

LEGISLATIVE ASSEMBLY DEBATES

(OFFICIAL REPORT)

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SIXTH SESSION OF THE FOURTH LEGISLATIVE ASSEMBLY 1933



Legislative Assembly.

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

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LEGISLATIVE ASSEMBLY.

Thursday, 21st December, 1933.

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.

PROGRESS OF THE INDO-JAPANESE NEGOTIATIONS.

Mr. President (The Honourable Sir Shanmukham Chetty): Short Notice question by Sir Cowasji Jehangir.

Sir Cowasji Jehangir: Sir, I beg to ask the following short notice question:

Are Government in a position to make a statement regarding the progress of the Indo-Japanese negotiations?

The Honourable Sir Joseph Bhore: Sir, considerable progress has been made with the negotiations, and Government are hopeful that they will be brought to a satisfactory conclusion in the near future.

Nawab Major Malik Talib Mehdi Khan: Are Government aware that the cotton crop is now ready for marketing and that, if the negotiations fail, the position of cotton growers will be very difficult?

The Honourable Sir Joseph Bhore: I can assure the Honourable Member that Government have not overlooked the desirability and the importance of safeguarding the interests of the cotton grower, and, should the negotiations unhappily break down, they will be prepared to deal with the situation. (Applause.)

MOTION FOR ADJOURNMENT.

ALLEGED PUNISHMENT OF A MAN FOR OFFERING HIS PRAYERS ON THE LAHORE RAILWAY STATION PLATFORM.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair has received a notice from Maulvi Muhammad Shafee Daoodi that he proposes to ask for leave to make a motion for adjournment of the business of the House for the purpose of discussing a definite matter of urgent public importance as follows:

"The high-handed attitude of Mr. Wheeler, Assistant Rolling Stock Officer of Carriages at Lahore, North Western Railway, culminating in the punishment of a man for offering his prayers on the railway platform."

[Mr. President.]

The House has not got any information on this point at all as to when this occurred, how it is definite and how it is urgent, and the Chair would like the Honourable Member to say how this motion would be in order within the rules.

Maulvi Muhammad Shafee Daoodi (Tirhut Division: Muhammadan): Sir, we have got information from men in Lahore, and that information was also published in the vernacular daily papers of Lahore . . .

Mr. B. R. Puri (West Punjab: Non-Muhammadan): What is the date?

Maulvi Muhammad Shafee Daoodi: One is the *Siyasat* and the other is the *Inquilab*. Both these are important vernacular papers of Lahore.

Mr. President (The Honourable Sir Shamsukham Chetty): What is the date?

Maulvi Muhammad Shafee Daoodi: The information was published on the 30th of *Shaban*, which was on Monday last, and this came to me yesterday in the morning, and then and there I thought I must take some action in the matter, and so I have made this motion. The news says that this gentleman, Mr. Wheeler, had been doing many other things, to which objection had been taken by public men as well as by the Press. Recently he punished a *bhisti* who was cleaning the carriages for saying his prayers on the platform. This Mr. Wheeler also warned the officer under whom this *bhisti* is working. This happened, as the papers say, only a few days ago. The date is not mentioned in this at all. This is a fact, and that is why I have brought this motion today.

The Honourable Sir Brojendra Mitter (Law Member): Sir, I object to this notice on the ground of indefiniteness. The notice refers to "the high-handed attitude of Mr. Wheeler", not any act of Mr. Wheeler, but his attitude. Sir, I would remind you of what a learned Chief Justice of England once said: "the devil himself knoweth not the mind of man". How are we to discuss the attitude of a Mr. Wheeler or anybody else? If it were any definite act, I could understand it.

The next thing is the punishment of "a man". Who that man is we do not know. How are we to answer any adjournment motion without knowing which man was punished.

The third objection relates to the punishment. We do not know whether the punishment was awarded by a competent magistrate or by whom, or whether the order of punishment is under appeal or not. Somebody was punished by somebody, and we are to discuss it.

Then, fourthly, we do not know when this thing occurred. Even now, Maulvi Shafee Daoodi cannot tell us when this incident happened. He said that it was published in some Lahore newspapers on Monday last, but we are not interested so much in the date of the publication as in the date of the incident. Whether it is an urgent matter or not, we cannot say. On these grounds, Sir, I oppose this motion.

Sir Owasji Jehangir (Bombay City: Non-Muhammadan Urban): Mr. President, I understand from my friend who has made this motion that

the allegation is a definite one, of having prevented a Government servant from saying his prayers. That is a definite allegation. Now, as to the date, I understand from my friend that he has brought the matter to the notice of this House as soon as he was made aware of it. However, if the Honourable the Railway Member will undertake to investigate this matter and do justice and act equitably in the matter, my friend will not press for this adjournment motion at all.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): I shall be most happy to give my friend and the House the assurance that I shall go into this matter at the earliest possible opportunity and have a full investigation made if my friend will communicate to me the actual details of the incident.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): I should like to say a few words on the question of objection raised by the Leader of the House that the matter is not definite.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair must first know from the Honourable Member who has moved this motion what he has to say in view of what the Honourable the Commerce Member has said.

Maulvi Muhammad Shafee Daoodi: If investigation will be made and the man will be properly dealt with, I shall be quite satisfied. I don't want to press this motion if a definite promise is made that an investigation will be made by the Honourable Member and the man will be dealt with.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member must make up his mind in the terms of what the Honourable the Commerce Member has said.

Maulvi Muhammad Shafee Daoodi: Sir, in view of the assurance given by the Honourable the Railway Member, I do not press my motion.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the following amendment moved by Mr. Sitaramaraju:

"That after clause 53 of the Bill, the following new clause be inserted and the existing clause 54 be re-numbered as 54A:

"54. The Bank shall at the earliest possible date and in any case within two years from the date on which this Chapter comes into force, establish a Rural Credit Department of the Bank as a distinct department of the Bank, on such terms and conditions regarding the financing and the method of working of the Department as the Bank and the Governor General in Council may agree upon."

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): Sir, I wish to make it perfectly clear that the question of rural uplift has my fullest sympathy, and though I do not see my way to support this

[Khan Bahadur H. M. Wilayatullah.]

amendment in its present form for reasons which I shall state later on, I wish to say clearly, to remove all chances of misunderstanding, that I am as sorry as anybody else in this House over the over-indebtedness of our poor peasantry. No Government of any country, and particularly the Government of this country which is essentially an agricultural one, can afford to overlook the welfare of their peasantry in their own interest. Our greatest concern should always be the uplift of the rural masses and the relief of their distress. In fact, the strength of every country is the development of a strong and prosperous peasantry. In their well-being lies the welfare of the country. This reminds me of the famous lines of Goldsmith:

"But a bold peasantry, their country's pride,
When once destroyed, can never be supplied."

Unfortunately rural indebtedness has assumed alarming proportions, the total figure is given somewhere in the neighbourhood of about Rs. 900 crores. The causes leading to this state of affairs are many. In the first place, our tenantry is extremely ignorant; they are improvident, they have yet to learn thrifty habits, and are often extravagant,—thanks to the tyranny of the customs they live under. If the tenant requires money for agricultural needs or purposes such as marriage, funeral, etc., he does not mind agreeing to any terms that might be imposed by his creditors without the least consideration as to whether he would be able to pay back the loan with its interest within a reasonable time. There are also other contributory causes, such as lean years, famine, flood, frost, drought and rust which serve as a set back to him for many years whenever they happen. Epidemics break out amongst his cattle, and there is always some kind of cattle disease present in his village or in its neighbourhood. All these causes contribute to increase his indebtedness. His ability to resist vicissitudes has always been very feeble, and, under the present world-wide depression culminating in the low prices of agricultural produce he finds it very difficult to meet his liabilities so far as the Government and his creditors are concerned. His expenses are rising, his family is growing, and his receipts have been going down, and it need not be wondered at that his indebtedness has assumed such a large figure. Government have made and are making efforts to reduce the indebtedness.

Speaking for my own province, the Central Provinces, where I spent 32 years in service, and was in close contact with the agriculturists as a revenue officer, I had several occasions to undertake works in order to find some relief for the agriculturists in their indebtedness. In the Saugor district, in the year 1898-99, the tenants of Khurai Tahsil were found in a most wretched condition. There had been a succession of bad crops and terrible famines. The land was passing out of cultivation; there were no plough cattle, there was no seed to be found either. The problem was a very difficult one. Government had to spend lakhs and lakhs of rupees over famine relief, but prospects were gloomy. A system of debt conciliation was started, in which some revenue officers including myself took part. We went from village to village and enquired into the case of every tenant to ascertain as to what his debts were, and what his capacity was to pay them back. We had to fix what portion of the debt each tenant could be expected to repay within a reasonable time. His creditors, who were also present at the inquiries, were then asked

either to advance a fresh loan to enable the tenant to buy plough bullocks and seed, or to agree to the remission of that portion of the debt which the tenant was obviously unable to pay. There were some unwilling creditors in the beginning, but a majority of them soon saw that the proposition was a reasonable one and also for their own benefit and so they agreed. The result was that lakhs and lakhs of rupees were remitted by the creditors, and, in addition, Government distributed large sums of money in the shape of *takavi*, knowing full well that they would not be able to recover the whole of the amount,—perhaps a great deal of it was remitted afterwards. The same measures were adopted in the Betul district in 1903-04. There were debt conciliation proceedings and tenants including *malguzars* and large landholders were given a fresh start of life. In the Betul District, it was found that there were huge arrears of *takavi* outstanding from these tenants. These were also overhauled. I made these inquiries in the Betul tahsil, and, on my recommendation to the Government, only perhaps one-tenth of the whole amount was retained, and that also was made payable by instalments, and the remainder of it was remitted by the Government entirely. Thus, Government have done and are doing whatever is possible to give relief to the poor tenants and efforts have also been made to reduce their debts. Even now, in many districts cases of sale of land are transferred from the civil courts to the Collector and the Collector tries to save as much land as possible for the tenants. In the Saugor district, there was also abatement of settlement when I was on duty there. Thus, Government have been doing a great deal, but what is the result in the end today? After the lapse of some years, although the debts were wiped off, we find that our tenantry is again in the same helpless condition, perhaps worse. There is no restriction upon them to incur fresh liabilities, and they are able to borrow money as soon as there is prospect of repayment, and their local money-lenders impose their own terms on them and advance any amount of money they want.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Remissions of debts due to the creditors or to the Government or co-operative banks?

Khan Bahadur H. M. Wilayatullah: The debts due to creditors were written off. Supposing a man had to pay Rs. 5,000, and it was found after enquiry that he could not pay more than Rs. 500, and even that amount only in the course of five or ten years, all the surplus debt was written off. It was given up willingly by the creditors who got fresh documents executed for the portion of the amount the tenants could pay, and thus a fresh start of life was given to the tenants. That is what I meant. Government also remitted their demand, and advanced easy loans for agricultural needs and improvement of lands.

Sir, Government have founded co-operative banks and co-operative societies. They are also taking steps for the consolidation of holdings which lie scattered. This is being done in parts of the Chattisgarh division. But after all these efforts in the two districts of Saugor and Betul, the tenantry today is in much the same condition.

Sir, turning now to the amendment, my Honourable friend proposes that, after the lapse of two years of its existence, the Reserve Bank should undertake this gigantic task of grappling with rural indebtedness, and

[Khan Bahadur H. M. Wilayatullah.]

should apply its funds for financing the ryots for all their legitimate agricultural needs. The problem of rural indebtedness is the greatest problem which our country will one day be called upon to solve. It cannot be dealt with so casually by an amendment of the clauses of the Reserve Bank Bill. It would need the best brains and the best efforts that our country is in possession of, and I am afraid that to ask the Reserve Bank to undertake this enormous task of financing rural credit is to invite disaster. The Reserve Bank will have more than enough to do in connection with the currency and we all will have reason to be grateful to it if it is able to provide us with sound currency and a stable financial position. Such a Bank cannot be expected to link its fortunes with a bankrupt tenantry. The result of such a scheme will be nothing but disaster. There are practical difficulties in the way. We have no conception of how the Bank will proceed against indebtedness. It can only finance co-operative banks, and, for this purpose, the co-operative banks should first be improved and reinforced, so that they can be connected with the Reserve Bank. At the present time, some of the co-operative banks in the Central Provinces are finding themselves in very low water. Some of the loans have turned out to be bad debts. They have had to fight tedious and expensive suits to recover their dues, and in a very large number of cases they found that the land which was mortgaged to the co-operative societies was also subsequently mortgaged to others and was so encumbered that it was beyond all hope of redemption. If it is put to auction, there are no bidders. The banks are unable to cultivate these lands and, if they take possession of them, they are still liable to Government for land revenue and rents. It is not always possible to recover the loans from the moveables and when the agricultural implements, cattle, house, seed, personal clothing, utensils and *stridhan* are excluded, there is nothing left from which the loans can be recovered. Thus, the co-operative banks are in a very bad way, not because of want of funds or of any short-sighted policy on their part, but they have found that the tenantry is so wretched and the load of debts so great that they are powerless and there is nothing to recover from. I am not an alarmist. I do not believe in the repudiation of liabilities. I have often felt like my friend, Khan Bahadur Mian Abdul Aziz, who said the other day that the only solution, if it can at all be called a solution, was repudiation. My meaning is well illustrated by a line of Ghalib:

"Dard ká hañ se guzerná hai dawá hojáná."

which means "when the pain is too great and goes beyond a certain limit, it becomes its own remedy". The question of debts will solve itself when the debtors will have nothing to pay. It is for these reasons that I oppose the amendment in its present form. The proposed amendment will jeopardise the sound working of the Reserve Bank and the very existence of the Reserve Bank will be in great peril. It will weaken Indian credit in the money market, and if there is lack of confidence in the currency of the country, trade, commerce and industry will all suffer. Relieve the peasantry by all means by improving and reinforcing the co-operative banks and taking any other course that may be possible, but I feel that it will be a dangerous experiment if we link the Reserve Bank directly with rural indebtedness. That will be for the benefit neither of the country nor of the Reserve Bank. For all these reasons, I oppose the amendment, with

the qualification that something should be done for rural indebtedness, and, the sooner this question is taken up, the better it would be.

Mr. P. G. Reddi (Guntur cum Nellore: Non-Muhammadan Rural): Sir, I rise to say a few words in support of the amendment of my friend, Mr. Raju. If I intervene in this debate at this stage, it is not merely to add to the mass of debate, but to show the depth of feeling we, on this side of the House, possess on this matter. Coming as I do from a rural constituency, I claim to have some first-hand knowledge of the needs and difficulties of the rural population and the ryots of the Madras Presidency.

In my Presidency, both the ryotwari and zamindari systems prevail. But the woes of the cultivator are common. His poverty is proverbial and his miseries are too numerous to be told. He is groaning under the weight of taxes, and the low prices of agricultural produce have driven him to utter despair. The majority of them are sunk into debts, heavy or otherwise. Under these circumstances, I need not emphasise that the greatest need of the hour is finance on a low rate of interest coupled with easy terms of repayment.

It is urged in some quarters that the ryots are imprudent, and facile credit is likely to do them more harm than good. May I remind Honourable Members who hold this view that the very foundation of the co-operative movement is thrift and rigid economy? May I also remind them that the greatest care is taken to see that loans are used for the very purposes for which they are given? The Department is scrupulously enforcing this rule. Are they not also urging incessantly for the flow of loans for productive purposes?

Another objection raised is that, by the land mortgage schemes the money-lender alone will be benefited and that the ryot continues to be still in debts. Such cases are exceptional. They occur where either the loan advanced is itself imprudent or the ryot grows imprudent or vicious. But I do not contend for a moment that the land mortgage bank will help all agriculturist debtors out of their debts. It is also true that there are many pitfalls. But after the experience the country and the Department have gained during the past 20 years, I am certain that we can steer clear of such difficulties. The department has never lost sight of the Egyptian experiment.

There is also one another objection. It may be argued that it would be unwise to advance crores of rupees without proper safety. I may assure the Honourable the Finance Member that the security on which the loans are advanced is always safe. In many cases loans are covered by first mortgages of real property. It is also important to note that the whole structure is under the direct supervision of the officers of the co-operative department which has now considerably developed and contains many trained and efficient officers.

The amendment under consideration has two special features that commend it to the acceptance of this House. In the first place, it avoids hasty action. Government will get sufficient time to give shape and size to this Rural Credit Department and that too fully according to their discretion. In the second place, it does not tend to hamper the work of the Reserve Bank in any way. The main object is to link the Rural Credit Department with the biggest and the soundest financial institution of this country so that its strength and efficiency may increase. If such a step is taken, the Reserve Bank will really become a national institution

[Mr. P. G. Reddy.]

embracing the destinies, and, consequently, the confidence, of the entire population of this vast Indian Empire.

