not know what is meant by an international bank?

**An Honourable Member:** Is this a new sub-clause?

**Mr. President** (The Honourable Sir Shanmukham Chetty): This is not a new sub-clause. This is a further addition to sub-clause (13). Sub-clause (13) says:

"The opening of an account with or the making of an agency agreement with, and the acting as agent or correspondent of, a bank which is the principal currency authority of any country under the law for the time being in force in that country."

And then it will run on:

"or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank."

The question is:

That at the end of sub-clause (13) . . . .

**Dr. Ziauddin Ahmad:** Sir, I want to speak.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If the Honourable Member is absent minded, the Chair cannot help him. The Honourable Member did not get up when I allowed Mr. Sen to ask a question. Dr. Ziauddin Ahmad.

**Dr. Ziauddin Ahmad:** By this amendment we are asked to start a new policy altogether. It is not the co-operation between the international banks that is asked for. As my friend said, it was really the power to purchase the shares of such international bank and to invest the funds of the Bank. This is a new thing altogether and it was never brought before any Committee. It was not considered by the Select Committee and it has been suddenly sprung upon us as a surprise. My friend said in his modest way that we want to co-operate with the international banks. That is something very different from purchasing the shares of those banks. This is an undertaking which was never dreamt of. We do not know the working of these international banks, and the position of this bank may become very precarious. I know very well that this thing will be worked by a few capitalists. We know the instance of the Alliance Bank which invested money in foreign banks and brought it to ruin. This is an entirely new procedure that we are adopting and I do not think it is fair that this thing should be brought in quietly by my Honourable friend who sits behind the Finance Member. The whole day he is solving obstruse problems, such as if eight persons are speaking at 8 o'clock, how many persons are speaking at 10 o'clock? The Select Committee had no opportunity to discuss it and it is not fair to bring this forward. The Honourable gentleman has got votes in his pocket on every question and, even if the Government propose that the Members of the Legislature should resign within one hour, I am certain that Government will win the motion. We have already given our benediction to the proposal that the Members of the Assembly should not become Directors and thus we curtailed our own powers. It is not fair that a new principle should be introduced so abruptly taking a wrong advantage of the minority of the opposition. So I request the Honourable the Finance Member to consider this very carefully, not to take the wrong advantage of the position in which we are placed and try to rush this Bill through. Another thing is that the phrase "international bank formed by such banks" is very vague and it is not fair to do this in this manner and I repeat what I said before "give us flies to devour and not buffaloes and elephants to swallow".

**The Honourable Sir George Schuster:** It is quite obvious that my Honourable friend has been taken by surprise, but it is not quite obvious why he has been taken by surprise. This amendment sheet is dated the 13th December and it is now the 15th of December. My Honourable friend has had plenty of time to study it and if he thought that, it was such a nefarious proposal, he surely might have approached me in the matter and asked for an explanation.

**Dr. Ziauddin Ahmad:** Was it discussed in the Committee?

**The Honourable Sir George Schuster:** It was not for the reasons explained by my Honourable friend, the Mover of this amendment. It escaped our notice when we were proposing this Bill and we thought it was an omission which ought to be filled in. My Honourable friend's suspicions are quite unfounded. The amendment refers to any "international bank formed by such banks", being the Central Banks of the various countries. There is, as a matter of fact, only one Bank in the world that answers to that description and that is the Bank of International Settlement. My Honourable friend says that no Reserve Bank in the world is entitled to buy shares of a Bank of that kind, but, as a matter of fact, that Bank was formed by the Central Banks of the world, all of them taking up its shares. Does my Honourable friend wish to say that India alone must be excluded from this general act of co-operation, this purpose of forming an International Central Bank which might help the international financial co-operation of the world—that is the purpose of his speech, that India alone should stand aside from all countries, not joining in or co-operating in a common effort of this kind. Sir, there is no risk involved in this; there could not be any question of investing large funds in a Bank of that kind. India, in any case, would only get a proportionate amount, proportionate to other countries, and I submit that this is an omission—not of great importance—but a definite omission which ought to be filled up.

**Mr. Gaya Prasad Singh:** Sir, I do not think a provision like this existed in the Reserve Bank Bill of 1927-28. There was no such provision in that Bill. This matter was also not discussed in the London Committee's Report I think.

**The Honourable Sir George Schuster:** As far as I know, there was no Bank of International Settlements at that time.

**Mr. Gaya Prasad Singh:** Then what prevented my Honourable friend from inserting it in the original draft of this Bill?