Sardar Sant Singh (West Punjab: Sikh): Sir, I rise to support this amendment. It is admitted on all hands that the agriculturist is in a bad condition today. The agriculturist is pursuing his profession today, not because it pays, or is a business proposition, but because he cannot go anywhere else and he must manage to exist as best as he can. Government are not unaware that history records many instances where bloody revolutions have resulted due to agrarian distress when carried to the point of desperation. We have to guard against such conditions developing in India at the present moment. If any evidence was needed to prove the existence of some such conditions, the evidence has been forthcoming on the floor of this House from a responsible official in my Province—I mean Khan Bahadur Mian Abdul Aziz, who has openly declared that the agriculturist must repudiate his debts if he wants to get out of his distress. Another piece of evidence has come from another nominated Member from the Punjab. He ~~was~~ lately a responsible Minister in the Province and he has very eloquently appealed to the Honourable the Home Member for the suspension not of the *Habeas Corpus* Act, but of the criminal law of the land. He wants that a Jat's *lathi* should take the place of a cheque on the Bank. He wants that these streets of Delhi, which are familiar with the wholesale massacres of the past, should once more witness the same conditions prevailing here.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Start with the Assembly.

Sardar Sant Singh: Yes, probably a Jat's *lathi* here too may be more effective than the peaceful arguments of the Raja Bahadur advanced in such a sweet conversational style from his place in the Assembly. However, this is a piece of evidence which should not be ignored. If such counsels of desperation are made even on the floor of this House where we are expected to be responsible for what we say, I think the time has come when the Government should take stock of the situation and provide remedies for the same. There is no doubt, Sir, that the principle of the scheme of a Rural Credit Department is admitted in the Bill itself, but what the Government want is a report from the Central Board of the Bank after it is set up, and the Government admit that, within three years, such a report should come. Well, what we on this side of the House are afraid of is the fact that such reports are already in existence in plenty. There is the report of the Royal Commission on Agriculture, there is the report of the Banking Inquiry Committee in the minority portion of which much stress has been laid upon this indebtedness of the agriculturist. The position is this. If the mere making of a report can help the agriculturist, he would have been helped much by this time, but the mere production of a report is not what goes to relieve the distress that prevails in the countryside of every province. Therefore, what we want is to commit the Government to a definite period during which that report is to be acted upon and is to take practical shape so that help may be rendered to the agriculturist in his own home. What the amendment proposes is that the matter should not be left to report-making alone.

but that something practical should be done to help the agriculturist. Sir, I am quite conscious of the fact that the mere cheapening of credit would not help the agriculturist. Other steps must be taken by which this indebtedness may be removed. One cannot imagine that three crores or five crores of rupees would help to remove about one thousand crores of rupees of agricultural indebtedness, but the very provision of the setting up of a Rural Credit Department will have its own moral effect upon the money market in which the agriculturist transacts business, and it will go to reduce the rate of interest, and it may help the agriculturist to introduce reforms in his own manner of living, and so on. A method may be devised by which the debt may be realised slowly so that, after the lapse of a certain number of years, the debt may be entirely washed off.

Captain Sher Muhammad Khan Gakhar (Nominated Non-Official): Stop the interest too.

Sardar Sant Singh: My Honourable and gallant friend, who probably is a debtor himself, wants to stop the interest, but how long will the stoppage of interest help him? Can there be any guarantee that if the principal is wiped off and the interest is stopped, he will not borrow again? There can be no such thing. The mere repudiation of debt and the mere stoppage of the interest would not help anybody. Human nature being what it is, the borrower will borrow again if borrowing becomes necessary, but if we can inculcate the habit of thrift and the habit of saving by legislation, I think it will help the agriculturist much better than the mere stopping of interest or the mere repudiation of debt. (Hear, hear.) On the contrary, as my friend, Mr. Puri, observed, this might encourage them to borrow recklessly and unnecessarily if such facilities were granted. Therefore, I would urge the Government to adopt certain measures by legislation by which the indebtedness of the peasantry will be done away with. With these words, I support the amendment.

Dr. F. X. DeSouza (Nominated Non-Official): Mr. President, I am in entire agreement with my Honourable friend, Mr. Jadhav, when he said that cheap credit has not always been an unmixed blessing to the ryot. On the contrary, it was when cheap credit was made available to him that his miseries began. Honourable Members are aware that, when under the ryotwari settlement the ryot's holdings became heritable and transferable, a security was furnished upon which the money-lender could advance him loans from time to time, and it is these loans which have accumulated in course of time and soared to astronomical figures, according to one authority to as high as Rs. 900 crores and, according to another authority, to as high as Rs. 1,500 crores. Now, with regard to this question of general rural indebtedness, so acute an observer with first-hand knowledge as my Honourable friend, Khan Bahadur Mian Abdul Aziz, has come to the conclusion that, notwithstanding the depression, the ryot goes on in the even tenour of his ways, and that his poverty and his misery are neither more nor less than before, but that the person really hard hit by the depression is the money-lender who does not receive either the instalment of his loan or his interest. To the same conclusion came the Honourable the Finance Member who, after examination of a large number of budgets of ryots in several Punjab villages, found that the person who was really hard hit by the depression was the village money-lender. In fact, it would seem from this evidence that, so far as the village ryot is concerned, Banks may come and ratios may change, but his poverty and misery go on for ever.

[Dr. F. X. DeSouza.]

If that is so and if the credit facilities are extended to the ryot in the way proposed by the present amendment, who will benefit? Would it not be rather a relief to the money-lender who will be able to get back an instalment of his loan with the interest, and not to the ryot? I, therefore, ask that, before credit facilities are extended to the ryot, this aspect of the question should be seriously considered.

I venture to say that, at the present moment, what the ryot wants is not facilities for cheap credit as control over the manner in which he uses his credit when he gets it. In one of his most brilliant generalizations, Sir Henry Maine has observed that the progress of society from ancient times to modern times is the progress from status to contract. Today, I venture to think, the progress is the other way about, it is from contract to status. For, if you observe the growth of the Fascist State in Italy, the Communist State in Russia or the condition in the United States of America, where, under the iron hand of President Roosevelt, you see a system of economy being elaborated in which wages are raised by the will of the State, hours are shortened at the will of the State and quotas are prescribed at the will of the State. You notice that there is no longer freedom of contract in the economic field. I venture to think that a similar change is necessary in the economy of this country. We want a change from contract to status. If I have learnt anything from my experience of many years on the Bench, it is this that the position of the ryot in the villages has been completely altered for the worse by the enforcement of the British Law of Contract and the British Code of Civil Procedure (*Raja Bahadur G. Krishnamachariar*: "And the Evidence Act.") and, the Evidence Act. Sir, the Indian Contract Act, based as it is on the English law of contract, contemplates a state of society in which one man deals with another at an arm's length. The Code of Civil Procedure contemplates a state of society in which the decree holder and the judgment debtor are equally on the alert. But when these two systems are introduced in a country where the money-lender, for example, is always in a position to dominate the will of the borrower and where the judgment debtor is regardless of what happens to him, is it surprising that the ryot groaning under the accumulating load of debt sees little or no prospect of ever being able to wipe off his debt?

In an extremely thoughtful article contributed by the Marquess of Lothian to the current number of the *Contemporary Review*, he suggests that, when things have come to the pass, there are only two alternatives open to the Government. Those two alternatives are, either full-blooded communism or capitalism tempered by democratic control. It is true that two responsible Members of this House, one a high official of the Government of the Punjab having an important Division under his charge, and another an ex-Minister, have frankly advocated communism. They have frankly advocated the repudiation, pure and simple, of all agricultural debts. The ex-Minister has gone further, he advocated a reign of terror free from the restraints of the criminal law, under which, by means of a *lathi* charge, the Jath debtor will be able to relieve the money-lender of his surplus wealth.

Hon. Captain Rao Bahadur Chaudhri Lal Chand (Nominated Non-Official): What I meant to say was that, under the present system, the rich were growing richer and the poor were becoming poorer, and, therefore,

some ways and means should be devised to disburden them of their surplus wealth.

Dr. F. X. DeSouza: Sir, in all probability, it is the proximity of the Punjab to the Soviet countries that has induced this frame of mind in these two gentlemen and we must be thankful that we in the South, so far at least, are free from this infection.

Sir, I for one believe that the latter alternative propounded by the Marquess of Lothian that capitalism tempered by democratic control is the better one. Now, Sir, land, after all, is the basis of all economic activity and, if it cannot be nationalised, as it would be in a purely socialistic scheme, it should be nationally managed.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The time has now come when the Chair must intervene and stop any discussion on the proposals for a general economic revolution or reform. Honourable Members must now confine themselves to the creation of a Rural Credit Department in the Reserve Bank.

Dr. F. X. DeSouza: Sir, I shall not pursue any observations on this aspect of the case any further. All that I would like to say is that mere extension of facilities for obtaining credit given to the ryot will in no way advance the cause of rural uplift. The disease is desperate, it can be cured only by desperate remedies. Agriculturists should start with a clean slate by their debts being settled by Debt Settlement Tribunals; attempts will have to be made to prevent fragmentation of holdings by recasting the Hindu law of inheritance; and agriculture will have to be planned on the lines of a five year plan.

It is by these heroic remedies that prosperity can be restored to the country side and not, as my Honourable friend, the Raja Bahadur, said, by peripatetic lectures on the use of fresh air and pure water and good milk supply, nor by committee of enquiry consisting of arm-chair politicians or economists touring the country, as is now contemplated. With these words, I oppose the amendment.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa : Muhammadan): Sir, I whole-heartedly support the amendment moved by my Honourable friend, Mr. Raju. There cannot be two opinions that agriculturists require some help, and that help, which they require, should be afforded to them in the right manner. Even my Honourable friends, Mr. Abdul Aziz and Mr. Wilayatullah, have not said that they do not require help. The agriculturists are in need of help and, I think, even the Treasury Benches, including the Honourable the Finance Member, cannot deny that. The question is how to help them. The only question is, whether we can help them by the repudiation of debts or by remission of revenue or the amount which they pay to the landlords. No, Sir, these means will not be of any help to them. As to repudiation of debts, I can safely say that Islam as well does not allow any repudiation of debt at all. In Islam, it is binding that, even if a man is dead, his friends or relatives should pay the debt and then bury the dead body. There are many cases about this in Islam. Even our Prophet once raised some money to pay the debt of a dead body. Islam never allows any repudiation of debt. Apart from this, this debt is a kind of contract, and if we

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are not going to respect our contract, I cannot say what contracts we can respect. If this system of repudiation of debt will go on, it will ruin the whole system of contract in India and no one will respect the contract of another.

The other question is about rent. I think this is not also of any use to the tenant, because, in my opinion, the tenants are not in trouble on account of the fact that they pay a certain amount of rent to the landlords; nor the landlords are in trouble, because they pay rent to the Government. The real cause of this trouble is the indebtedness and the high rate of interest.

Then, comes the question of how to solve them. The Provincial Governments are making attempts in enacting certain Acts. I have seen the Bill under discussion in the U. P. Council. I think these measures will not in any way help the tenants. The real source of help will be if money is available to these agriculturists at a cheap rate of interest. Then the rate of interest on the whole of India will come down. Unless money is available, these agriculturists will have no alternative but to take loan at high rate of interest from money-lenders. The only course for helping them is that we should try to decrease the rate of interest, and we can do that by having this Rural Credit Department of the Reserve Bank. This is a measure which really affects all of us, this is a measure which will help the landlord and the tenant alike. I do not think the Government want to ignore the interests of the agriculturists.

Now, the question of precedents comes. My Honourable friend, Mr. Raju, pointed out the other day that in other countries some such departments were actually in existence. When these departments have worked successfully in other countries, I cannot understand why this department cannot work here in India. Really I want to know from the Honourable the Finance Member, when he is going to reply, that when the system has worked satisfactory in other countries, he must give a trial at least to this system and he must accept this amendment, an innocent amendment, moved by Mr. Raju. It does not make the whole Bill absurd, rather it improves the Bill materially. This is a measure which is required by the agriculturists of this country. Sir, with these words, I support the amendment.

The Honourable Sir George Schuster (Finance Member): Sir, we have had, what I regard as, an extremely interesting discussion on this amendment. The House is perhaps not very well attended, but I must say that to one, who has listened carefully to all the speeches, there has been matter of great interest throughout and I feel that we have got rather closer to realities in this discussion than we usually get. We had very interesting speeches from the Raja Bahadur, from Mr. Jadhav and from my Honourable and gallant friend, Captain Lal Chand, yesterday, and today we have again had extremely interesting speeches and although my Honourable friend, Dr. DeSouza, was held up by you, Sir, for going rather too wide in his philosophical examination of the position, still I feel sure that even you would have admitted that, if time was available, what he was dealing with was really the necessary setting to the consideration of this problem. But I must try and get back to the question of practical measures.

It seems to me that this question of rural credit raises a great number of complicated issues, and it is perhaps unfortunate that an omnibus

phrase of that kind has got to be used, for it covers such a variety of different problems. It seems to me that we have to keep our minds clear and to distinguish the various aspects of the problem. For instance, we must distinguish between the necessity for, and the type of measures that are required for, dealing with accumulations of past indebtedness. That is one question which may, for reasons which I shall deal with later, perhaps be becoming a particularly acute problem now; but we must distinguish that from provisions for establishing a credit machinery which will work in the future. Those are two distinct aspects of the problem. Then, again, we must make a distinction between machinery for providing long-term credit and the machinery for providing short-term credit. That has an important bearing on this whole question, because no one would suggest that this Reserve Bank, even if it were to intervene in the rural credit business, should tie up its funds in giving long-term loans. For that it would be necessary to create a separate machinery,—land mortgage banks possibly, which may in the present circumstances possibly be particularly necessary. Then, again, I think we must draw a marked distinction between the needs of the poorer cultivators and the needs of the large cultivators, the larger Zamindars and the landlords. We have had speeches dealing with all these points, but we have to consider the machinery that is to be set up, I think we must keep our minds clear as to what the needs are and what is the proper machinery for dealing with these things. Now, Sir, I want to make it quite clear that the Reserve Bank cannot possibly deal itself directly with all these needs. We all hope that the Reserve Bank will perform an important function in the country. But let us not exaggerate the importance of the function which it can perform. It is there to provide proper co-ordination, control, and support by means of reserves, for the general banking system of the country. It is not intended to go out itself and to usurp the functions of the banks or other organisations which are dealing direct with individuals for credit. It is there, rather to stand behind them, to co-ordinate them and support them.

Now, Sir, having said something as to the actual problem, I want to say a few things about what can be achieved through credit machinery. What I have to say has already been said by other speakers in various ways. What I think it is essential for us to realise if we are aiming at improving the lot of the agriculturist, and particularly the poorer agriculturist, is that it is no use lightening the load of existing indebtedness or providing better facilities for cheap credit in the future unless you put the cultivator into a position of being able to take advantage of that improvement in his conditions. And that means a great many things outside credit machinery. That means teaching him better methods of agriculture, providing him with better economic outlets and inculcating in him habits of thrift. Now, Sir, I am afraid I cannot agree with my Honourable friend, Sardar Sant Singh, that you can inculcate habits of thrift by legislation. I do not want to stray too wide in my review of the situation, but this is such an interesting problem that it is hard not to speak at length on it or make a broad review. For it does seem to me to be a matter of great interest to study how the agricultural populations of the world work in various countries. I feel that at any rate in parts of India at present with their present standards of education and their present traditions, there are large parts of the rural population of India which, whatever you may do for them, will somehow or other reduce themselves to a position of working for a bare margin of

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subsistence. If their conditions improve, they do, of course, to some extent improve their standard of life, but equally they take advantage of their improved conditions to mortgage their credit for the future, and then they are left very much as they were before. There are very interesting studies of that whole subject in a most valuable book, that book by Mr. Darling on "The Punjab Peasant in Prosperity and in Poverty"; and it is extremely interesting to read from that that in the canal colonies, for example, where the most has been done for the people and the improvement of their conditions has been most striking, after the first few years of enjoyed prosperity, they do seem to get into debt again, and that, in other parts of the Punjab where conditions are harder and the people have perhaps more tenacity of character, they continue their struggle for existence under much greater difficulties and yet without getting into debt.

A great deal depends on the character of the people. There are in various countries peasantry, let us say in Belgium or Scotland or in Denmark, where the people have strong habits of thrift, where they will work for 12 hours a day, acquire no luxurious habits and really save and improve their position. It is countries like that where good credit facilities are able to effect most. I have watched the position also in Africa and there, I must say, I came to the conclusion,—a conclusion not unlike that which was reached by an official in Madras who was quoted with great criticism by my Honourable friend, the Raja Bahadur,—I did come to the conclusion that, if you left to the man who was working on the land more than a bare margin of subsistence, he simply sat back and employed some one else to do the work, and that the man who was actually left working on the land was still working on a bare margin of subsistence; and that it, therefore, was not entirely wrong or hard-hearted to say that it was quite a good thing for Government to take a considerable revenue from a particular area and use the money which they took for the general improvement of the country, for expenditure on education and that sort of thing. However, Sir, I am afraid that I am falling into the error for which you pulled up Dr. DeSouza and I must not enlarge on that subject any further.