**The Honourable Sir George Schuster:** Mere negligence.

**Mr. Gaya Prasad Singh:** Then the Select Committee had no opportunity of discussing it. It has been really sprung as a surprise upon us. My Honourable friend, the Finance Member, has the happy consciousness that he has got the majority of votes behind him and that is why he talks lightheartedly of the observations and amendments which proceed from this side of the House. The reason is that the boycott by the Indian National Congress of the Central Legislature responsible for the sort of opposition which we are able to offer to some of the measures of the

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Government, and even those of us, who are here, do not care to attend to our duties, and that is one of the reasons why my Honourable friend is taking things lightheartedly. Sir, my friend, Dr. Ziauddin Ahmad, was quite right in saying that this was sprung as a surprise upon us. My friend, the Finance Member, says that this amendment paper, which was circulated, is dated 13th December. Now, we receive such papers late at night, and then the next morning, the 14th, was the only day on which we could look into it. My Honourable friend, the Finance Member, asked, why did not Dr. Ziauddin approach him privately for an explanation? Sir, I do not think Dr. Ziauddin or any Member on this side of the House has any time to approach the Finance Member privately and ask for enlightenment on particular amendments. Even here we have no time to approach him. Has he got any time to consult us privately? The Honourable Member, therefore, is not quite fair to expect that we should approach him privately for enlightenment on particular amendments which he or his henchmen sitting behind him can vouchsafe to us. Sir, with regard to the Bank of International Settlements, if the explanation of the Honourable the Finance Member is to be accepted. . . .

**Mr. F. E. James** (Madras: European): Do you not believe his explanation?

**Mr. Gaya Prasad Singh:** My Honourable friend said something about the International Bank. Sir, we have got an example in the League of Nations of which India is a partner. Now, I ask, what advantage do we get from it; and what advantage can we have from this International Bank? We have not yet started our Reserve Bank. How will it fit in? Sub-clause (13) of this clause says:

"the opening of an account with or the making of an agency agreement with, and the acting as agent or correspondent of, a bank which is the principal currency authority of any country under the law for the time being in force in that country . . ."

**The Honourable Sir George Schuster:** Sir, if it would stop my Honourable friend speaking, I am perfectly prepared to withdraw this amendment.

**Mr. Gaya Prasad Singh:** If my Honourable friend is prepared to withdraw this amendment, I think he will do a good thing and he will stop further discussion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Is the Honourable Member prepared to withdraw?

**The Honourable Sir George Schuster:** I was speaking in jest. I was suggesting to my Honourable friend that his speech was showing rather unnecessary fire; but we ourselves attach no particular importance to this, we merely think it is a gap that ought to be filled up.

**Mr. Gaya Prasad Singh:** There are many other points. If we work this Bank and we find there is any lacuna, well, an amending legislation might come in later on. Why not leave the Bill as it stands, and then, if we find that we cannot do without a clause like that, it will be quite open to the Government to bring in an amending legislation six months or



one year after the passage of this Bill. I would seriously ask the Honourable the Finance Member not to take lightly the fact that we are in a hopeless minority in this House.

**The Honourable Sir George Schuster:** Sir, I must confess I thought my Honourable friend was not speaking seriously. I thought his indignation was faked when I made him a suggestion, but I think this is a matter which should be decided by the House and if my Honourable friend, who opposed the amendment, first thinks that we are taking advantage of having votes in our pocket, I am perfectly prepared to say that on this amendment the Government Members will not vote at all, and to leave it to be decided by the rest of the House.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, although I do not agree with a great deal of what my Honourable friend, Dr. Ziauddin Ahmad, has said. I think since an amendment like this slipped through the mind of the Government at the time when the Joint Select Committee was sitting, and as it looks as if it is not a very important or very urgent kind of amendment, it would be much better if it is left over for the future if any practical difficulty is felt. As far as I can make out, the Reserve Bank is not coming into existence for some months, it may take about one year. . . .

**The Honourable Sir George Schuster:** As this would appear to be exciting criticism in other quarters also and Honourable Members are speaking seriously, I suggest that I should ask the House through you, Sir, for leave to withdraw the motion. It is a matter of no importance.

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

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair does not think that the House should waste its time in discussing whether the Honourable Member should be allowed leave to withdraw the motion. Probably, the wording of the amendment, in its present form, has raised false apprehensions. The Bank for International Settlements is a Bank which was formed by capital subscribed by the other Central Banks of the world and the shares are allotted to the various Central Banks in proportion to the capital and importance of each particular Central Bank. It does not mean that the Reserve Bank of India will be allowed simply to purchase the shares of such International Bank as a matter of investment, but the Reserve Bank will, it is understood, take the step only if the Reserve Bank is also going to be benefitted by the Bank of International Settlements and the other Central Banks of the world also come forward and contribute their own quota. That appears to be the sum and substance of this amendment; but evidently there is some apprehension in the minds of Honourable Members and if the Honourable Members are not satisfied, what the Chair would suggest is that they may think over this matter and the Chair would hold over this particular amendment. When the Chair finds that there is a serious misapprehension and misunderstanding it is its duty to intervene and explain the position. If it is the general desire, then the House can hold over this one amendment and take it up

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tomorrow and the House can pass on to the other clauses. The Chair has no objection to do that. We do not want to waste the time of the House in discussing whether the Government should be allowed to withdraw it or not.

**Mr. F. E. James:** I think, Sir, we objected to this being withdrawn, because we felt that the real objection to this amendment from the other side was to the effect that it had been introduced only two days ago and they wanted a longer time to consider the matter. We understood that was the real root of the objection of my Honourable friend, Dr. Ziauddin. Therefore, I suggest that if the Honourable the Finance Member is willing, your suggestion be accepted and we may take up this matter tomorrow.

**Mr. Muhammad Yamin Khan:** Sir, when I was speaking, I simply stopped, because the Honourable the Finance Member. . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair would ask the Honourable Member not to go into the merits, but only to give his ideas as to what he thinks the correct procedure to be.

**Mr. Muhammad Yamin Khan:** Although I am not averse to the suggestion which you, Sir, have thrown out, namely, that this amendment be discussed tomorrow, I was telling the Government that it is unnecessary to put it now and I think they accepted it. Besides, when we are not going to have the Reserve Bank for about a year, there is no chance of purchasing the shares until the Reserve Bank comes into existence. So, if we find that, after a year or six months, the Bank has come into existence, we can have the thing done. There is no urgent necessity to have this clause in the Bill at present. It will be absolutely unnecessary to have it now. I do not know why my friend, Mr. James, is objecting to this procedure. If the House and the Government agree to withdraw it, we can have a little more time for which we are hard pressed.

**The Honourable Sir George Schuster:** I venture to suggest that it would be in the interests of the progress of this measure if I were to withdraw this amendment. It is a matter of no great importance. Our time is very short. If Honourable Members wish to discuss it fully, I suggest that it be left over to be dealt with by an amendment later on.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Has the Honourable Member the leave of the House to withdraw his amendment? (*Some Honourable Members:* "No.") The amendment can be withdrawn only by the unanimous consent of the House.

The question is:

"That at the end of sub-clause (13) of clause 17 of the Bill, the following be added:

for any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank."

The Assembly divided:

AYES—54.

Abdul Aziz Khan Bahadur Mian.  
 Ahmad Nawaz Khan, Major Nawab.  
 Anwar-ul-Azim, Mr. Muhammad.  
 Ayangar, Mr. V. K. A. Aravamudha.  
 Bajpai, Mr. G. S.  
 Bhole, The Honourable Sir Joseph.  
 Bower, Mr. E. H. M.  
 Chatarji, Mr. J. M.  
 Clow, Mr. A. G.  
 Cox, Mr. A. B.  
 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.  
 Ishwarsingji, Nawab Naharsingji.  
 James, Mr. F. E.  
 Jawahar Singh, Sardar Bahadur  
 Sardar.  
 Jehangir, Sir Cowasji.  
 Joshi, Mr. N. M.  
 Lal Chand, Hony. Captain Rao  
 Bahadur Chaudhri.  
 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.  
 Mody, Mr. H. P.  
 Morgan, Mr. G.  
 Mudaliar, Diwan Bahadur A.  
 Ramaswami.  
 Mujunder, Sardar G. N.  
 Mukherjee, Rai Bahadur S. C.  
 Noyce, The Honourable Sir Frank.  
 Rafiuddin Ahmad, Khan Bahadur  
 Maulvi.  
 Reisman, Mr. A.  
 Rajah, Rao Bahadur M. C.  
 Ramakrishna, Mr. V.  
 Rau, Mr. P. R.  
 Schuster, The Honourable Sir George.  
 Scott, Mr. J. Ramsay.  
 Sher Muhammad Khan Gakhar,  
 Captain.  
 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.  
 Yakub, Sir Muhammad.

NOES—13.

Bhuput Sing, Mr.  
 Dutt, Mr. Amar Nath.  
 Ismail Ali Khan, Kunwar Hajee.  
 Mitra, Mr. S. C.  
 Neogy, Mr. K. C.  
 Pandya, Mr. Vidya Sagar.  
 Parma Nand, Bhai.

Puri, Mr. B. R.  
 Sadiq Hasan, Shaikh.  
 Sarda, Diwan Bahadur Harbilas.  
 Sen, Mr. S. C.  
 Singh, Mr. Gaya Prasad.  
 Ziauddin Ahmad, Dr.

The motion was adopted.

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

"That the provisos to sub-clause (14) of clause 17 of the Bill be omitted."

Sir, the provisos run:

"Provided that no money shall be borrowed under this clause from any person in India other than a schedule bank, or from any person outside India other than a bank which is the principal currency authority of any country under the law for the time being in force in that country:

Provided further that the total amount of such borrowings from persons in India shall not at any time exceed the amount of the share capital of the Bank."

Sir, the share capital of the Bank is really a very trifling part of the capital of the Bank. I have always called this share capital like *nimboo* and the shareholders like *nimboo-nichors*. The real capital is the capital of the tax-payers of India and, I think, in which case the business should be restricted only to the shareholders, but it may be extended to the limit that may be necessary in the interest of the Bank and the interest of the tax-payer. Sir, I move.

**The Honourable Sir George Schuster:** I oppose this amendment.

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

"That the provisos to sub-clause (14) of clause 17 of the Bill be omitted."

The motion was negatived.

**Mr. B. Sitaramaraju** (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): Sir, I have got one doubt with regard to sub-clause (16) of clause 17. Sub-clause (16) says:

"Generally, the doing of all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Act."