I only want to say this—that if our object is to improve the condition of the agriculturist, then that means a complete revolution in the countryside, better education, better marketing methods, better methods of agriculture and the acquisition of habits of thrift, which are all extremely desirable and for which we all ought to be working and every Government authority ought to be working, but which are far beyond the scope of anything which the Reserve Bank can do. Now, Sir, that does not mean to say that there are not things which ought to be done by the Reserve Bank, and I do not say that we cannot do something in setting up this Reserve Bank to help a general development which will be of advantage to the country. There are many, of course, who think that the most hopeful method of achieving the general results, which we all have in view, is the full development of the co-operative movement; and on that I would just like to quote something which was said by one of the outside experts who came and visited India before the banking inquiry. There were two of them who examined particularly the co-operative position and, in a private note, which one of them left for me, there was a passage which has always struck me. He says:

"We were profoundly impressed by the character of the cultivators whom we met. No country possesses better material on which to build a great civilisation. But we were also profoundly impressed by what there is still to be done to improve their

economic position and by the extent of the failure of the co-operative movement in that direction in spite of good work that has been done by co-operators. That failure in our view has been due to failure to realise that credit organisations alone can never provide an effective remedy for the indebtedness of the cultivator. His position can only be improved if the full force of the co-operative movement is brought to bear on him at every point in the sphere of education, of better living, of better farming and of marketing. There will be no limit to the results which can be achieved if the same enthusiasm is shown in promoting development in these ways as has been shown at any rate in developing the growth of the credit movement."

That supports what I was saying, and again I must remark that so far as the Reserve Bank is concerned that can only take a part in connection with the co-operative credit movement. What I have been saying refers rather to measures designed to improve the conditions in the future, measures which will be necessary in India, quite apart from the crisis which is now upon us. I think the crisis itself may be creating conditions which require special treatment. We have already had it pointed out on many occasions in several speeches; and I myself made the point that there is no doubt that, at present, speaking generally, the money-lender throughout India is recovering nothing in the way of interest on loans to small cultivators; and, of course, there is another class suffering at present which I did not mention—the class of landlords. There is no doubt that the landlords are only recovering a fraction of their rents. Even if we cannot create new machinery to replace the present system, it is quite possible, as a result of these years of depression, that conditions are growing up which will be a serious threat to the working of the existing machinery; and that is a subject which requires the very closest study, and I should say that that is a subject which all Government authorities ought now to be studying. And that indicates one point which I have to make in answer to the sort of proposal which is made in this amendment. This amendment merely contemplates a Department being set up two years after the setting up of the Reserve Bank. It contemplates something being done, say, three years from now. If there are urgent problems arising out of this crisis, they cannot wait for three years, and, therefore, in that respect I think perhaps this amendment is to some extent misconceived. If we are to rely on a Rural Credit Department of the Reserve Bank to deal with the sort of problems that may be arising now, then I think we should be relying on something for which, in any case even if the amendment is accepted, we may have to wait for too long.

But still I must come back to the question whether the Reserve Bank can do anything at all. I certainly would not go so far as to say that it could not. But there are certain things which I must make clear. One must remember that the Reserve Bank is a special piece of machinery designed to work the currency and the credit system of India. Even if that sort of work is very far above direct contact with the poor masses of this country, I hope the House will remember that it is work of the most vital importance, and that, if mistakes are made in that, it will react on all classes throughout the country. That is the main function of the Bank and, in order to exercise that function, this Bill lays down very carefully the kind of business which it has got to do and the way in which it must do that business. All those things are prescribed with great precision. Now, we cannot allow this Bank to depart from those sound methods of doing business, merely because the business happens to be a popularly attractive form of business falling under the description of "rural credit". Whatever the Bank does, whether it be rural credit or industrial credit,

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must be done on sound lines and within the rules laid down for the Bank's business. Therefore, it would be very unwise to create in this Bill any obligation on the Bank to launch out into the business of rural credit except on lines such as those that are laid down for its other business in this Bill; and if these restrictions are observed, then, I think, Honourable Members will realise that it will not be able to do very much by its own direct action. One must resist the sort of claim which was implicit in the speech of my Honourable friend, Mr. Maswood Ahmad, this morning, who said that this Bank must do something itself to help the poorer agriculturist. The Bank cannot give the sort of help that he has in mind without getting itself into a very unsound position. It has been put to me that, notwithstanding all that I have said about the necessity of keeping the Central Bank working on very strictly prescribed lines, nevertheless Central Banks in other countries have started departments of this kind and that they are successfully working. But we have only had put before us the example of Australia; and, as I pointed out in the first stage of these discussions to my Honourable friend who moved the present amendment, he has simply put before us the provisions of the Australian Act, and he has given us no evidence how those provisions are working or that they have been successful or achieved any important object. As I said a few days ago, I am afraid that I have not myself any direct evidence either on that subject. I only know that attempts of that kind of other institutions in Australia have on many occasions been very unsuccessful, and I do not think that any one here can say that any Reserve Bank in the world has attempted to do this business successfully and in a way which really has benefited the country. I think the onus of proof on that point remains undischarged.

Now, Sir, so much for what I consider to be necessary limitations on what a Reserve Bank could do. On the other hand, I want to say quite clearly that I recognise,—and I have often said this before,—that unless the Reserve Bank can somehow or other get into gear with all the rather primitive credit machinery which exists in the country, the indigenous bankers and their whole business of rural finance, unless it can do that, it will remain the centre of an important machine no doubt, but out of touch with the main financial business of India. And we do not want to leave it in that position. We want somehow or other to link it up with the whole of the credit machinery of India, and, therefore, we must from the very outset consider how that can be brought about.

Another point which I think one might take into account is this, that if there are needs arising out of the present crisis for creating new credit machinery in the country—perhaps on the lines of land mortgage banks,—then it may be very useful if the Reserve Bank can act in some way as a guide for creating institutions of that kind. What I mean to say is this, that if the Reserve Bank could lay down certain standard rules for land mortgage banks, then banks which comply with those rules which allow themselves to be “vetted”, if I may so put it, by the Reserve Bank, would command credit in the country, would have an established position, which might help them to raise money. In that way the Reserve Bank, as a central co-ordinating organization in the whole of the banking machinery, might perform a very useful function.

Again, the Reserve Bank might be of great assistance to co-operative societies and the whole of the co-operative financing machinery, not

merely by the re-discounting of Bills and so on, but in other ways as a guide and adviser, and in this connection I would like to refer to what was said to us by a co-operative expert in our Joint Select Committee discussions. I am afraid that I am now going to be guilty of an irregularity, Sir, for which I asked you to pull up other speakers earlier, and to refer to a passage from this evidence, but, in doing so, I do not want to base myself on the authority of the speaker. I merely want to give his views as my own on this subject, and perhaps in that way I may bring myself in order. I may also, while mentioning this, tell the House that we have approached all those who gave evidence before the Select Committee, asked them to correct the evidence, and whether they had any objection to its publication. I have not got all the answers yet, but we hope to make the whole of this volume of the evidence public in case it is of interest to anybody. Mr. Macpherson, the co-operative expert from the Punjab, said this:

"I think it would be quite impossible to link the money-lender up in any way with the Reserve Bank. The Reserve Bank is essentially a Central Bank, and the ordinary rural banker cannot have any dealings with the Central Bank, because the money that the Central Bank has must necessarily be liquid. Could we evolve any means of doing away with the middleman as regards financing the cultivator? You cannot; and your best middleman is the co-operative society. Therefore, you have to develop two things as far as I can see; on the one hand, your co-operative society, and, on the other hand, if it can be possibly put in the Bill, a clause to create a small department and to try and assemble in that department a few capable men with great experience of the indigenous debt with a possibility of devising some scheme to relieve it; but it could not be relief directly through the Reserve Bank, but it could be relief by linking up the *society* with an organization which would be a provincial organization—not the Reserve Bank."

Then, in answer to a question from me, he said:

"No; my suggestion actually is that you could embody in your Bill a provision to have a department which would explore the possibilities of approaching the debt of the zamindar, and they could give their uninterrupted time to it, and then possibly put before the authorities or act in conjunction with the provinces and assist them once a scheme was evolved to raise capital."

That indicates a general idea, and it is interesting to know that a man of practical experience in the work of co-operative societies thinks that it would be of value to have this sort of expert department for agricultural credit in the Reserve Bank from the very outset. I think that on those lines we may possibly be able to do something which will be of real use and which will satisfy Honourable Members opposite, that we don't merely mean to let this thing hang fire, but yet which will, on the other hand, not encourage false expectations.

Now, Sir, I have been considering whether we could do anything to meet the views of the Honourable Member who has moved this amendment on the lines I have suggested without incurring the dangers which I have suggested, and I have worked out a clause which I will just read out, and then possibly if that is generally acceptable, you, Sir, might allow my friend to move it in substitution for his amendment. I will read out my proposed amendment:

"That after clause 53 of the Bill, the following new clause be inserted:

'53A. The Bank shall create a special agricultural credit department—that means create forthwith—the functions of which shall be—

- (a) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General in Council and Local Governments, and

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- (b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with Provincial Co-operative Banks and any other banks or organizations engaged in the business of agricultural credit'."

The second clause is, of course, a wide and rather loose one, but what I had in mind there was something on the lines that I have already mentioned, that possibly the Bank might help with advice in the setting up of land mortgage banks and issue standard rules. That is one example of the sort of work that they might do. If that clause were accepted, then it would be necessary to make a very slight verbal consequential amendment in clause 54. According to my proposal, we should still leave the Bank under the obligation to make a report, as is already provided for, but the wording of that would have to be slightly altered, and clause 54 (1)(b) would read, according to my proposal, as follows. The clause runs:

"The Bank shall, at the earliest practicable date and in any case within three years from the date on which this Chapter comes into force, make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation, on the following matters, namely",

—and then (b) would read—

"The improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operation of the Bank."

Now, Sir, if that were accepted, the position would be this. The Bank would straightaway start off with this expert advisory department. That might be from the very outset extremely useful. Then the Bank would further be under an obligation to report, as soon as possible, on measures for the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank. That still leaves open the door to the possibility that the Bank might recommend that it itself should organize some sort of central agricultural finance corporation which might act as a sort of guaranteeing finance corporation which might act as a sort of guaranteeing society perhaps to land mortgage banks. I do not suggest any particular or exact method by which it can be worked. It still leaves the door open to getting recommendations for setting up some sort of a central finance corporation, but, if anything of that kind were to be done, that obviously would require very long and careful study. In the meanwhile, if the Bank had this small expert department, that, I think, might be a very valuable encouragement and of great use to Provincial Governments that are contemplating operations on any of the lines covered by what I have suggested.

Mr. F. E. James: (Madras: European): May I ask the Honourable Member one question? Would the expert department be available for consultation by provincial co-operative organisations directly? I think the Honourable Member only referred to the Government of India and Provincial Governments.

The Honourable Sir George Schuster: I think that is a very pertinent question. We have,—and, as a matter of fact, this is a very hurried draft,—put in, "to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General

in Council and Local Governments''. I should have no objection, and indeed, I think, it would be an advantage, to add some words to show that other organisations could also consult this department. I think if we put in "Governor General in Council, Local Governments, Provincial Co-operative Societies and other banking organisations'', it would meet my Honourable friend's point. The phrase will then run as follows:

"To maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General in Council, Local Governments, Provincial Co-operative Societies and other banking organisations."

That is my position, and I should be glad if I could hear from my Honourable friend, who moved the original amendment, whether this meets his point, in which case I hope that you, Sir, would allow this new form of amendment to be moved.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, if this amendment comes from the Government, we on this side of the House will not object in spite of the fact that it falls far short of our demand and the demands of the country in two ways. In the first place, our demand was that this department ought to be established immediately. The period of three years, within which, according to clause 54, which we have already passed, the Bank should establish the department, is in our opinion, a long period. We cannot afford to wait for long. No doubt experts may be appointed, reports will be written and nothing will be done; but we from this side of the House do emphasise that something definite should be done and should be done from the outset. Secondly, we desired that the Bank should give financial assistance to certain co-operative and land mortgage banks immediately. The Finance Member said in his speech, he leaves the door open till some future date. It is only a pious hope. These are our difficulties, but we hope our helpless position has no alternative but to accept whatever the Finance Member gives us.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): With your permission, Sir, I wish to omit my own amendment and substitute this amendment now read out by the Honourable the Finance Member as a thing which will meet our immediate requirements. If you will permit me, I will read that amendment in substitution.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): On a point of order, Sir, It has been suggested to the Mover that the new amendment might be accepted, but the Finance Member says that there will be consequential amendments in clause 54 which we have already passed.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair has held in abeyance clause 54.

Mr. Vidya Sagar Pandya: Then I beg your pardon.

Mr. President (The Honourable Sir Shanmukham Chetty): The procedure that is to be followed is that the Honourable Member must get the leave of the House to withdraw his amendment and then this has to be put as a fresh amendment. If the House has no objection to that course, the Chair will straightaway ask the House whether it gives leave to the Honourable Member to withdraw his amendment and then put this question to the vote.

[Mr. President.]

Has the Honourable Member leave of the House to withdraw his amendment?

Honourable Members: Yes, yes.

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

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

"That after clause 53 of the Bill, the following new clause be inserted:

'53A. The Bank shall create a special agricultural credit department the functions of which shall be—

- (a) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General in Council, Local Governments, Provincial Co-operative Societies," (The Honourable Sir George Schuster: 'May I substitute the word 'Banks' for the word 'Societies?') "Provincial Co-operative Banks and other banking organisations,
- (b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with Provincial Co-operative Banks and any other banks or organizations engaged in the business of agricultural credit'."

The motion was adopted.

New clause 53-A was added to the Bill.

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

"That clause 54 stand part of the Bill."

The Honourable Sir George Schuster: Sir, I move:

"That in clause 54 (1) (b) of the Bill, for the words 'the establishment of a Rural Credit Department of the Bank or the creation of other machinery' the following words be substituted:

'The improvement of the machinery for dealing with agricultural finance and methods'."

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

"That in clause 54 (1) (b) of the Bill, for the words 'the establishment of a Rural Credit Department of the Bank or the creation of other machinery' the following words be substituted:

'The improvement of the machinery for dealing with agricultural finance and methods'."

The motion was adopted.

Mr. Bhupat Sing (Bihar and Orissa: Landholders): Sir, I beg to move:

"That after sub-clause (2) of clause 54 of the Bill, the following new sub-clause be inserted:

(3) If at any time the Bank is of opinion that the transfer of shares shows signs of undue accumulation in the names of any individual or Company, it shall report the matter to the Governor General in Council for such action as they deem necessary for the prevention of such undue accumulation'."

The question of holding the maximum number of shares by a person has been sufficiently discussed in this House and I do not want to deal with it at any length. The amendment of my Honourable friend, Mr. Mitra, was only defeated by one vote, so we may take it that there is a general desire in this House that persons should not hold an unlimited number of shares. By this amendment I am not asking the House to limit any one's holdings, but all that I ask is that the Central Board should carefully watch the situation and report the matter to the Governor General, when such undue accumulation takes place, for prevention of such accumulation. Sir, I move.

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

"That after sub-clause (2) of clause 54 of the Bill, the following new sub-clause be inserted:

'(3) If at any time the Bank is of opinion that the transfer of shares shows signs of undue accumulation in the names of any individual or Company, it shall report the matter to the Governor General in Council for such action as they deem necessary for the prevention of such undue accumulation'."

The Honourable Sir George Schuster: In the first place, I should like to ask my Honourable friend what he means by "they". To whom does he refer?

Mr. Bhuput Sing: The Governor General in Council.

The Honourable Sir George Schuster: It should be "he".

Mr. Bhuput Sing: Yes, I made a mistake.

The Honourable Sir George Schuster: On the whole I cannot greatly object to this in substance. But it seems to me to be rather unnecessary. It establishes nothing beyond the fact of reporting the matter. It leaves the discretion entirely with the Governor General in Council. I think, on the whole, I must oppose this amendment. I think it is unnecessary. I hope the Honourable Member will not press it.

Mr. B. B. Puri (West Punjab: Non-Muhammadan): Would the Mover or the Honourable the Finance Member give the House some idea as to what is really meant or intended to be meant by the expression "undue accumulation"? We have got absolutely no idea.

Mr. President (The Honourable Sir Shanmukham Chetty): That refers to what the Bank authorities may consider "undue". This is vague.

Sir Gomasji Jhangir (Bombay City: Non-Muhammadan Urban): My Honourable friend has certain apprehensions to which he gave expression on more than one occasion. If a large number of shares come in to the hands of one person in any one area, then a large number of shares would get sterilised. That was one of the objections. Therefore, he now desires to put a Statutory obligation upon the Bank to draw the attention of Government if such a contingency did occur. My answer to my Honourable friend would be that if such a contingency did occur, not only would the Government's attention be drawn to it by the Central Board, but the public themselves in that area would draw attention to such a state of affairs and Government would be forced to take action or to consider the

[Sir Cowasji Jehangir.]

matter and, therefore, the clause is redundant. He visualizes a state of affairs which would not carry out our intentions, which would go contrary to all the intentions we now have. Under the circumstances, legislation would be brought before this House. I do not think any useful purpose would be served by my friend's amendment.

Mr. Bhuput Singh: Sir, I beg leave of the House to withdraw my amendment.

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

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

"That clause 54, as amended, stand part of the Bill."

The motion was adopted.

Clause 54, as amended, was added to the Bill.