That, I think, might cover the one which we have in view. I should like to have your ruling on the point.

**Mr. President** (The Honourable Sir Shanmukham Chetty): If the Honourable Member's amendments giving the scheme of rural credit are accepted by this House, then by virtue of those provisions finding a place in this Act, the Reserve Bank will be entitled under sub-clause (16) of clause 17 to transact that class of business.

The question is:

"That clause 17, as amended, stand part of the Bill."

The motion was adopted.

Clause 17, as amended, was added to the Bill.

Clause 18 was added to the Bill.

Clause 19 was added to the Bill.

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

"That clause 20 stand part of the Bill."

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

"That in clause 20 of the Bill, after the words 'provincial revenues' the words 'and such States in India as may be approved of and notified by the Governor General in Council in the Gazette of India' be inserted."

This amendment was originally given notice of by Mr. Vidya Sagar Pandya and it was handed over to me and I move it.

**The Honourable Sir George Schuster:** I have no particular objection to this amendment myself.

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

"That in clause 20 of the Bill, after the words 'provincial revenues' the words 'and such States in India as may be approved of and notified by the Governor General in Council in the Gazette of India' be inserted."

The motion was adopted.

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

"That clause 20, as amended, stand part of the Bill."

The motion was adopted.

Clause 20, as amended, was added to the Bill.

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

"That clause 21 stand part of the Bill."

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

"That for the proviso to sub-clause (1) of clause 21 of the Bill, the following be substituted :

'Provided that nothing in this sub-section shall prevent the Governor General in Council or any Local Government from carrying on money transactions with any Scheduled Bank or if there is no branch of any Scheduled Bank with any other Bank or the Government treasury or the sub-treasuries, at places where the Bank has no branches or agencies, and the Governor General in Council and Local Governments may hold at such scheduled or other banks or at such treasury or sub-treasuries such balances as they may require'."

The intention of this amendment is that the Imperial Bank should not be considered as the sole agents of the Reserve Bank, but that the other scheduled banks as well as their branches should also get the business of the Reserve Bank. Probably we will discuss it at some later stage that no special privileges should be conferred on the Imperial Bank. It should be treated on the same footing as other banks in India. My intention is that all the scheduled banks should be placed on the same level and, that they should be given equal privileges and the Reserve Bank should treat all of them alike. That is the intention of this proviso.

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

"That for the proviso to sub-clause (1) of clause 21 of the Bill, the following be substituted :

'Provided that nothing in this sub-section shall prevent the Governor General in Council or any Local Government from carrying on money transactions with any Scheduled Bank or if there is no branch of any Scheduled Bank with any other Bank or the Government treasury or the sub-treasuries, at places where the Bank has no branches or agencies, and the Governor General in Council and Local Governments may hold at such scheduled or other banks or at such treasury or sub-treasuries such balances as they may require'."

**Diwan Bahadur A. Ramaswami Mudaliar**: I should like to explain the purpose of this amendment. Wherever there is a branch of the Imperial Bank, that automatically becomes the agent of the Reserve Bank. Therefore, there is no question of excluding the branches of the Imperial Bank from this right of holding the balances of the Government of India and the Local Governments. What the proviso says is that, where there is no branch of the Reserve Bank and no agency of the Reserve Bank like the Imperial Bank, then, instead of keeping their balances in their own treasury, they might put them in any of the scheduled banks. I understand

[Diwan Bahadur A. Ramaswami Mudaliar.]

that is the purpose of my Honourable friend, Mr. Pandya. It does not at all come into competition with the Imperial Bank. In fact, where the Imperial Bank branch exists, the Provincial Government and the Government of India are bound to keep their balances with such Imperial Bank as it is the agent of the Reserve Bank, but where there is no Reserve Bank and no branch of the Reserve Bank and no agency functioning, either in the form of the Imperial Bank or in the form of any scheduled bank, then the Local Governments or the Government of India may keep their balances with any of the scheduled banks. I do not agree to such an amendment.

**Sir Cowasji Jehangir:** Sir, this is an important point when you come to consider it in connection with the provisions made or the undertakings given that the Reserve Bank can, where there is no branch of the Imperial Bank, make any branch of any scheduled bank their agent. Therefore, if there is any demand for a branch in any place, where there is no branch of the Imperial Bank, by the Government of India or by a Local Government, a branch of a scheduled bank can be made the agent of the Reserve Bank. This amendment, therefore, is unnecessary.

**Mr. Muhammad Yamin Khan:** Clause 6 gives ample power to the Bank to have agencies and, therefore, this is absolutely unnecessary.

**Mr. T. N. Ramakrishna Reddi:** Sir, I support this amendment and I do not see any justification for the interpretation put by my Honourable friend, Sir Cowasji Jehangir. There are many places in India where there are no branches of the Imperial Bank or it may not be possible for the Reserve Bank to open branches in all the places. There are many towns and many cities without branches of the Imperial Bank and we do not know whether the Reserve Bank will be able to establish branches in all the places. Hence there is absolutely no reason why business should not be entrusted to any scheduled bank or its branches if they happen to exist in those places. We should not give a monopoly to the Imperial Bank alone to carry on this agency and, in order to break this monopoly at least, we must accept this amendment.

**Mr. S. C. Mitra:** Sir, it has been said that this provision is unnecessary, but if it can be shown to us under what clause of the Bill this power is given to the Reserve Bank, where there is no branch of the Imperial Bank, to employ any other scheduled bank or other banks as their agents, then we will certainly agree that it is useless.

**Mr. Muhammad Yamin Khan:** It is in clause 6. My friend will allow me to read:

"The Bank shall, as soon as may be, establish offices in Bombay, Calcutta, Delhi, Madras and Rangoon, and may establish branches or agencies in any other place in India", etc.

This was discussed in full and "agencies" was meant to cover not only the Imperial Bank, but any other bank, and the word "agencies" has been purposely put in just to include those places which are under contemplation in this amendment.

**Mr. S. C. Mitra:** My Honourable friend, Mr. Yamin Khan, means that they can establish agencies and that they have power under that clause to accept any other banks as agents where there is no branch of the Imperial Bank. If that is conceded, then I agree that there is no necessity for it. But I should like to have an assurance from Government as to its meaning.

**The Honourable Sir George Schuster:** Sir, this amendment is contrary to the whole idea of this Bill which is that the dealings by Government with other banks should be through the Reserve Bank. If the Government wish to keep a balance anywhere and there is no branch of the Imperial Bank there as its agent, but there is a branch of a scheduled bank in that place, then the Reserve Bank would appoint that scheduled bank as its agent. And the whole idea is that the Central Government and the Local Governments, when they come to have the custody of their own monies, should deal only with the Reserve Bank. They can keep balances in other banks only indirectly, through the Reserve Bank. That is the position and after all the explanation that many people have given us as to the purpose of this amendment, I still remain in some doubt as to why it has been moved.

**Mr. N. M. Joshi:** Sir, I think it is wrong to allow Government to put in their money belonging to the public in any bank which is not sufficiently controlled by Government. My own view is that there is no sufficient Government control over the Reserve Bank which we are establishing, nor sufficient control over the Imperial Bank, but to allow Government to put in public money in any bank which is in no way responsible to Government is absolutely reckless.

**The Honourable Sir George Schuster:** But may I point out to my Honourable friend that the Reserve Bank will remain responsible? The Reserve Bank may appoint another bank as its agent in a particular place, but the Reserve Bank will remain responsible and the Government's dealings will only be with the Reserve Bank.

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

"That for the proviso to sub-clause (1) of clause 21 of the Bill, the following be substituted:

"Provided that nothing in this sub-section shall prevent the Governor General in Council or any Local Government from carrying on money transactions with any Scheduled Bank or if there is no branch of any Scheduled Bank with any other Bank or the Government treasury or the sub-treasuries, at places where the Bank has no branches or agencies, and the Governor General in Council and Local Governments may hold at such scheduled or other banks or at such treasury or sub-treasuries such balances as they may require."

The motion was negatived.

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

"That sub-clause (1) of clause 21 of the Bill be omitted and a new clause be inserted after clause 21:

"21A. Any agreement made under this Act to which the Governor General in Council or any Local Government or Indian State is a party shall be laid, as soon as may be after it is made, before the Central Legislature and in the case of a Local Government before its Local Legislature also."

[Dr. Ziauddin Ahmad.]

Sir, in clause 21 (4), it is said:

"Any agreement under this section to which the Governor General in Council is a party shall be laid before the Central Legislature as soon as may be after it is made."

This provision is restricted to any kind of negotiations or money transactions between the Reserve Bank and the Governor General in Council. But if any transaction is made by a Provincial Government, there is no provision about the permission and I say that if any transaction is made between a Local Government and the Reserve Bank, in that case also we should have the permission of both the Provincial Legislature concerned and the Central Legislature, because, after all, the money belonging to the Provincial Government is as sacred as money belonging to the Central Government. We have to make provision in the case of the Central Government that the permission of the Central Legislature is necessary. But I think it is very desirable that we should make similar safeguards for the constituent provinces and States which will in future form the Federation of India. If we look after the welfare of the Federation as a whole, it is our duty to look after the welfare of the units forming the Federation. Therefore, this is really quite in keeping with the principle that, whatever we consider good enough for the Government of India, we should also consider good enough for the Provincial Governments and the Indian States. The amendment I am proposing is, therefore, quite in keeping with the principle of this proviso, and the benefits reserved for the Government of India finances should be extended to the Provincial Governments and the Indian States which in future will form part of the Federation. Sir, I move.

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

"That sub-clause (4) of clause 21 of the Bill be omitted and a new clause be inserted after clause 21:

"21A. Any agreement made under this Act to which the Governor General in Council or any Local Government or Indian State is a party shall be laid, as soon as may be after it is made, before the Central Legislature and in the case of a Local Government before its Local Legislature also."