Mr. K. P. Thampian (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I move:

"That after clause 28 of the Bill, the following new clause be inserted and the subsequent clauses be renumbered accordingly:

"29. The Bank shall maintain separate accounts of the Issue Department, and the net profits thereof shall be wholly made over at the end of every year to the Governor General in Council."

The object of my amendment is that the accounts of the Issue Department should be kept separate from the accounts of the Banking Department, and that the entire profits accruing from the Issue Department should be made over to the exchequer at the end of every year. We are now entrusting 90 crores worth of securities to the Reserve Bank. Strictly speaking, that is the property of the tax-payers. The tax-payers used to get all the interest on these securities until now. The difference between the profit that the Bank might give to the Exchequer and the gross receipts that the tax-payer is now obtaining in the shape of interests will be a large amount and to that extent fresh taxation will have to be imposed on the tax-payers. Of course there is a provision limiting the payment of interest to five per cent. or so under this Act and the whole balance of the proceeds should go to the Government, but what I maintain is that these restrictions should apply with regard to the profits of the Banking Department and the proceeds of the Issue Department might in their entirety be made over to the Exchequer. We are now giving also five crores worth of securities as a kind of reserve for the Bank to start with. It is said by the Select Committee in their Report that one of the reasons that induced them to make this reserve fund is to provide for any possible depreciation of the securities that are now made over to the Reserve Bank. Inasmuch as we are providing five crores of rupees as reserve fund, it is all the more reasonable that all the profits of the Department should go to the Government. My proposal, if adopted, will fit in with the provisions of the Bill and the general principles involved in all these clauses. I find under the provisions of the Bank of England also, the entire proceeds of the Issue Department go to the State. Under the Currency and Notes Act of 1928, the net profits of the note circulation are payable in their

entirety to the Exchequer. In the constitution of the Bank itself, you will find there is a distinct provision to the effect that such profits should go to the State. Clause 6 of the Act of 1928 lays down that the Bank shall pay to the Treasury the profits arising in respect of such Department. Every year the income from the Issue Department has to be made over to the State. The Government, by their judicious management of the currency, have been able to build up these securities, and I do not understand why the profits to be derived from this reserve should be made over to the shareholders of the Bank. Sir, I move.

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

"That after clause 28 of the Bill, the following new clause be inserted and the subsequent clauses be renumbered accordingly:

'29. The Bank shall maintain separate accounts of the Issue Department and the net profits thereof shall be wholly made over at the end of every year to the Governor General in Council.'"

Dr. Ziauddin Ahmad: Sir, I support this motion. The income of the Issue Department ought to go to the Governor General in Council in order to give some kind of relief to the Budget. This Issue Department is very different from the business department of the Bank. The thing is that if we do not give this money to the Governor General, then the money which we require for the Budget will have to be collected by taxation. The question is whether we should give this money as a gift to the few persons who have contributed the Share Capital or it should go to relieve the taxes of the country. My friend has given two alternatives. Either this goes to relieve the tax-payers or it goes to the pockets of these *nimboo-nichors* who really take possession of the whole Bank by bringing in their five crores of rupees, and, in addition, five crores of rupees to be given to them out of general revenues. So I think the Honourable the Finance Member ought to make out a case why he is so very generous towards these shareholders and why he is so stringent towards the tax-payers of this country. Sir, I support the motion.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. It is contrary to the whole scheme of the Bank, which is this that the persons who put up these five crores shall be assured of a minimum dividend the rate of which has to be fixed at the time of the issue of the shares and which may not exceed six per cent. Now, if this amendment is carried, the only chance for these shareholders to get any dividend will be out of the banking profits of the Bank. It is not likely that in the earlier years they will get an attractive return out of the banking profits alone, and we must remember that this Bank is not supposed to be run for the purpose of making profits. It has a public function to perform, and profit-making is only a secondary consideration. In these circumstances, the shares of the Bank, if it were not for the fact that the banking profits are going to be supplemented by the profits of the Issue Department, would not be a very attractive investment. My Honourable friend has raised the point that it means a heavy burden on central revenues. But I would remind my Honourable friend that the amount which the shareholders can get cannot exceed Rs. 30 lakhs a year and that that, of course, will be partly made up by the banking profits of the Bank. Therefore, the net burden on the Central Revenues cannot be very large. Apart

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from that, I oppose this amendment for the following reason. It is essential when the Bank is set up that the Central Board should regard the whole business of the Bank as a united whole. It would be very undesirable that the Board should attempt to make the banking side of the business profitable at the expense of the Issue Department, and so on, and there are various ways in which the two sides might come into conflict unless they were pooled in a common whole. On all these grounds I must oppose this amendment.

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

"That after clause 28 of the Bill, the following new clause be inserted and the subsequent clauses be renumbered accordingly:

'29. The Bank shall maintain separate accounts of the Issue Department and the net profits thereof shall be wholly made over at the end of every year to the Governor General in Council.'

The motion was negatived.

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

"That clause 2, as amended, stand part of the Bill."

The motion was adopted.

Clause 2, as amended, was added to the Bill.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

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

"That the Third Schedule to the Bill stand part of the Bill."

Dr. Ziauddin Ahmed: Sir, if you will permit me, I shall move Nos. 370 and 371 together, as they are practically the same. I rise to move:

"That in paragraph 2 of the Third Schedule to the Bill, for the word 'one-sixteenth', in the sixth line, the word 'one-thirty-second' be substituted, and for the word 'thirty-second', in the sixth line, the word 'one-sixty-fourth' be substituted."

Sir, we are giving here a very big and a quite unjustifiable discount to this Imperial Bank, that is, $1/16$ th of one per cent. This really means that, in respect of a sum of Rs. 100, we have to pay one anna for every hundred rupees and that is a really very big discount. Really speaking, there ought to have been no discount at all, but even if something has to be paid, it ought to be the bare minimum; and since we have to deal with very large sums of money, one anna for each hundred rupees will come to a very substantial figure. After all, there should be some limit to the processes by which money is squeezed out from the pockets of the taxpayer for the benefit of the shareholders. I think, Sir, our patience is exhausted and we know that we are in a very helpless position.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): How will this go into the pockets of the shareholders?

Dr. Ziauddin Ahmad: I hope the Honourable the Finance Member, when he comes out with his Budget, will keep this also in mind, namely, whether, with the budgetary conditions being what they are, he should be so very generous and liberal to this Reserve Bank.

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

"That in paragraph 2 of the Third Schedule to the Bill, for the word 'one-sixteenth', in the sixth line, the word 'one-thirty-second' be substituted, and for the word 'thirty-second', in the sixth line, the word 'one-sixty-fourth' be substituted."

The Honourable Sir George Schuster: Sir, I must oppose these amendments. My Honourable friend advanced no arguments, he has given us no calculations to show whether this reduction is justified, and I must remind him and also the House that I read to the House the other day a report by the Auditor General who had been into these whole calculations and into the provisions and who reported that, on the basis of the actual cost which had to be incurred by the Imperial Bank in order to handle the Government's account, the proposed commission was fair and reasonable and did not represent more than the actual cost involved to the Imperial Bank. My Honourable friend now proposes to remunerate them in the very generous way of giving them one-half of what it actually costs them to carry on the business. Sir, I must oppose the amendment.

Sir Cowaji Jehangir: I have to ask one question. The Honourable the Finance Member will recall that after ten years a further investigation is to take place. How does he propose that all these facts and figures will be kept on record? Will they be kept on record in the Secretariat, or will they be placed on record along with some papers in connection with this Bill so that, ten years hence, it may not be said that there are no records on which the Government based these calculations? Something will have to be placed on record with regard to the Auditor General's report and the facts and figures on which that report was based so as to make them available ten years hence.

The Honourable Sir George Schuster: I do not quite understand my Honourable friend's point. Of course all these papers will be on record, but they will be of very little use ten years hence. Then we shall have to examine again the actual expenditure incurred by the Imperial Bank and check the position on that. Now, we have satisfied ourselves for the present that we are starting off on a fair basis representing the expenditure as it is today.

Sir Cowaji Jehangir: What I mean to say is that the methods by which you have worked out the figures must, I suggest, be available to those who examine the position ten years hence

Mr. President (The Honourable Sir Shanmukham Chetty): There will be some naphthalene balls in the records.

Sir Cowasji Jehangir: Mr. President, it is not a joke, it is a quite serious suggestion I make. Such things have happened in the past when it was said that such records have not been available. What I want is that, when we come to reconsider the matter after ten years, all these records should be available.

The Honourable Sir George Schuster: I now appreciate my Honourable friend's point. What he wants is that there should be a record of the method by which the calculation is made. I appreciate that point and I will certainly see that steps are taken that these papers are recorded in a way in which they will not be lost.

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

"That in paragraph 2 of the Third Schedule to the Bill, for the word 'one-sixteenth', in the sixth line, the word 'one-thirty-second' be substituted, and for the word 'thirty-second', in the sixth line, the word 'one-sixty-fourth' be substituted."

The motion was negatived.

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

"That in paragraph 2 of the Third Schedule to the Bill, the words 'receipts and', in the seventh line, be omitted."

Sir, in spite of the insinuation of my Honourable friend, the Finance Member, I still bind myself to the self-imposed ordinance of not making long speeches. Though he asked me last time that I ought to have given facts and figures to justify what I said and insinuated that I should make an hour's speech, but in spite of insinuation I will be very brief and follow your advice. Sir, in this case I can understand if one anna per cent. is given to them in the shape of discount for the disbursement, but I cannot understand why this amount should be given for the receipt. Disbursement means some kind of work; but, in the case of the receipt, no work is involved. I am afraid this donation and the free gift that we are giving is going rather beyond limits and we must put a stop to it. Sir, I move.

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

"That in paragraph 2 of the Third Schedule to the Bill, the words 'receipts and', in the seventh line, be omitted."

The Honourable Sir George Schuster: Sir, receipts are included, because, it is on this basis that a commission of 1/16th per cent. on the first 200 crores and 1/32nd above it produces the amount which is necessary to cover the actual cost incurred by the Imperial Bank. My Honourable friend has just attempted to halve that remuneration by his two amendments, Nos. 370 and 371. Having failed in that, he is now trying to halve it by another method. I am afraid I must oppose that.

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

"That in paragraph 2 of the Third Schedule to the Bill, the words 'receipts and', in the seventh line, be omitted."

The motion was negatived.

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

"That in item (a) of paragraph 3 of the Third Schedule to the Bill, for the word 'nine' the word 'six' be substituted."

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

"That in item (a) of paragraph 3 of the Third Schedule to the Bill, for the word 'nine' the word 'six' be substituted."

The Honourable Sir George Schnuster: Sir, I am very glad that I do not have to rely for my pay on my Honourable friend, the learned Doctor. He seems to be in favour of very substantial cuts. I must oppose this amendment on the same ground as I have opposed the last amendments. This remuneration was calculated on the cost, and my friend wishes to reduce it.

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

"That in item (a) of paragraph 3 of the Third Schedule to the Bill, for the word 'nine' the word 'six' be substituted."

The motion was negatived.

The Third Schedule was added to the Bill.

The Fourth Schedule was added to the Bill.

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

"That the Fifth Schedule to the Bill stand part of the Bill."

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

"That in the Fifth Schedule to the Bill, under the head 'Assets', after the words 'Loans and Advances to the Government' the words 'Loans and advances to the Imperial Bank of India' be inserted."

Sir, as the provision now stands, there is a heading for other loans and advances. That is all. Of course, the loans and advances to Government have to be clearly stated. But it might be asked how much loans and advances are given to the Imperial Bank as against other banks and institutions. Inasmuch as the Imperial Bank acts as the agent of the Reserve Bank, it is absolutely necessary to mention how much loans and advances are given to the agents themselves. That will create a kind of confidence among the public. Unless a separate item is provided to meet this demand, people will not be in a position to understand what money has been lent to the Imperial Bank. This Schedule has been adapted more or less from the weekly returns of the Bank of England. Even with regard to the returns of the Bank of England, there is a demand in England to have it revised. It is, therefore, absolutely necessary to show specifically what the agents themselves have taken as loans and advances. Sir, I move.

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

"That in the Fifth Schedule to the Bill, under the head 'Assets', after the words 'Loans and Advances to the Government' the words 'Loans and advances to the Imperial Bank of India' be inserted."

The Honourable Sir George Schuster: Sir, I must oppose this amendment. I see no reason why loans to the Imperial Bank should be treated as being on a different footing to loans to other scheduled banks. It would be, we feel, invidious to make this kind of distinction and I have not heard anything from my Honourable friend to induce me to alter that view. I oppose.

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

"That in the Fifth Schedule to the Bill, under the head 'Assets', after the words 'Loans and Advances to the Government' the words 'Loans and advances to the Imperial Bank of India' be inserted."

The motion was negatived.

The Fifth Schedule was added to the Bill.

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

"That clause 1 stand part of the Bill."

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

"That for sub-clause (4) of clause 1 of the Bill, the following be substituted:

"(4) This Act shall remain in force for a period of twenty-five years, which period may be extended by appropriate Legislature on the petition of the Bank made not less than three years before its expiry."

Sir, the original clause runs thus:

"This Act shall remain in force for a period of twenty-five years and thereafter until repealed."

Thus it may exist till perpetuity. I have got before me about 80 Acts of different Central Banks and I have taken very great pains in reading all of them to find out whether a provision of this kind that, after a period of twenty-five years, it is extended automatically to perpetuity exists anywhere. The only answer which my Honourable friend would give is that we are creating an example here for other Reserve Banks to follow. That is the only answer he can give. I do not wish to waste the time of the House, and, therefore, I will read only from a few Acts. In the case of Japan, for example, we find:

"The business term of the Bank of Japan has been for 30 years reckoning from the date of commencement. A petition must be made to the Government for the extension of the term in pursuance of the resolution to that effect made by the general meeting of the shareholders."

Sir, we have got nearly everywhere the same manner of extension. For example, in the case of the Bank of Portugal, we have got the same thing,—at the end of 40 years, it can be prolonged at the request of the

shareholders at the meeting and with the permission of the Legislature. Sir, you take up any number of Banks and you will find the same provision. I will open indiscriminately this Book "Central Banks Acts", and I find the same provision in every Act. Here is the Bank of Chile Act which is so very popular with the Honourable the Finance Member, because, in one particular case, he could not find his illustration anywhere and then he had to go to Chile. The Bank of Chile is founded for a period of fifty years and then that period may be extended on petition of the Bank by proper legislation. Sir, the usual practice in every Central Bank is that, as soon as the period is over, a general meeting of the shareholders should be convened and they should make a request and the Legislature may or may not accept that particular request. The request is for the consideration of the Legislature. But I have not seen in any of the Acts of the Banks any provision of the kind just now before us. In fact, the Honourable the Finance Member ought to have laid on the table a copy of these Acts of different Banks so that we might have been able to form our opinion and would not rely entirely upon the compendium or summary of Mr. Reisch, however good it may be, published in his book.

Sir Muhammad Yakub: How much will it cost to the tax-payer?

Dr. Ziauddin Ahmad: Only the price of the postage stamps, because had the Government written to these Banks, they would here sent at their own expense the copies of the various Acts governing the various Banks. Only stamps were required for writing letters. We see that in all these Banks a provision similar to the one embodied in my amendment exists. After the expiry of the period, a general meeting of the shareholders should decide whether they would like to continue or not and afterwards, it must come to the Legislature for final sanction. But this thing, that after the expiry of 25 years, the Bank automatically goes on for ever, is quite a novel procedure which we are now introducing in this country. The Honourable the Finance Member emphasised in the beginning that in the establishment of Central Banks we are following the practice of the civilised countries. I repeat his argument that, in this particular case also, we should follow the example of the Central Banks of the civilised world, and not create a barbaric example for the civilised countries. Sir, I move.

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

"That for sub-clause (4) of clause 1 of the Bill, the following be substituted:

"(4) This Act shall remain in force for a period of twenty-five years, which period may be extended by appropriate Legislature on the petition of the Bank made not less than three years before its expiry."

Mr. N. M. Joshi (Nominated Non-Official): Sir, I think this sub-clause (4) is entirely an absurd clause. In the first place, I do not know what it exactly means. If it means that this legislation cannot be amended or repealed by Legislature for 25 years, it is an unnecessary restriction upon the powers of the Legislature. If it means that the legislation must end at the end of 25 years, the later addition of the words, "until it is repealed" makes that also impossible. I, therefore, think that it is wrong to put in a clause of this kind. It is true that Government explain that

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these words are put in there just to give some kind of confidence to the people who invest their money. But this does not give confidence to people who have got some intelligence, this may give confidence to people who have no intelligence at all. On the other hand, it is likely to lead to mischievous results. It may be said, that, if this clause really does not mean anything at all, why was it placed there, and then the Courts will be asked to find out some meaning which must be there in order to justify the insertion of an absurd clause like this. I think it is a mischievous clause which should be deleted.

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. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadian): Sir, I support this amendment. It appears to me that this clause serves no useful purpose. If the idea is to have this measure for a period of 25 years, it should say so. The clause should then say that the Act will last for 25 years and nothing more. If the idea is that it should be perpetual, then you should say nothing. Therefore, it appears that either this is an oversight or it is in a fit of lapse that this clause has come in, because, as it is, it means practically nothing. It does not express the idea we have in view, but perhaps there is more than we intend.