**The Honourable Sir Brojendra Mitter** (Law Member): Sir, I find some difficulty in understanding this amendment, and am speaking only for the purpose of eliciting information from my Honourable friend who moved the amendment. The amendment says: "or Indian State". How can you compel an Indian State to do anything?

**Dr. Ziauddin Ahmad**: I am quite prepared to omit those words.

**The Honourable Sir Brojendra Mitter**: Then how can you compel a Local Government to lay anything before its Local Legislature or the Local Legislature to accept it? Supposing a Local Government does not do it, how can you compel it? Where is the provision for that? I can well understand, if the Government of India make default, you can pass a resolution or do something to compel them to take a particular action; but, in the case of inaction of a Local Government, what jurisdiction will the Central Legislature have? That is the difficulty I feel . . .

**Sir Cowasji Jehangir**: May I ask whether we are not giving power in this Bill to the Local Government to make agreements with the Reserve Bank? Cannot we provide that, if they do make such an agreement, then they shall place that agreement before the Local Legislatures?



**The Honourable Sir Brojendra Mitter:** My difficulty is this: is it any good making a provision which you cannot enforce?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Local Legislature will enforce it, just as this Legislature will enforce a provision with regard to the Government of India: when the Local Legislature is aware of such a power, they will enforce it as against the Local Government.

**The Honourable Sir Brojendra Mitter:** If the intention be giving mere instruction to the Local Legislature, then it may not be effective.

**An Honourable Member:** Why is it not practical?

**Mr. S. C. Sen:** Sir, I may be permitted to point out that sub-clause (2) of clause 21 provides:

"The Governor General in Council and each Local Government shall entrust the Bank, on such conditions as may be agreed upon, with the management of the public debt and with the issue of any new loans."

Here we are making it incumbent on the Local Government to entrust the management of their public debt with the Reserve Bank. Here is a provision which has been embodied in this Act under which, whatever the constitution of the Local Government in future may be, we are compelling them to entrust the Reserve Bank with their public debt. Cannot we then say that the Local Governments should also put before the Local Legislature the agreement which they make with the Reserve Bank?

**The Honourable Sir Brojendra Mitter:** We can say anything.

**Mr. S. C. Sen:** Under these circumstances, I do not think that the Honourable the Law Member has made his position clear. With these observations, I support the amendment.

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

"That sub-clause (4) of clause 21 of the Bill be omitted . . ."

**Sir Cowasji Jehangir:** It will have to be amended, Sir, by leaving out the words "Indian States".

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

"That the words 'or Indian State' in the amendment of Dr. Ziauddin Ahmad be omitted."

The motion was adopted.

**The Honourable Sir George Schuster:** Sir, there is one point which I would like to put to you, that, by making it a separate clause, it would refer to the whole Act and not merely to clause 21. An agreement as defined in those circumstances would be very dangerously wide. I do not know why my Honourable friend wishes to make it a separate clause.

**Sir Cowasji Jehangir:** You can amend it by putting it as sub-clause (4).

**Mr. President** (The Honourable Sir Shanmukham Chetty): Why does the Doctor want it as a separate clause 21A? He could omit sub-clause (4) and substitute this for the existing sub-clause.

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): It ought to be "21 (4)": it is a mistake of office.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair would ask Honourable Members not to lightheartedly say it is the mistake of the office.

**The Honourable Sir George Schuster:** I must put it to you, Sir, that it is not a mistake in printing, because I think my Honourable friend's purpose was to make it apply to any agreement, because he says "any agreement made under this Act", and the sub-clause which it replaces says "any agreement made under this section". I would put it to the House that "any agreement made under this Act" is very dangerously wide.

**Dr. Ziauddin Ahmad:** I am prepared to accept the words "under this section" for the words in my amendment, if it is acceptable.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair is prepared to help the Doctor to get out of the difficulty: does he want to substitute the words "under this section" for the words "under this Act"?

**Dr. Ziauddin Ahmad:** Yes, Sir.

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

"That in the amendment of Dr. Ziauddin Ahmad, for the word 'Act' the word 'section' be substituted."

The motion was adopted.

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

"That sub-clause (4) of clause 21 of the Bill be omitted and the following substituted in its place:

'(4) Any agreement made under this section to which the Governor General in Council or any Local Government is a party shall be laid, as soon as may be after it is made, before the Central Legislature and, in the case of a Local Government, before its Local Legislature also.'

The motion was adopted.

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

"That clause 21, as amended, stand part of the Bill."

The motion was adopted.

Clause 21, as amended, was added to the Bill.

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

"That clause 22 stand part of the Bill."

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

"That in sub-clause (1) of clause 22 of the Bill, after the words 'references in this Act to Bank' the words 'or currency' be inserted."

**The Honourable Sir George Schuster:** My Honourable friend has moved, but he has not explained. . . .

**Dr. Ziauddin Ahmad:** It is merely a verbal alteration.

**The Honourable Sir George Schuster:** . . . . and I must oppose also without explanation, but on the ground that these words, so far as I have been able to understand them, make nonsense.

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

"That in sub-clause (1) of clause 22 of the Bill, after the words 'references in this Act to Bank' the words 'or currency' be inserted."