The Honourable Sir George Schuster: If my Honourable friend would like to move that the clause be deleted, and if you, Sir, would permit him to do so, we have no objection to its deletion.

Mr. Vidya Sagar Pandya: The question then is, whether it would not make it perpetual without any limit and it can never come before the Legislature for extension.

Mr. Jagan Nath Aggarwal: It will be certainly very logical for my Honourable friend, the Finance Member, to say that it should be deleted, because it would mean that this Bill goes on until somebody takes the trouble to have it repealed by the Legislature. Then the question will be that those who want to have it repealed will have to come to the Legislature. But the whole point is that this Bank is to be in existence for 25 years, and to ask somebody who wants to have it repealed to come to the Legislature will be too much. I put it like this. This Bill is, in the first instance, for 25 years and this amendment seeks to bring in the idea that after 25 years the matter should come up for fresh examination before the Legislature, and that, I submit, is the real point of this legislation. We are enacting it for 25 years; we are told that we should allow the shareholders and all people concerned in the Bank fixity of tenure and fixity of this institution for a certain period. You have it for 25 years, but to say, that it is for 25 years and for all time to come

till it is repealed, is certainly not the underlying idea of this Bill. My Honourable friend, Dr. Ziauddin, has invited the attention of the House to the constitutions of all the Reserve Banks that he has with him. But I put it to the House only from the point of view that ordinarily laws are enacted for a certain time or for all time. But I never understood a law to be for a certain time and for all time in the same breath. Therefore, either it is for 25 years or for all time; but to be for 25 years and for all time is something one does not understand. Therefore, whether the Honourable the Finance Member wants to have this clause repealed or do something else to it, for my part I am in favour of the amendment of Dr. Ziauddin, because that is what the intention of the House is that the matter should be examined after 25 years. I, therefore, support the amendment.

Mr. S. G. Jog (Berar Representative): Sir, I am glad to find that this Reserve Bank Bill has for the time being come from the domain of the Finance Member and the Finance Department to the domain of law. Here a vital legal question is involved. The object of the Bill is that we should have a Bank established the life of which should be for 25 years and 25 years only, unless, after that period, a new life is put into it. The wording, as it stands, gives it a perpetual life, and those who want to have it repealed must come before the House for getting it repealed. So long as that step is not taken, the Bill is supposed to have a life for all time to come. This, I think, was never the intention of the framers of the Bill nor of this side of the House. We give you an opportunity of making an experiment so far as this Bill is concerned, and we give you a sufficiently long period of 25 years to make the experiment. After 25 years, or sometime before that, a stock should be taken of things as to how the Bank has been functioning, whether the lines on which the Bank is framed has really satisfied the requirements; and at that time a proper inquiry will be made and, in the light of that inquiry, if the existing things are to continue or if it requires any modification or amendment, it will be the duty of the Government, then in existence, to come before the House and make fresh legislation giving a fresh start of life on whatever lines the House, that may then exist, may like to have. This is the constitution and the legal position in matters of all legislation. But there are many other legislations where no life is given or when that legislation is not for a particular period no mention of any period is made, and it is the fundamental right of the Legislature either to have it repealed before that time, or, when no period is fixed, that legislation continues for all time to come. We never had this intention of giving this Bank a perpetual life and we have restricted its life to 25 years. The result is that, after 25 years or sometime before that, the matter must come before the Legislature, must undergo a critical examination and a new life must be given to it. That, Sir, is the legal position and, I think, Dr. Ziauddin's amendment satisfies the spirit of the Bill. His amendment runs:

"This Act shall remain in force for a period of twenty-five years, which period may be extended by appropriate Legislature on the petition of the Bank made not less than three years before its expiry."

This is the legal position and there is no way out of it. I beg to support the amendment moved by Dr. Ziauddin.

Mr. K. R. Thompson: Sir, I have got an amendment, No. 10, for a similar purpose: may I move it? If you will allow me to do so, the discussion could then proceed on both the amendments.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member may move it if he wants.

Mr. K. P. Thompson: Sir, I move:

"That in sub-clause (4) of clause 1 of the Bill, for the words 'thereafter until repealed' the words 'its operation may thereafter be extended for such further period or periods not exceeding two years as the Governor General in Council may, by notification in the Gazette of India, direct be substituted.'"

As my Honourable friend, Mr. Jagan Nath Aggarwal, said, the provision, as it stands in the Bill, is absurd. It is better if the Government will deal honestly with this Assembly and drop these words from the clause and allow the Bank to continue until repealed. That is a more honest way of doing things. As it is, it means nothing—it means that the Bank will function till eternity. It is worth while in this connection to see what the analogous provision is in other Central Banks. With your indulgence I propose to refer to the Charter of some of them. The term of Charter with regard to the Bank of Austria is up to the 31st December, 1957; and the Federal Government is, with the sanction of Legislature, entitled to take over business of the Bank at its real value in the event of the expiry of the privilege. In Belgium, the Act was passed in 1927, and its term of Charter is for 25 years. In Chile, which is quoted very often in this House, it is for fifty years, and the period may be extended by legislation on the petition of the Bank: the Bank must approach the Legislature to have its term extended. That is very important; here it is the other way. In Columbia, it is 20 years. In Czechoslovakia, the Charter was granted for 15 years: the privilege ceases after the expiration of the above term unless the Bank applies for renewal at least two years before it expires. There is no time of notice. the Bank has to approach the Legislature for renewal two years before the expiration of the period. In Denmark, the Charter expires in 1938—the Bank was started in 1906. In England, the National Debt Act of 1870 provides that "the Bank of England shall continue a corporation for the purposes of this Act until the stock is duly redeemed by Parliament". In the Act of 1844, it was for termination on 12 months' notice after 1855. In Estonia, the term is for 25 years. In France, it is subject to renewal from time to time; the last renewal was effected in 1918 and it endures till the 31st December, 1943. In Germany, the term is for 50 years. In Hungary, the Bank was established in the year 1924 and the Charter is up to the end of 1943, that is, 19 years only; and the Government there shall be entitled with the approval of the Legislature to take over the whole banking business at its actual value in the event of the expiration of the Charter; three years before expiry the General Assembly shall decide whether to apply for renewal: two years' notice to Government if it applies for renewal. In Japan, the term of Charter is for 30 years. In Lithuania, the right to issue notes is only for 20 years: this term may be extended by legislation at the request of a meeting of the shareholders. It is so in almost all countries—there is a time limit and in most cases the Banks concerned have to approach the Legislature for extension of time. Unfortunately for us, here the position is reversed and somebody outside the Bank, a member of the general public with the consent of the Governor

General at his discretion, will have to approach the Legislature even for an amending legislation. What the House should remember is that, though the Bill is passed by this Assembly, after the Constitution Act is passed in Parliament, the chances are that the Reserve Bank will be taken altogether out of the purview of the Federal Assembly and, for all time to come, this Act will be on the Statute-book. That is a dangerous position, and, therefore, I submit that the necessary alteration has to be effected even now. Sir, I move.

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

"That in sub-clause (4) of clause 1 of the Bill, for the words 'thereafter until repealed' the words 'its operation may thereafter be extended for such further period or periods not exceeding two years as the Governor General in Council may, by notification in the Gazette of India, direct to be substituted.'"

Sardar Sant Singh: Sir, I had no intention of intervening in this debate on this particular clause. The legal position has been clarified by my friend, Mr. Aggarwal. What I want to say is this: I want to make a personal appeal to the Honourable the Finance Member that he should accept the amendment of Dr. Ziauddin. If we go back to 1833, we will remember that the East India Company's Charter was renewed in 1833: it expired in 1858 when India came directly under the Crown. If this Reserve Bank Bill expires in 1958, a full century would have elapsed when we would take stock of the benefits or otherwise of the Imperial connection of India with England. We might then be called upon to introduce many changes. If this amendment is accepted, the House will be adding another chapter to the history.

Raja Bahadur G. Krishnamachariar: Sir, I entirely agree with Mr. Joshi as regards the utility of this clause; the House will remember that in the course of the discussion earlier in this debate, the Honourable the Law Member pointed out that, in spite of the provision in this Bill, the Act may be amended tomorrow, that is to say, immediately after this is passed. I do not know if it will be proper on my part to request you respectfully to allow me to move the amendment that this sub-clause be deleted. If you permit, Sir, then I shall move it and it will save further discussion; nobody wants any notice of it: it is only getting rid of the thing and I believe there will be unanimous opinion in this House if that is done. May I move it, Sir?

Mr. N. M. Joshi: I am opposed to it.

Raja Bahadur G. Krishnamachariar: You are opposed to clause 1: why not take out the whole thing?

The Honourable Sir George Schuster: I have no objection to my Honourable friend moving that amendment. There was an amendment to that effect down on the list in the name of Mr. Jadhav—No. 7—so that the House has had ample notice of it. I have no objection: in fact, I should accept the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member may move the amendment if he wants.

Raja Bahadur G. Krishnamachariar: I move:

"That sub-clause (4) of clause 1 be omitted."

[Raja Bahadur G. Krishnamechariar.]

I have already given the reasons: it is an absolutely useless clause; and, so far as the legal effect is concerned, I respectfully submit, it is the same whether it is there or not; therefore, Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): In the normal course, the amendment to delete the whole of sub-clause (4) will be put to the vote first. The question is:

"That sub-clause (4) of clause 1 be omitted."

The Assembly divided:

AYES—45.

Abdul Aziz, Khan Bahadur Mian.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Bartley, Mr. John.
Bhore, The Honourable Sir Joseph.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Harbans Singh Brar, Sirdar.
Hezlett, Mr. J.
James, Mr. F. E.
Krishnamechariar, Raja Bahadur G.
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.
Mukherjee, Rai Bahadur S. C.
Nihal Singh, Sardar.
Noyce, The Honourable Sir Frank.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Ramakrishna, Mr. V.
Rastogi, Mr. Badri Lai.
Rau, Mr. P. E.
Sarma, Mr. B. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar,
Captain.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Tottenham, Mr. G. B. F.
Trivedi, Mr. C. M.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.

NOES—16.

Abdul Matin Chaudhury, Mr.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Jadhav, Mr. B. V.
Jog, Mr. S. G.
Joshi, Mr. N. M.
Mahapatra, Mr. Sitakanta.
Mitra, Mr. S. C.

Murtuza Saheb Bahadur, Maulvi
Sayyid.
Neogy, Mr. K. O.
Pandya, Mr. Vidya Sagar.
Paras Nath, Bhai.
Sant Singh, Sardar.
Sitaramaraju, Mr. B.
Thampan, Mr. K. P.
Ziauddin, Ahmad, Dr.

The motion was adopted.

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

"That clause 1, as amended, stand part of the Bill."

The motion was adopted.

Clause 1, as amended, was added to the Bill.

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

"That the Title and Preamble to the Bill stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I move:

"That in the third paragraph of the Preamble of the Bill, for the words 'to make temporary provision on the basis of the existing monetary system' the words 'to temporarily maintain the Currency of British India on a parity with the Sterling (Paper) Currency of the United Kingdom' be substituted."

Sir, this Bill is really a bundle of absurdities, and we have added one more by removing sub-clause (4) of clause 1 of this Bill. We have, by removing this sub-clause, created a barbarous precedent for the civilised countries, and now we have really shown that we are not yet sufficiently civilized to class ourselves among the civilized nations of the world. When we have removed this sub-clause, we keep the Reserve Bank in perpetuity without considering whether the shareholders or Legislature desire to continue. Now, coming to the motion itself, my object is simply to call a spade a spade. Don't call a spade no trumps or something else. The object is really to connect it with the paper currency in the United Kingdom, so don't say all these bombastic words which are used in the Preamble. Sir, I move.

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

"That in the third paragraph of the Preamble of the Bill, for the words 'to make temporary provision on the basis of the existing monetary system' the words 'to temporarily maintain the Currency of British India on a parity with the Sterling (Paper) Currency of the United Kingdom' be substituted."

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): Sir, I should not have spoken but for the rather panicky observations of the Mover of this amendment that we have endorsed the perpetuation of a Reserve Bank. The Reserve Bank in perpetuity was the phrase he used. But he has been obviously not valuing the power which the Legislature will have, the Government will have, the Federal Legislature will have in regard to this Reserve Bank. In spite of all the clauses and all the provisions in this Bill, whenever the Government think that, they should take over the Reserve Bank, they can take it over. There is no cause for panic.

The Honourable Sir George Schuster: I must oppose my Honourable friend's amendment, firstly, on the ground that it is bad English,—it contains a split infinitive (Laughter), secondly, on the ground that, as far as I can make out, it means nothing, and, thirdly, that if it does mean anything, it means precisely the same as the phrase which he attempts to displace. On these grounds, I oppose the amendment.

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

"That in the third paragraph of the Preamble of the Bill, for the words 'to make temporary provision on the basis of the existing monetary system' the words 'to temporarily maintain the Currency of British India on a parity with the Sterling (Paper) Currency of the United Kingdom' be substituted."

The motion was negatived.

The Title and the Preamble were added to the Bill.

The Honourable Sir George Schuster: Sir, I move that the Bill, as amended, be passed.

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

"That the Bill, as amended, be passed."

Sir Lancelot Graham (Secretary, Legislative Department): With your permission, Sir, I beg to move three small drafting amendments. The first one is as follows:

"That in clause 6 of the Bill, before the word 'Rangoon' the word 'and' be inserted."

The motion was adopted.

Sir Lancelot Graham: Sir, I beg to move:

"That in sub-clause (3) of clause 33 of the Bill, for the expression 'sub-section (1)' the expression 'clause (1)' be substituted."

The motion was adopted.

Sir Lancelot Graham: Sir, I beg to move:

"That the clauses and sub-clauses of the Bill be re-numbered in accordance with the amendments made in the Bill and that the correction of cross-references necessitated thereby be made."

The motion was adopted.

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

"That the Bill, as amended, be passed."

Mr. Vidya Sagar Pandya: Sir, in sports it is the usual custom that when two parties play, one of them comes out victorious, and it is the duty of the defeated party to congratulate those who have won the game. As such, let me on my own behalf—I cannot speak on behalf of the Independent Party, because I no longer belong to it, I have already resigned from it a fortnight ago—and I do not think that anybody in this Honourable House will disagree with me when I convey our hearty congratulations to the Honourable the Finance Member, Sir George Schuster, on his so successfully piloting this Bill. He has worked hard and untiringly, he went all the way to England, he had to pilot the Bill there, and he had to manage our friends on the front Benches and those who went to London with him, and everybody knows they supported him throughout, though some of them were blamed for inconsistency in certain respects,—even by the Finance Member. Then he had the difficulty of piloting the Bill through a team of 28 members in the Joint Select Committee, and I think some of us tried to give him as much trouble as possible. Then when we come to this Honourable House of 140 or 141 Members, it was really a very difficult task for the Honourable the Finance Member to get the Bill passed. I am afraid he must have passed some sleepless nights lest his apple cart might be upset at any time by the voting in this House. But

he has somehow managed it, he has worked very hard, and worked under very trying circumstances. He had any amount of patience. Added to that, we had a clean fight here, and during the course of this Bill here and when it was before the Joint Select Committee, he allowed us to put our case fairly and squarely. I may also say that in and outside the lobbies we had very fair play, and we did not have any of the *nautch* parties as in 1927 in connection with the Currency Bill to secure our votes, nor had any friends of the Government sent any telegrams to Members that their relations were seriously unwell and that they should go back home. I had my own experience on the last occasion when an urgent telegram was received from Madras that my Chief Accountant in Charge of the bank in my absence was dead and that I must leave by the next train. I immediately sent back a telegram to my Chief Accountant, and he said in reply that he was very much alive and kicking. (Laughter.) Similarly, another Honourable Member was going to be decoyed so that he might not give his vote on the Currency Bill. Now, let me say that, on this occasion, we had a clean fight in this direction. I am sorry I cannot do full justice to the work of the Finance Member, because I am not a good speaker, but I hope that those who will speak after me and have a better command of the English language will do full justice to the work which he has done and the trouble he has taken in piloting the Bill though we may not agree with the Bill as it has emerged.

I had put upon myself a most self-denying ordinance not to speak during the last fortnight, and I had at that time explained my position. I thought that there was no use moving any amendment when the Government had so many votes in their pocket and when so many of the Members of the House on the non-official side were absent. But some of my friends on this side took me to task and said that I was unnecessarily disheartened. Now, I would like to know how many amendments out of the 400 odd ones have been accepted by the Government. It is a problem for the Honourable Sir Lancelot Graham and the Honourable Mr. Aravamudha Ayangar on the official side to decide as to who got the largest number of amendments passed between them on this Bill! Except these two gentlemen, I do not think that any important amendment of anybody else

Dr. Ziauddin Ahmad: Two of mine were adopted.

An Honourable Member: One of Mr. Ramaswami Mudaliar's amendments was adopted.

Raja Bahadur G. Krishnamachariar: Mine was passed.

Mr. Vidya Sagar Pandya: I heartily congratulate those two or three non-official Members who by mistake got their amendments accepted at all. (Laughter.) And even these couple of amendments are very minor and of no consequence. The principles underlying the Bill remain as strong as ever and probably in some directions stronger. So far as the talking went, less than one-third of the talking was done by the Honourable Sir George Schuster, one-third by my friend, the Honourable Dr. Ziauddin Ahmad, and out of the remaining one-third more than two-thirds by the gentlemen who had gone to the London Committee. The Honourable the Finance Member, Sir George Schuster, was very much relieved of putting his case, because our own London friends and several of our own friends on the front Benches even went far beyond the Finance Member and defended practically every clause and sub-clause in the Bill.

[Mr. Vidya Sagar Pandya.]

Now, I come to the defeat that we have suffered. The Government have got superior organisation and complete discipline on their side. All their Members are at their beck and call. Theirs is not to reason why, but to vote and thrive. So far as our Parties are concerned, there is no organisation, no discipline. All the efforts made by the Honourable Dr. Ziauddin Ahmad to bring the Members and Parties together by means of even teas and cakes have completely failed. Complete demoralisation set in in the Parties owing to the Leaders behaving so curiously. Several of our Party Leaders made somersaults which are unknown in Parliamentary history. The tragedy is that the Leader and the Deputy Leader of the Opposition deserted the Opposition and were hurrying faster than the Government Members into the Government lobby. Then the front Benchers, even other Party Leaders, made somersaults; even my friend, the Honourable Sir Leslie Hudson, voted with the Government in the matter of the qualification of the Governor. The Leader, the Deputy Leader of the Opposition and some Members were sturdier champions of the Government and lightened the work of Sir George Schuster; and they poured ridicule on every speaker who expressed the Opposition point of view and superciliously condemned every amendment brought by the rank and file. With an air of superiority, the Leader of the Opposition voted against the Opposition, and this is a thing unheard of in Parliamentary institutions. If I am not wrong, I should have expected the Honourable the President to pull up our Leaders when they were deserting their Parties. These Members felt that they knew all about banking, currency and exchange and the others were fools. I think they presumed too much. This reminds me of a small story. A friend of one of the Chancellors of the Exchequer of England asked him if he could tell him exactly how the exchange was worked and his reply was that the only person who really understood the exchange was now in a lunatic asylum.

The Honourable Sir George Schuster: He ought to be there. He is out. (Laughter.)

Mr. Vidya Sagar Pandya: He is among these M. L. A.'s. Now, the defeat is entirely of our own making. There is a Sanskrit *sloka* which says:

*“Kuthāra-mālikām drishṭvā Kampitāḥ sakalāḥ drumāḥ,
Ekah brāhṁhāḥ taru ubēcha svajātīḥ natōḥ drishyati.”*

It means that a cart load of loose axes fastened with ropes was passing through a big forest. All the trees began to tremble with fear, but an old or experienced tree said: “I do not see any limb of our own kind”. They were without wooden handles and were, therefore, harmless. So our *swajatis* have furnished the Government with the handle, so that they might use the axe against ourselves. After the performance of some of our friends here, our own countrymen, I have not much to complain against the Government. I am reminded of a Urdu couplet:

*“Doston eḥ hamṇēy bah sadmē ulhāyē jan par,
Dūl eḥ dushmanōḥī shikayat kā gilā jātā rahā.”*

which means: “We have received such severe strokes at the hands of our own friends, that the complaints against the enemies have disappeared from our minds”.

Now, I won't pursue this matter. I have said enough and I will now come to the second part. I wish to draw attention to what the Bill amounts to, what has been the result of our deliberations and discussions during the last so many days. We find that the Governor General is all in all and powerful. The shareholders, who are supposed to be the owners of the Bank and the guide, the Bank gets a very secondary position where they cannot exercise their ordinary rights and privileges. The House pressed for three-fourths of the capital being owned by Indian nationals, but, as regards the proposal that three-fourths of the Directors both central and local should be guaranteed to Indians, that has also not been accepted, nor are we sure of the auditors being Indians. Then, coming to the transfer of shares, it has been decided that transfers may be made from one area to another and shares denuded, and manipulation may thus take place. Then we have got the provision in the Bill that the Governor need have no practical banking experience and, under clause 18, he becomes the sole dictator. Though, according to the provisions in the previous Bill, certain powers were reserved to two-thirds of the members of the Board, here they will be practically delegated to the Governor, and Members of the Indian Civil Service find new jobs as Deputy Governors. Then the next point that emerges is that the Directors will come here through the gamble of the ballot box. The principle of one share one vote has not been accepted. Then, the proxy system continues, and things can be manipulated. The amendments regarding the holding of shares to a limited extent were defeated. Then, the Imperial Bank becomes the sole agents for the Reserve Bank. Then, all the banks in the country are penalised to keep certain compulsory deposits with the Reserve Bank without many redeeming features, though it has been claimed that the Reserve Bank will help such banks. I will deal with this point separately and will give my reasons to show how it is not advantageous to banks to become members on the Scheduled List. Then we have got clause 46 in which the shareholders are given a free gift of five crores from the very start. This is a provision which was not provided in any of the previous Bills, nor by the London Committee nor, so far as I am aware, does it obtain in any other Central Bank in the world. Then, we come to the rule-making powers. The result is that the rights of the shareholders are encroached upon by the Governor General. Then, we have got the ratio of 1s. 6d. forced down our throats. Then, we have got a clause which torpedoes the gold coin, which practically disappears. The only result, Sir, of the Bill will be that Exchange Banks can now discount local and import bills while they will enjoy facilities in London for export bills. Then we have got the provision whereby the Legislature is kept out of the Board. The bankers are untouchables. Even in the Bank of England, as I said the other day, the Directors of other Banks are Directors also of the Board of the Bank of England. The Honourable the Finance Member said that these were not Directors of the five big Banks. Now, I do not see what is the distinction between the five big Banks and the so many other big Colonial and Dominion and other good Banks; here I have a list of the Directors of the Bank of England. Here is the list of twenty-six Directors of the Bank of England; out of these, fourteen Directors are connected with the financing houses, joint-stock banks and banking companies, colonial, dominion and other good banks, and the Bank of England has not suffered by it; and, as I said before, the Government of India themselves have been nominating the Directors of the other banks on the Board of the Imperial Bank of India, and the heavens have not fallen. Sir, I am quite prepared to give

[Mr. Vidya Sagar Pandya.]

the names of those fourteen gentlemen and of the houses and banks with which they are connected. We have got first in this list Sir Charles Stewart Addis, Chairman of the London Board of the Hongkong and Shanghai Banking Corporation. Then we have got Mr. Charles Arbuthnot, Chairman of Arbuthnot, Latham and Co., Ltd. Then we have got Lord Cullen of Ashbourne, a member of the London Board of the National Bank of Egypt. Then we have got Mr. Albert Charles Gladstone, of the banking firm of Messrs. Ogilvy, Gillanders & Co., and also a Director of the Ottoman Bank, London Board. Then we have got Mr. Kenneth Goschen, a Director of the Bank of Australasia and of the firm of Messrs. Goschen and Cunliffe. Then we have got Mr. Edward Charles Grenfell, M. P.—(an M. P. or a legislator mind you, and also a banker a double disqualification; this was never thought a disqualification in England and he acts as a Director of the Bank of England). Then we have got Mr. William Douro Hoare, Deputy Chairman of the Bank of London and South America. Then we have got Sir Robert Molesworth Kindersley, a Managing Director of Lazard Brothers, Limited. Then we have got Sir John Gordon Nairne, Bart., of the Anglo-International Bank, Limited. Next comes the Right Honourable Lord Revelstoke, a Managing Director of the famous firm of Baring Bros. Limited. Then we have got the Honourable Alexander Shaw, a Director of the P. and O. Banking Corporation, Limited. Then we have got Mr. Michael Seymour Spencer-Smith, Vice-President of the Anglo-Austrian Bank, and a Director of the British-Italian Banking Co., Ltd., and member of the London Committee of Anglo-Czechoslovakian Bank, so that he is a Director of three banking concerns. Then we have got Mr. Frank Cyril Tiarks, a member of the International Committee of Bankers. Then we have got Mr. Robert Wallace, of Wallace Brothers and Co., Ltd. Then we have got Mr. Arthur Whitworth, a Director of the Bank of Australasia. Thus, out of twenty-six Directors, fourteen gentlemen are connected with joint-stock banking, and I do not see why even the modest suggestion that the banks may return a person who is not actively connected with the banks but who has retired,—and if the Scheduled Banks appoint as their representative such a retired gentleman—was turned down. The result is that the banks are compelled to make deposits without any representation. That is, it is taxation without representation. Sir, it was said by the Honourable the Finance Member that the bankers unanimously agreed to these proposals when they were put before them. Now, let us look into the list of the bankers who appeared. I want to put to the House one thing, Sir, namely, that if there is a meeting of lambs and wolves and the matter is to be decided on the votes, the question is whether the lambs can vote against the wolves. Here, in the list of witnesses, we have got five representatives of the Imperial Bank of India—Sir Osborne Smith, Sir Kenneth Macdonald, Sir Purshotamdas Thakurdas, Rai Bahadur Goenka, and Mr. Lammond. Then we have got Mr. Grey of the Bank of India, Mr. Cromartie and Mr. Cook of the Exchange Banks, and Mr. Pochkhanawala was the sole Indian joint-stock banker. Now, these banks have to depend upon the Imperial Bank of India whenever there is any crisis and they dare not go against the wishes of the Imperial Bank which is the only bank which can help them. Then, the bankers were told definitely that the merits of the Bill or of the proposals were no longer open to discussion as the principle of compulsory deposit had been accepted.

by the Government and the Joint Select Committee. The exchange banks in their memorandum dated the 25th October, 1933, say that all the opinions which they expressed in 1927 still held good. I do not want to take up the time of the House by reading these long memoranda, but they were all definitely opposed to any levy of these deposits. The Calcutta Exchange Banks, on behalf of the Eastern Exchange Banks, which included the Chartered Bank of India, Australia and China, the Eastern Bank, the Hongkong-Shanghai Bank, the Lloyds Bank, the Mercantile Bank, the National Bank of India, the National City Bank of New York and the Netherlands Bank all these banks were against the levy of fixed deposits. Their representatives agreed to the terms just as in this House, when the rank and file were against the Bill, our leaders were with the Government.

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

It has been said that the impost of five per cent and two per cent has been taken from America and Australia, but in America banks have a definite share and have a representation on the Board. Here, the banks have no such thing. So it is practically, as I said before, taxation without any representation. It is admitted by the experts that, by taking these deposits, it would not be possible for the Reserve Bank to control the money market. Their suggestion of taking part of it in Government securities cuts at the very root of the principle. Then, we have got a memorial signed by 23 Indian institutions which were all against this and they wanted some kind of assurance that advances would be guaranteed to them against tangible securities. The future Governor, under the pretext of speculation in the Government security, might decline to give any assurance though the Act itself provides for advances against Government securities. I may also add that the development of the bill market is very slow, and this point has been very carefully considered and strongly pressed by the Exchange Banks. It will take a very long time to bankers to make any profitable use of these facilities and, added to that, the Governor, as in the case of the Imperial Bank of India, may decline to lend even against Government securities. The Imperial Bank some time ago issued a circular that it declined to make any advances even against Government securities unless it was proved to its satisfaction that it was required for genuine trade and business. As under clause 18, the Governor is the master of all he surveyed, there is no appeal against it. We have found from the experience of Indian institutions that any appeal to the Directors against the decision of the Managing Governors of the Imperial Bank of India is fruitless. The Directors are not in a position to control the Managing Directors in whose hands practically everything is left. Then, Sir, I would like to put one question. The Government of India themselves are big bankers. They hold, if I am not mistaken, about 24 crores of deposits in the savings bank from the public. Are they going to give five per cent of that to the Reserve Bank or are they going to put their hands into the pockets of the other banks and make them pay to the Reserve Bank? Then, Sir, banks with a capital of five lakhs are included in the Schedule, but the big indigenous bankers are not included though an assurance has been given that the Bank will investigate the matter and try to bring them in as soon as possible.

[Mr. Vidya Sagar Pandya.]

Similarly, a number of the co-operative banks which have got very large deposits have gone scot-free and other banks, simply because they have the misfortune of having a large capital, are roped in. The result is that for several years to come, as stated by the Exchange Banks, the discounting facilities will not be of much use to any banks although they will be compelled to make deposits. Then we come to the position of the Imperial Bank of India, which has been made the chief agents for the Bank. The terms are too liberal. No doubt the Auditor General's figures may be all right, but one has to go behind them and see how the charges are made. The Imperial Bank of India has got a top-heavy European management and all those charges are made according to that scale. The result is that the Reserve Bank will have to pay a heavy charge of 1/8th per cent practically. Generally, in the case of all banking institutions, when the accounts are good, no charges are made. Only when the accounts are bad, a charge is made. Here we are giving at the rate of one-eighth per cent practically, and the Honourable the Finance Member paid a very glowing tribute to the Imperial Bank and he spoke about Indianisation. I shall deal about that matter when the Imperial Bank (Amendment) Bill comes up. In the meantime, to show what Indianisation has taken place, I shall read a small extract from the *Bank worker*, the official organ of the Imperial Bank Indian Staff Association of Calcutta in their November 1933 issue where they speak about Indianisation. They say:

"It may be recalled that in introducing the Imperial Bank of India Bill in 1920, the Government held out the assurance that proper and effective steps should be taken for Indianisation of the Bank's service. The pledge contained in Sir Malcolm Hailey's speech has in practice been abrogated inasmuch as it has been the policy of the management to exclude Indians altogether from superior appointments. This is borne out by the fact that the management has, in a number of cases, ignored the claims of senior Indian officers. We can say without fear of contradiction".

—Mind you, it is only the staff that knows where the shoe pinches,—

"that no Indian has ever been appointed in higher appointments carrying special pay and allowances which are held as preserves for European officers. So far as the officers' grade is concerned, the number of European officers and Indian officers at the end of 1932 is as follows:

	European.	Indian.
Bengal Circle	110	19
Bombay Circle	68	8
Madras Circle	50	9
Central Office	9	Nil.
	237	36

The authorities make much of the fact that for the last two years no European officer has been recruited."

—The Honourable the Finance Member also repeated that on the floor of, the House—

"But, as a matter of fact, long years will elapse to find proper work for the European officers already taken in. The junior Supervising Staff is certainly manned by Indians and Anglo-Indians. These Supervising Assistants were taken in on the eve of the opening of the new Branches in accordance with the contract with the

Government. The Bank was at the time in need of supervising staff at a comparatively cheap cost. But, with the close of the development programme of the Bank, these supervising Indian Assistants have come to be regarded as a supernumerary staff. Members of this grade have been called upon to shoulder equal responsibilities with junior officers without commensurate rights and privileges in regard to pay, allowances and other benefits of service enjoyed by the officers. Their chances of promotion to the officers' grade are extremely meagre. The numerous and complicated divisions into watertight compartments of the Bank's higher service are calculated to attack the very principle of Indianisation."

Then they give a schedule which shows that the total monthly salaries, allowances, etc., of 23 European officers were Rs. 3,18,159 while the salaries, etc., of Indian officers comes to Rs. 27,931 only.

Now, Sir, you can judge for yourself what this Indianisation means. In another issue, they have pointed out that, though the Bank has been talking of retrenchment, they got 18 new European officers as assistants in the Bank whose pay and allowances and emoluments are comparatively very high. I do not want to tire the House by going into this matter. It has been said that the Imperial Bank has rendered great service to the banking institutions in the country. My experience of 30 years has been otherwise. We cannot look upon the Imperial Bank as our friends. There might have been some bankers who found themselves in trouble and who have had to rely too upon the help of the Imperial Bank; these bankers may sing praises and hallelujahs to the Imperial Bank. But our experience in the Madras Presidency has been most unfortunate. I will give you only one or two instances. The Imperial Bank was formerly giving over-draft facilities to the banks against Government securities both at the head office as well as at the branches. The Managing Governors and the Executive Officers of the Bank got into their head that those facilities should be stopped. They began with some of the annoying clauses like the half interest clause and minimum interest for charging seven days' interest instead of three days and all these minor things. They then said, they would not give at all any over-draft even against Government paper to any bank. Then it was pointed out to them that their statement that they were not giving such facilities to any bank was not correct. The name of one Indian institution was first given as an example and the result was that the facilities to that institution were stopped. Again, they maintained that they were not giving any facilities to any bank in India. A challenge was given to them and it was pointed out that there were a number of banks who were having overdraft facilities only because they were prepared to beg and cringe. But we wanted to stand on our own right and expected overdraft facilities by giving good securities. In 1931, the Imperial Bank came forward with a circular saying that they would not give any advance against Government securities. The result is that the banking institutions who get practically only this facility by way of advance against Government securities cannot find accommodation anywhere else, nor have they got free remittance facilities. Even as regards remittance facilities, certain clauses are put in whereby practically only the foreign exchange banks get advantage, while the Indian institutions do not get advantage at the lower rate for remittance. If you have not got a branch and you want to send remittance, you have to pay double charge and the Exchange Banks have practically branches in all the important centres and the result is that the cheap remittance facilities are availed of by these foreign exchange banks while the bulk of Indian banking institutions are deprived of it. Representations were made on these matters to the Directors of the Bank. I have got a big file of correspondence on the matter at my disposal. The

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matter was first referred to the Local Board, and the Secretary said,—no, it has already been decided by the Managing Directors! We pressed that the matter should be placed before the Local Board. With great difficulty the matter was placed before the Local Board. Then we asked that the matter should be placed before the Central Board. In the Central Board, one of the Directors did much in the matter to convince the Managing Directors about it, but the Managing Directors were helpless against the executive of the Bank. Then we had piteous letters from two of the Governors saying: “Why do you appeal to us when the Managing Directors have decided against you? We cannot help you”. I want to know, what is the use of having such Directors on the Board? I am relating this, because, in the new constitution of the Reserve Bank, the type of Directors who will come under the gamble of the ballot box will have very little experience, and the whole business will be managed at the sweet will and pleasure of the Managing Governor. The staff, in one of their memorials, have said about the Directors of the Imperial Bank in Bengal that they cannot exercise any control and the Secretary and the Managing Governors do whatever they like without caring for the Indian Directors on the Board. Unless there is a complete change, the Indian institution, I am afraid, will not get the advantages which are claimed, and that is why it was pressed in the House that, out of the three important top officers, there should be at least two Indians and, if not two Indians, at least one Indian, so that he will take at least a more sympathetic view and there will be some remedy against this and some compensation against these compulsory deposits. Sir, I do not wish to tire the House; I have already promised the Honourable the President not to speak for more than 45 minutes and, though, I have still very much to say, I will keep to my promise; and let me once more, in spite of all these defects, give the credit to the Honourable the Finance Member for the trouble he has taken in piloting this Bill.