The motion was negatived.

**Mr. V. K. Aravamudha Ayangar:** Sir, I rise to move:

"That in sub-clause (2) of clause 22 of the Bill, the word 'aforesaid' be omitted and after the word 'date' the words 'on which this Chapter comes into force' be inserted."

Sir, in the original clause 22, sub-clause (1), there was a reference to the "date on which this Chapter comes into force", and, therefore, in sub-clause (2), the word "date" referred to the "date on which this Chapter comes into force". The amendment which I move is only a drafting amendment, and I move.

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

"That in sub-clause (2) of clause 22 of the Bill, the word 'aforesaid' be omitted and after the word 'date' the words 'on which this Chapter comes into force' be inserted."

The motion was adopted.

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

"That clause 22, as amended, stand part of the Bill."

The motion was adopted.

Clause 22, as amended, was added to the Bill.

Clause 23 was added to the Bill.

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

"That clause 24 stand part of the Bill."

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

"That to clause 24 of the Bill, the following proviso be added:

'Provided, however, that no note of the denominational value of less than rupees five shall be issued by the Bank'."

Sir, we have all got a very unpleasant experience of one rupee and two and half rupee notes which were in circulation some time ago, and I think it is not desirable in a country like India to have notes of such small denominations, because very often they are lost, which means that the money is practically lost to the poor people. I think in other countries also it has been recognised that it is not safe and practicable to issue notes of smaller denominational value. In England the minimum value of the note is ten shillings, which practically amounts to Rupees seven odd, and so to have notes of smaller value than Rupees five will be very inconvenient to the poorer class of people and also for ordinary transactions. The experiment of issuing notes of small denominational value was tried by other countries just after the War,—I mean notes of the value of one franc and two francs, but they were found to be very inconvenient to handle and so difficult to carry that they were soon discarded. Sir, I think that we should always have small silver coin in preference to these paper notes. Though we have done away with gold, though gold is not in circulation, I think it is only right that at least silver coin should be in circulation. If we removed silver altogether from circulation and tried to introduce bank notes of smaller denominational value, many people who have got their silver holdings will suffer enormously. I think even the small five rupee notes that we have at present in circulation should be printed on better paper. Sir, people in this country are accustomed to handle silver and purchase things with smaller coins, and it will be very inconvenient to the people who are still quite foreign to the use of paper currency if you replace even the few silver coins that we have in circulation by paper currency.

Another important thing is that, in the case of silver currency, there is no necessity to replace the silver coins or to mint them again once they come back to the currency, but in the case of paper currency, we have to change them very often, both in size and form. I do not know what are the causes for making these changes, but we have been observing ourselves that the shape and size of five rupee notes have been practically changed from year to year. A new form has just been printed, and we have been given an assurance on the floor of the House that, as soon as these notes come back to the Currency Offices, they will not be re-issued and a new form will take the place of the existing ones. I wonder whether these changes are made on some currency principle or to patronise individuals. Even these five rupee notes are very badly handled, and I am afraid if we have bank notes of a smaller denomination of eight annas and four annas, it will be extremely inconvenient to the public. Therefore, though we agree that the Bank may issue notes of Rs. 25 and above, we ought to impose certain restrictions that, without the explicit permission of the Legislature, no notes of the value of less than Rupees five should be issued. I know that this experiment has been tried in many countries. We ought to learn from past experience and we ought not to copy what has

been found to be impracticable in the past. We know very well that many a time these notes of one rupee are lost, people do not know what to do, and the poor people suffer, though the rich people know how to look after their notes, because they generally keep a special valet or a sort of note-book in which they carry these small paper notes, but the poor people cannot afford to have all the facilities of a valet and things like that; they wrap their notes in a small piece of cloth, but should unfortunately the bundle of notes wrapped in the cloth get wet, the notes are practically as good as lost, and the poor man loses the entire amount. It is very difficult for poor people who go out in the morning for bath in tanks and rivers to wrap up these small notes in the little piece of cloth which they possess, because, if the bundle of notes gets wet unfortunately, then the whole money is lost. . . . .

**An Honourable Member:** Water proof notes?

**Dr. Ziauddin Ahmad:** If my friend suggests to have water proof notes, then you had better issue silver notes, because they will be cheaper in the long run, because these silver notes will not only be water proof, but they will also be fireproof, so that they will have a double advantage. In the interest of the poor people who have not got facilities for carrying these smaller paper notes, I think it is very desirable that we should impose a restriction that notes below the value of rupees five should not be issued without the express sanction of the Legislature.

Then there is another difficulty. There is a rule that if a note is soiled, it will not be accepted, and it will, therefore, be very difficult for poor people to keep these notes in good form. I think we ought to have silver currency, five rupees should be the minimum that ought to be allowed. The other difficulty is that the paper currency is already very large, and I think the securities against it is not sufficiently covered,—and this we will discuss later on,—in any case I think it is not desirable to encourage paper currency at the expense of silver coins.

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

“That to clause 24 of the Bill, the following proviso be added:

‘Provided, however, that no note of the denominational value of less than rupees five shall be issued by the Bank’.”