Mr. N. M. Joshi: Sir, at the outset, I want to offer an apology for venturing to speak on this Bill without having listened to the important debates that have taken place at various stages. With your indulgence, Sir, I shall also apologise to the House for venturing to speak today, knowing that I am leaving tomorrow morning and may not be here to listen to the remarks which the Honourable the Finance Member may make at the end. I hope the House and the Finance Member will excuse me.

The subject of this Bill is of the greatest importance. It deals with the control of currency and credit of this country and it is bound to affect, for good or for worse, the life of every citizen of this country. It is, therefore, necessary that we should express our views on this important subject very frankly, though I admit that for want of time we should express them as briefly as we can. Let me make it quite clear, Sir, at the beginning, that I am not against a separate organisation being established for the management of the national currency and for the control of national credit. On the other hand, I feel that on the whole it is much better to have a specialised organisation for this purpose. The Legislature, which is expected to control the actions of every responsible or irresponsible Government, is elected on general issues. It cannot be expected to deal with all the subjects concerned with currency and credit with expert knowledge. Nor, if I may say so, need the executive of the Government of India, which is not recruited specially for the management of currency and controlling the credit, necessarily be the only fittest

executive for this work. Thirdly, Sir, I feel that, in modern times, there must be a unification of all the agencies for credit in a country. Not only there should be unification, but there should be greater national control over all the agencies which control the credit in the country. For these reasons, I feel that on the whole if we can devise and establish a proper special organisation for the management of our currency and control of credit, it will be for the better. But let me make one thing quite clear, that although I am in favour of the establishment of a special organisation for this purpose, I strongly hold that, whatever organisation is established, that organisation ought to be responsible to the people of this country as represented in the Legislature and to a responsible ministry. The operations of the Reserve Bank are bound to affect the lives of all the citizens and not the commercial and banking interests only. Therefore, an organisation of this kind must be responsible to the people, and the responsibility to the people can only be implemented through the established Legislature and the responsible Government. I feel that this Bill does not provide adequately for maintaining the responsibility of the Reserve Bank to the people of this country and the Legislature and the responsible ministry that may be established. It is true that some powers have been reserved to the Governor General in Council and also to the Legislature. For instance, the change in the exchange ratio cannot be effected by the Reserve Bank itself; it can be done by the Legislature or by the Governor General issuing Ordinances. There are also some other powers reserved to the Governor General in Council. The Governor General has power to appoint four Directors; there can be also one official Director. The Governor General has also the power to appoint the Governor and the two Deputy Governors. Now, Sir, I am somewhat at a disadvantage and indeed the whole House is at a disadvantage in criticising the provisions of this Bill as regards the powers reserved to the Governor General in Council. I feel that we must examine these provisions from the point of view of the future Constitution, and today we do not know who will take the place of the Governor General in Council in the future Constitution—whether the Governor General in Council will be substituted by the Governor General at his discretion or the Governor General acting on the advice of his Ministers. A great deal depends upon the decision that may be taken by Parliament in this respect. At the same time, admitting for the sake of argument that all the powers which are reserved to the Governor General in Council may be, in the future Constitution, transferred to the Governor General acting on the advice of the Minister—I admit it is an assumption which is not warranted by what is going to happen—but still admitting for the sake of argument that that is done—still I feel that the powers left to the Government of the day, whether it is the irresponsible Government or the responsible Government, are not adequate enough to enforce responsibility of the Reserve Bank to the Legislature, and through the Legislature to the people of this country. I feel that the reason why the Government and, I must now say, this Legislature also has refused to give adequate power to the Government of the day in order to enforce this responsibility of the Reserve Bank to the people of this country and to the Legislature is that they want to avoid politics influencing the work of the Reserve Bank. I am aware that the Round Table Conference has recommended that the Reserve Bank which is to be established should be free from politics. It is true that I was privileged to take part in the proceedings of the Round Table Conference; but let me make it quite clear that I do not agree with that decision of the Round Table Conference. I feel, in the

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first place, that we cannot avoid politics entering into the business of the Reserve Bank entirely. I have already stated that the operations of the Reserve Bank will affect very seriously the interests of all the people in the country, and if the interests of the whole country are to be protected, who is capable of protecting those interests except the Legislature and the responsible Government? Therefore, if you are anxious that the interests of the whole country should be protected, and not only the interests of the 100,000 or 50,000 or even a smaller number of shareholders of the Bank, then you cannot refuse to give sufficient power to the Legislature and to the responsible Government. Secondly, this Reserve Bank may work efficiently, but there is just a possibility—all these agencies being human—that the Bank, either by its own mistakes or on account of circumstances over which it may not have any control, may get into serious difficulties. It is not an unknown thing that even big Central Banks have got into serious difficulties or are on the point of a breakdown. Under these circumstances, who is going to protect the Reserve Bank as well as the interests of the whole country? It is the Government. It will be the Legislature. Even the biggest Central Banks, when they want very big loans from other countries, like the Bank of England wanting a big loan from the United States, or France, must ask for the help of a Government; and if, in the ultimate resort, even the Central Bank has to ask for the help of Government, how can any one refuse to give sufficient control to a Government over that Bank? The operations of the Reserve Bank and the policy followed by the Reserve Bank are bound to affect the commercial and industrial policy of a Government and the commercial and industrial policy of a Government is also bound to affect the operations of the Reserve Bank. I go further and say that the policy of a Government as regards its budgeting and taxation is bound to affect the operations of the Reserve Bank, and, on the other hand, the operations of the Bank are bound to affect the budgetary position of a Government and also their position as regards the effectiveness of taxation. I, therefore, feel that we cannot avoid politics entering into the operations of the Reserve Bank and, as a matter of fact, we are not avoiding politics. After all, we are giving power to the Legislature and to the Governor General to control the exchange ratio; we are giving power to the Governor General in Council for the appointment of four Directors and for the appointment of the Governor. It may be said that most of these powers will be reserved to the Governor General at his discretion and not to the Governor General acting on the advice of the responsible Minister. It is quite true that if these powers are left to the Governor General acting at his discretion, Indian politics may be avoided and kept out of the operations of the Reserve Bank; but can English politics be avoided or kept out from the operations of the Bank? The Governor General acting at his discretion according to the Constitution which is going to be framed is put under the control of the Secretary of State for India; and at least the Secretary of State for India is a politician, responsible to the British Parliament. I, therefore, feel that when we are leaving certain powers to the Governor General in Council, we are accepting the view that at least in certain matters politics cannot be avoided. Then, in order to avoid politics, we are creating a body of shareholders and leaving the appointment of Directors to these shareholders. Do you really keep out politics by these means? Have we taken any steps in the Reserve Bank Bill to see that the Directors that are appointed or elected by the shareholders will have no politics? At

least I have not seen any provision which provides that no one who has taken any part in politics before shall be eligible for being elected as a Director. Moreover, even if you make such a provision, what guarantee is there that a Director after election will not take to politics? You are not, therefore, keeping politics out of the management of the Reserve Bank. What you are doing is that the Bank will have the politics of a small body of shareholders; whatever may be the politics of the shareholders will be the politics of the Directors. I can quite understand if Government say that they do not like the Bank to fall into the hands of communists and socialists; that is at least honest, but to say that they are trying to keep out politics altogether is not quite honest. I feel that the argument that sufficient powers are not given to the Government of the day over the Bank in order to implement the responsibility of the Reserve Bank to the people of this country on account of the desire of the framers of this legislation for the avoidance of politics does not hold any water. If the Reserve Bank is to be made responsible to the people of this country, acting through the Legislature and the responsible Ministers, some steps are essential and they must be taken. The first step I would suggest is that the legislation as regards the Reserve Bank should be entirely in the hands of the Legislature. It is true that this Bill is being passed through this Legislature, but we are told that certain clauses of the Bill will be reserved for control by the British Parliament. Changes in those clauses cannot be made without the approval of the Governor General, which means without the approval of the British Parliament. I feel that, if you reserve any power to the British Parliament or to the Governor General at his discretion, you are to that extent making difficult the implementing of the responsibility of the Reserve Bank to the people of this country.

Then, my second suggestion is that all the Directors of this Bank should be appointed by the people, either acting through the Legislature or acting through the responsible Ministers who will be responsible to the Legislature. I have heard that if you leave the appointment of the Directors to the Ministers, there will be politics and communalism. All the communal difficulties are going to be solved in the future Constitution. The Ministry will be representing the whole country, and, therefore, I do not expect any difficulties so far as communal differences are concerned.

Then, as regards politics entering the sphere of the Reserve Bank, if appointments are left to the Government, I am afraid, we are making too much of it. Although the appointment of Judges is said to be left to the Crown, still these appointments are made by the responsible Ministers in Great Britain. Do the Judges become political by reason of the fact that their appointments are made on the recommendations of the responsible Ministers?

Raja Bahadur G. Krishnamachariar: I think the Lord Chancellor makes the recommendation.

Mr. N. M. Joshi: But he is a Minister responsible to Parliament; he is a politician. I, therefore, hold that there is absolutely no force in the argument that politics will enter into the Reserve Bank if appointments are made by responsible Ministers.

Then, as regards the dismissal of the Directors, that too, I feel, must be left to the Legislature acting through the responsible Ministers. So far

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as the dismissal of Directors is concerned, it cannot be left to any body of shareholders; they cannot do it. It cannot also be left to the Governor General in Council acting at his discretion if the responsibility of the Reserve Bank is to the people of this country, and to the Legislature in this country. I, therefore, feel that the power of dismissing the Directors must rest with the responsible Ministers who will be responsible to the Legislature. Unless this power of dismissing all the Directors is left to the Ministers, there cannot be responsibility of the Reserve Bank to the people of this country. Neither the Government nor the Legislature agree with these proposals. They, in order to avoid politics, want to leave the election of the Directors, at least the main body of the Directors, to a body of shareholders. Admitting for the sake of argument that our object is to keep out politics from the affairs of the Reserve Bank and, therefore, we create a body of electors who, according to our view, will be free from politics,—even then, when we form such a body, we should take care to see that that body is really representative of the whole people of this country, and not representative of one section.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): That will be politics again.

Mr. N. M. Joshi: The Reserve Bank Bill provides that shareholders who hold shares of the value of Rs. 500 will have a vote for the election of Directors. That means, calculating that one shareholder gets only one share, there will be about one hundred thousand voters. I feel that that number is too small to secure that the whole country will be properly represented

Dr. Ziauddin Ahmad: I have calculated it, and I think that in each register there will be only 400 voters who will actually vote.

Mr. N. M. Joshi: I am quite prepared to admit that the calculations of my friend, Dr. Ziauddin Ahmad, are correct or may be correct.

Mr. N. N. Anklesaria: Question?

Mr. N. M. Joshi: What I was anxious about was to give credit to the Government and to the Legislature, who approve of this Bill, for the highest number. I am not suggesting that the total number of voters will be one hundred thousand; I am suggesting that the highest number will be a hundred thousand. My own estimate is that the total number of voters for the election of Directors will not be more than ten to fifteen thousand. Secondly, it must be remembered that this total number will gradually be reduced on account of the fact that it is open to any shareholder to acquire any number of shares. Now admitting that, in order to keep out politics from the affairs of the Reserve Bank, you create a body of shareholders, I am sure, you will agree with me, Mr. Deputy President, that that body should be so large that it will be properly representative of all sections of the people of this country. If you keep the amount of a qualifying share at Rs. 500, you will keep out the largest bulk of the population of the country from influencing the affairs of the Reserve Bank. By this provision you are going to keep the Reserve Bank in the hands of a few wealthy people, and if the provisions of this Bill operate, as they are expected to operate, the number of people who will control the affairs of the Bank will grow smaller and

smaller. The Bill provides for shares being given to people who are able to put in Rs. 100. The Bill does not even give them a vote. The other day, when I made a remark on this point, the Honourable the Finance Member said that he was offering a good investment to the people. But why not give every inducement to these people in some other way, why in the Reserve Bank? The object of creating a body of shareholders is to create a body of voters and not a body of investors. I, therefore, feel that the Government and the Legislature have failed in their duty to the people of this country by limiting the number of voters to a very small number. They should have provided, if they wanted to create a body of voters, that one man should get one share only. They should have at least provided that, even if a man takes more shares, he should get only one vote. They should have at least provided that it should not be possible for a few men to monopolise all the shares. Even that precaution is not taken. The result of want of precautions in all these matters will be that the Bank will ultimately pass into the hands of a few wealthy people. Mr. Deputy President, I am aware that some provision has been made in the Bill for the first distribution of shares. I agree that at the time of the first distribution the number of shareholders will not be as small as it will be after some years. But there is not sufficient control left for the proper distribution of the shares after the first distribution has taken place. I, therefore, apprehend that, in course of time, on account of the power given to the shareholders to acquire any number of shares, the Bank will pass into the hands of a few people. I am told that although these people may acquire any number of shares, they will not get a large number of votes, and that their votes are limited to ten. It is true that the total number of votes given to one man is limited to ten, but the people who are wealthy are also sometimes very clever. They know that, although the total number of votes they will get is ten,—by purchasing as many shares as they can, they can prevent the coming into existence of other voters. The power given to the shareholders to acquire any number of shares is bound to reduce the total number of shareholders in this country. I, therefore, feel that, supposing the object of the Government and of this Legislature was to keep out politics, they should have taken sufficient precaution to see that the Bank does not pass into the hands of a small number of wealthy people. Unfortunately, they have not done that. Not only that, the present Bill in some respects is even worse than the Bill which Sir Basil Blackett introduced. That Bill had given votes to the shareholders of Rs. 100. That Bill had given one vote to one shareholder. That Bill had placed a limit to the total amount of shares which a shareholder could have. Unfortunately, for us, the present Bill has become worse than the old one. I am quite aware that this change from the old Bill to this new Bill is due to the changes in circumstances. There are some circumstances on account of which the present Bill could become more reactionary than the Bill of 1927. In the first place, there was a Conference in London. Mr. Deputy President, it is not my habit generally to find fault with those people who undertake important and responsible duties abroad, but, at the same time, I may be permitted to remark that those gentlemen who met in London for the discussion of proposals for a Reserve Bank could have been more watchful and could have remembered that they represented there not the small class of people to which they belong, but that they represented there the whole country. My view is, with due apologies to these eminent gentlemen, that they forgot the fact that they represented at the London Conference not themselves, not the small class

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of people to which they belong, but that they represented there the whole country.

Mr. K. P. Thampian: They represented themselves.

Mr. N. M. Joshi: There is another change in our circumstances which has enabled the Government to have this Bill passed, which is more reactionary than the Bill of 1927. There is a change in the character of this Legislature.