**Mr. B. R. Puri:** Sir, I had no mind to oppose my friend, Dr. Ziauddin Ahmad's amendment, but I do wish to place one fact before him for consideration, and it is this.

In the Punjab, at any rate, I am conscious of a very ugly fact, namely, that counterfeiting of rupee coins is going on to a very considerable extent. That being so, I think it is a source of a great deal of annoyance and inconvenience to those people who have to offer and deal with rupee coins, because, we know from experience in our province that in certain districts counterfeiting is going on, even in the interior of the districts, in the villages, and that has made the position of ordinary people really more awkward. As a matter of fact, we people also when we take our fees from our clients frequently insist that we should take it in paper and not in coin, because we find that a fair proportion of these rupee coins which are actually given to us ultimately prove to be bad coins. Therefore, I submit, that unless the present conditions improve, it would be a decided advantage and gain

[Mr. B. R. Puri.]

to these people if they were given notes instead of those false coins and sometimes finding themselves in jails because suspicion might fall upon a poor wretched man who is not able to defend himself. (*An Honourable Member*: "What about false notes?") So far as false notes are concerned, it is not an unknown thing; I am aware of it, but at any rate, so far as the present conditions prevail, there is no preparation of false notes going on to such an extent. There may be, I have known cases, but so far as the lower class of people are concerned, they will be better protected if they were made to handle, instead of rupee coins, smaller notes. Then, again, there is another aspect, and that is this. In any case, so far as the mere question of convenience is concerned, paper money is more convenient. If you have got Rs. 80 in rupees, you will be carrying one seer of load on you, whereas with eighty small notes—I am taking the case where one rupee notes are in circulation—to carry eighty small notes in your pocket—it would be a much less weight than carrying eighty pieces of silver. On that ground also, I would remind the learned Doctor that it would be perhaps more convenient to put a few paper notes in your pocket which are very light after all when compared with rupee coins.

**Mr. Bhuput Sing:** I do not think the amendment is necessary, because there is a provision that the denomination of notes shall not be changed unless otherwise directed by the Governor General in Council on the recommendations of the Central Board. We must have faith in the Central Board. Why should we think that they will go on changing the notes every now and then and introduce one rupee or two rupee notes? There should be no misapprehension on this point, and I do not think that this amendment is necessary.

**Rao Bahadur B. L. Patil** (Bombay Southern Division: Non-Muhamadan Rural): The last speaker argued that the clause itself was sufficient to prevent the issue of such small notes. But the experience of the Government of India is in favour of the Mover of this amendment. I am sure, the Government know full well that, when the rupee notes were in circulation, the poor people suffered very much and in many ways. Then, coming to the argument of my Honourable friend, Mr. Puri, I should like to remind him that he altogether forgot that we have got numerous instances in which currency notes are also counterfeited, but as the mischief attaches to both kinds of issues, we must see in what case the mischief is less in practice. In my humble opinion, the mischief caused by the counterfeiting of coin is much less, because the poor man, the ignorant, uneducated man, who is always the victim, can detect whether the coin is a good coin or a bad coin, but in the case of currency notes it will be very difficult for the ignorant people to find out whether the currency note is a genuine one or a counterfeit one. Therefore, in the interests of the poor and the ignorant, I think the amendment is a well conceived one.

**The Honourable Sir George Schuster:** Sir, we are not discussing now whether one rupee notes should be immediately issued or not. We are merely discussing whether the Bank's hands should be tied as regards future issues. Sir, I must oppose this amendment. We think it desirable that the Bank should have a free hand. As for the desirability of issuing one rupee notes again, I should like to say that my Honourable friend, Mr. Puri, is perfectly right when he says that the counterfeiting

of coins is a much more serious practical danger than the forgery of notes, and it is much more difficult to detect. Sir, I oppose this amendment.

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

"That to clause 24 of the Bill, the following proviso be added:

'Provided, however, that no note of the denominational value of less than rupees five shall be issued by the Bank'."

The motion was negatived.

Clause 24 was added to the Bill.

Clause 25 was added to the Bill.

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

"That clause 26 stand part of the Bill."

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

"That in sub-clause (2) of clause 26 of the Bill, before the words 'The Governor General in Council' the words 'On recommendation of the Central Board' be inserted."

I think it is only fair that, as the Reserve Bank is the issuing authority, the recommendations must go from the Reserve Bank and the final permission from the Government, and if, in a matter like this, the Government begin to interfere without any recommendation of the Central Board and issue a certain thing, then the whole equilibrium will be upset, because when you consider. . . . .

**The Honourable Sir George Schuster**: If it is of any help to my Honourable friend I may at once tell him that we see no objection to this amendment.

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

"That in sub-clause (2) of clause 26 of the Bill, before the words 'The Governor General in Council' the words 'On recommendation of the Central Board' be inserted."

The motion was adopted.

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

"That clause 26, as amended, stand part of the Bill."

The motion was adopted.

Clause 26, as amended, was added to the Bill.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 16th December, 1933.