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

Mr. President, being a Member of this Legislature, I shall certainly not decry the body of which I am a Member, but I am sure it will be admitted that the present Legislature is not as strong as the Legislature that existed here in 1927. Then there is another change. At that time we had a Finance Member who was trained in the traditions of public service. Today we have a Finance Member who is trained mainly in the traditions of private business. Mr. President, I assure you that I am not making any of these remarks in order to hurt the feelings of any Members. But I feel that these circumstances have somehow or other enabled the Government to place on the Statute-book a measure which is more reactionary than the measure that was placed before the Legislature in the year 1927. I feel that the Reserve Bank which we are going to establish is not the kind of Reserve Bank which will protect the interests of the people of this country. The powers given to the Legislature for amending this Bill are going to be restricted. Under these circumstances, I feel that on the whole it is much better to leave the control of our currency and credit to the present irresponsible Government of India than to the Reserve Bank which is going to be established under this Bill. I am quite aware of the fact that unless the Reserve Bank comes into existence, the Federation cannot come into existence. This threat is held over our head; several other threats are also held over our head. Mr. President, I am one of those who believe, who feel that the sooner India has a Federation including not only the provinces, but the Indian States, the better for us. I am prepared to pay a *reasonable* price for bringing into existence a proper Federation. But let me make it quite clear that I am not prepared to pay *any* price which either the British Government or the Indian Princes demand for the bringing into existence of the Federation. I feel that the Government of India and the Legislature have lost a great opportunity by refusing to bring into existence an organisation which will be responsible to the people of this country for the management of the currency and credit of this country. I feel that a great wrong has been done to this country by accepting the present Bill which leaves an important function of controlling the currency and credit of the country into the hands of a small and wealthy class. Sir, I have done.

Mr. B. B. Puri: Sir, even at the risk of inviting another remark from the Honourable the Finance Member of carrying the debate to very low depths, I feel it is my duty to say a few words at this stage. While dealing the other day with a somewhat controversial amendment, the Honourable the Finance Member accused me of having carried the debate to very low depths. The remarks of the Finance

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Member had an obvious ring of contempt. I did not protest against it at the time, as I thought the chance might come at a later stage. I felt the remark all the more, because it came from a gentleman, who by general consent, enjoys a reputation of being a very civil and polite man. Therefore, I wondered in my own mind whether it was the enormity of my offence which was the cause or the weakness of his case which forced the Finance Member to resort to such tactics which are, however, not unknown to the members of the bar. We know that when a counsel has a weak case, he sometimes goes for his adversary not on merits, but otherwise. What I naturally expected from the Finance Member was that he would take a little trouble to go into the merits and show how and where I had committed the offence of either misrepresenting him or misleading the House by placing any wrong or false data before it. The Honourable the Finance Member, so far as the merits of the case were concerned, kept his lips perfectly sealed and merely contented himself with making the accusation. I, therefore, reiterate all my previous arguments and I stand by them. I am, however, not inclined to take any serious view of it though I must say ordinary courtesy and parliamentary etiquette demanded that the Finance Member should have shown my arguments up by pointing out the flaws in my statement, or in the analysis which I made of his speech from which I was quoting chapter and verse.

Sir, I confess that in my speech I struck some discordant notes and said something which probably was not very pleasing to his official ears, but I am generally guilty of that. If he wants to hear pleasant things, there are plenty of people in this House, sitting not far from me, who can always be depended upon for that. I am here to place before him the bitter and the true side of the question, and to let him know how my countrymen outside think and feel about the measure in question. While, therefore, there are scores of people who can tell him very pleasing things, surely the Finance Member ought not to grudge if a few people are left out to tell him occasionally bitter realities. But as I have already said, I am quite prepared to wipe this incident out of my mind and to take a philosophic view of it. I know that the Finance Member has had to pass through a very strenuous time, and if, in the stress of work, he has given vent to something by which he never intended to offend anybody, I am prepared to accept that assurance but, at the same time, I wish that the fact may be placed on record.

Coming to the merits of the Bill itself, speaking on a third reading is like playing the funeral march. It seems to me that we are now doing nothing better than reading the burial service. Now, Sir, that we have got to the end of our labours and the land is in sight, it would be appropriate to recall some of the outstanding incidents of this long drawn voyage. I confess that the Commander has brought the ship to a port, although it has not been the port where we intended to reach. However, as things stand, we have to look back and see how we have reached the wrong goal. The observations which I am now going to make are not with any hope of carrying the House with me, because the House has already accepted certain views. The sole object I have in view is to place before the House certain incidents explaining how we have reached our present conclusions. This aspect has already been touched upon by my Honourable friend, Mr. Pandya, and with your indulgence I would also like to say a few words on that point. Sir, although the labours of the Finance Member have been crowned with success, I am constrained to say that this success has been achieved not on the merits of the Bill,

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but a great deal of it has been contributed by men who should have been bold enough to stand up against this measure and who should have opposed it tooth and nail.

Sir Cowasji Jehangir: Oppose it against their convictions?

Mr. B. B. Puri: I will be dealing with their convictions in a minute. Sir, I must confess that it has been a truly humiliating sight to see Leader after Leader vying with each other, jumping on their feet to oppose amendment after amendment and support Government. Sir, at times they appeared to be out-Schustering Schuster, and the only remark under the circumstances which one could think of was: "God save us from our friends". Sir, if those, on whom we reckoned, on whom their Party members reckoned, on whom their countrymen outside reckoned, had not actually crossed the floor of the House and supported the Government, we would not have found ourselves in this helpless position and the Bill would not have been passed in even more sweeping terms than the Government at one time intended. Sir, it seems to me that the real thanks of the Honourable the Finance Member are not due to these gentlemen or to any particular set of them, they are due to the system of the Government under which alone such exhibitions are possible. Sir, I regret to say that this has been a wholly unequal fight, and I would boldly assert that if the Finance Member were to put aside the weapon of patronage which he possesses, I would challenge him if he could carry through a single clause of this Bill, let alone the whole Bill in its present form. Sir, let us hope, what has been the loss of the country has resulted, or will result in some sort of gain to the individuals, for it is an ill wind which does good to none.

Sir, in this tragedy there has been a comic chapter also, and, in order to appreciate the nature of it, I shall have to make a few introductory remarks. As far as I am aware, there are, Sir, three different kinds of supporters of the Government. *Number one*, those who owe their existence in this House to the Government, i.e., the nominated Members. One can fully appreciate their position, and they must of necessity support the Government. Then there is the *second class*, namely those who by some past traditions, either on account of past favours or future expectations, have thrown in their lot with the Government for good or bad. I can appreciate them also; for I think it requires a certain amount of courage to do that. Then comes the *third class*. These are the periodical supporters of the Government who, during certain seasons, come forward and undertake to help the Government regarding certain measures. They are always open to conviction. "Conviction" would be the best word in the circumstances. But, out of this third class, there comes out another off-shoot and this sub-class are very shrewd people; they have undertaken to support the Government with reference to this measure and they want to please their countrymen also. They have sided with the Government and relieved it to such an extent that, instead of Government meeting the arguments of the Opposition, they have been on their feet to shut up their colleagues, to gag them, to choke them and to perform all sorts of trick. But, again, in order to satisfy their own people also, they stand

up and put up a fight—I will not say “show of a fight”—on behalf of the people against the Government.

Captain Sher Muhammad Khan Gakhar: Don't you give them compliments?

Mr. B. R. Puri: I am giving them compliments; you try and follow. Now, Sir, we have had an interesting example of this on the present occasion. We have seen some Honourable Members who have fought us every inch on behalf of the Government, but on one important question, namely, the ratio question, they have taken up the opposite view. They were promptly called to order by the Government. They kept the House at bay practically the whole of a day. The bulk of the time of the House on that day was taken up by their speeches. They were reminded by the Leader of the European Group that they were going back on their own signatures. The Leader of the European Group openly accused them of dishonesty of purpose. I am borrowing his words.

Sir Leslie Hudson (Bombay: European): I did not use those words.

Mr. B. R. Puri: Those were the words which appeared in the *Statesman*, and they were not contradicted, and I repeat them. I cannot say if in the meantime he has corrected his speech and substituted some other suitable words.

An Honourable Member: He meant “absence of honesty of purpose”.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Absence of honesty is not dishonesty!

Mr. B. R. Puri: In any case, so far as I remember, these were the very words used. I may be in a position to point out to my Honourable colleague the issue of the *Statesman* containing his speech. Now, Sir, more or less the same accusation was made against those Honourable colleagues of mine by the Honourable the Finance Member, but perhaps not in that open and palpable form. My friend has got a very sweet way of saying nasty things, he always puts plenty of sugar-coating on the top of his pills. While expressing more or less the same idea, he said . . .

The Honourable Sir George Schuster: My Honourable friend need expect no sugar-coating when I reply to him.

Mr. B. R. Puri: No, I fully expect that, but if he had given the indication to me earlier, then I might have answered him in the same strain. However, I am not going back again to the same point. My Honourable friend would be perfectly welcome even now to meet my arguments in any possible language he chooses. If he gets this opportunity now, I might get an opportunity later. So this will be a running account which we have opened now: it will be a cash credit account with balance sometime on one side or sometime on another. I am not afraid of that.

Now, Sir, I was dealing with the conduct of certain Honourable colleagues as it appeared to the Leader of the European Group and the Honourable the Finance Member. What appears to have been done was that these good friends of ours had been taken all the way to Europe and

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there they were asked to take part in certain deliberations. They did not go, as far as we remember, as our representatives. We never chose them; we never elected them. Therefore, so far as this House is concerned, we are not bound by their opinions.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Was the Joint Committee your representative?

Mr. B. R. Puri: No, neither was Mr. Yamin Khan. So far as these gentlemen were concerned, as I was saying, they did not go there as our representatives; they did not carry with them our views; we were not consulted; we did not know anything about their selection. If they were selected, they were selected on their own merits or demerits. And so far as the London Committee before which these deliberations took place is concerned, however helpful, however instructive their views or their conclusions may be, this House as a legislative body is not bound by such conclusions of this or any Committee, no matter how high or lofty its position. What legal position this Committee has *qua* this House, I have not been able to discover any. As I have said, it may carry with it all the executive authority and weight, it may influence the decision of the Parliament which has to grant the Charter of our reformed Constitution, but, from the strictly legal point of view, it has no status. At any rate, I have not been able to discover any; nor has any light, so far, been thrown on this question. I venture to think its findings and conclusions are not even relevant so far as this legislative body is concerned. Therefore, we are neither legally nor morally bound by the views expressed by our worthy colleagues nor by the findings and conclusions of this Committee. The findings of this Committee were embodied in a report which was drawn up in London and our colleagues in a moment of weakness appended their signatures to this report. And, now, when they stood up in this House and took up the opposite attitude, they were at once pulled up and asked to honour their signatures. They were told more than once in clear and emphatic language that honesty, integrity, and morality, all demanded that they should not go back on their own signatures. Sir, I submit that these gentlemen had no business to go and create a lien on their opinions and hypothecate their votes beforehand when they knew that the matter was to come up before this House at a later stage. I am not sure if it does not amount to contempt of this House. We are being called upon to legislate in a House where a section of it has already alienated in writing their opinions and views and stand committed to them. Look at it from another aspect—suppose it was a judicial matter and *qua* the subject-matter of the case, the judge is found to have expressed his opinion beforehand, he will be debarred from handling and dealing with the case. If it is a sound principle there why not here? May I, therefore, respectfully ask these worthy gentlemen if they had any excuse for committing themselves to certain opinions behind our backs without knowing what views or arguments this House might be inclined to adopt hereafter. The most convincing arguments may be placed before them in this House and, even if inwardly they are inclined to agree with those views, still they would feel handicapped in endorsing such views. They would be afraid, nervous, and hesitant to adopt and accept such views being different from those to which they have given their assent in writing.

Captain Sher Muhammad Khan Gakhar: Are you against the appointment of these Committees?

Mr. B. E. Puri: I am not talking of Committees in general. I am only dealing with the particular Committee that sat in London regarding the Reserve Bank. Of course, the Honourable the Finance Member has already drawn the attention of the House to the fact that each one of the three Honourable gentlemen has put forward a different plea for his having agreed to the opinions embodied in that report. I am not holding any brief either on behalf of the Government or on behalf of these Honourable Members.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Rural): That is obvious.

Mr. B. E. Puri: Nor are we called upon to meticulously go into the merits and demerits of the charges and counter-charges that have been levelled by the Government and these Honourable Members against each other. But I must say that it was wholly wrong on the part of all concerned, Government or the Members who were responsible for bringing about this state of affairs. To get hold of important and leading men, to take them 6,000 miles away, and get them committed to certain opinions in advance, regarding an important measure coming up before the House is a most unwarranted procedure. Let us examine these Honourable Members' defence which they have put forward. They say, they stand by their signatures and claim that they have carried out the report in spirit if not in letter. Sir, when a plea of this kind is put forward as a shelter, one does not feel very happy about it—as it carried with it its own inherent weakness. The mere fact that they are under the painful necessity of finding some satisfactory explanation to relieve them out of this awkward position into which they have placed themselves is, I am afraid, sufficient to show that the attempt to please both parties has not succeeded. Sir, it is obvious that this course has greatly handicapped our Honourable colleagues who have been made incapable of rendering that service to this House and their country which was expected of them. Now, Sir, from the point of view of the Honourable the Finance Member, it appears that he has been badly let down. He did not expect this treatment from these worthy gentlemen and he has rightly been disappointed in this connection. Some people might be inclined to say, "served him right", but that would be unkind. I think the sympathies of the House should go to him.

The Honourable Sir George Schuster: I do not need the Honourable Member's sympathy.

Mr. B. E. Puri: Nonetheless, I must offer. Etiquette demands that I should. It is true, he does not need my sympathies, but may I venture to make one or two respectful suggestions. Let him make a note of it. I would suggest that in future he should make a better selection.

Sir Cowasji Jehangir: Send Mr. Puri and give him a holiday which he wants badly.

Mr. B. E. Puri: This being a commercial subject, it will be more appropriate to have from the class to which my Honourable friend belongs.

Sir Cowasji Jehangir: My Honourable friend knows how to put the fees into his pocket and not attend the House.

Mr. B. R. Puri: I will deal with my Honourable friend presently, but may I ask the Finance Member, why take such doubtful material and carry it all the way to England and then at the end find yourself in an embarrassing position.

Mr. F. E. James (Madras: European): He did not say doubtful material.

Mr. B. R. Puri: Why take such friends who are doubtful tricks when you can get other friends in the House who are sure tricks? These Honourable Members are tricks only if the finesse comes off. Sir, in this connection I am reminded of a story which would not be inappropriate at this place. The present case is analogous to a man who walked up to a fish-monger's stall pretending to buy a fish, and while the fish-monger momentarily turned his attention in other direction, he quietly picked up a fish and put it into his pocket and then walked away, but the tail of the fish was sticking out. The fish-monger detected it and called him back and said: "Look here, young man, I have no intention of quarrelling with you over this affair, but I just want to give you a tip and, that is, next time you want to take a fish in this way, either take a smaller fish or have a longer pocket made in your coat. (Laughter.) So, next time the Honourable the Finance Member wants some fish from this stall, let him take smaller ones or else have a much bigger pocket, so that their tails do not keep sticking out. The next suggestion I would place before the Honourable the Finance Member—and which, I am sure, his commercial instinct would at once appreciate,—is to have these worthies in future insured, a firm of political underwriters might be willing to take up this proposition. Of course the premium would differ. The premium, for instance, on an Honourable friend like Mr. Yamin Khan would be very low, while the premium on my Honourable friend, Sir Cowasji Jehangir, would be comparatively higher, and in this way you minimise your risk. My final suggestion is that in future, in addition to getting their signatures on these reports, get a separate note of hand from each of them promising that on their return to India they shall not change their views for political, religious, communal, social or industrial or business grounds. Have that in writing. If these precautions had been taken by the Honourable the Finance Member, I am sure, there would not have been so much mutual embarrassment. These worthy colleagues of ours have not pleased the Government, and certainly they have not pleased us. They have a midway position, neither here nor there. As the saying goes:

*"Na Khudda hi mulla
Na visal-i-Sonam
Na idhar ke rahe
Na udhar ke rahe."*

The next point that I propose to take up is that, in passing this Bill, we have not been free agents to legislate in the manner in which we would have liked. Certain circumstances are so intimately connected with the presentation and the manner in which this Bill has been launched that we feel and feel strongly that we have been seriously handicapped.

Sir, it is no secret that the Bill was for all practical purposes drawn up and passed elsewhere 8,000 miles away from us, and the present proceedings are merely intended to obtain our seal to it by way of ceremony. Sir, the first thing which we were told was that "here is a measure which you have got to pass, because upon the passing of this measure would depend the granting of the future Constitutional Reforms for which you are looking forward". The next thing we were told was that we had to pass this Reserve Bank Bill, not in the terms which we might think proper, but a Reserve Bank of a particular kind. They want no State Bank, they do not want any discrimination so far as Indianisation is concerned, they do not want any interference with the 1s. 6d. ratio and, lastly, that when we have finally passed such a Bill, it will be practically unalterable except when the Governor General in his discretion thinks fit to do. This, Sir, is a brief description of the Bill which we are passing today. These were the conditions, this was the atmosphere in which this Bill is placed before this House. From one step to another we have been forced not only to pass this Bill, but we have been dictated to pass it in the prescribed form.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair proposes to adjourn the House in ten minutes, i.e., at ten minutes to five.

Mr. B. R. Puri: This, Sir, I am constrained to say, is not "legislating" by any means. I call it by another expression, it looks more like forced feeding—because the Bill has been thrust down our throats.

In this gloomy picture, there have been a few redeeming features also; and the first and foremost has been the single-handed effort of my Honourable friend, Dr. Ziauddin. He has, we must gratefully acknowledge, kept the enemy at bay day in and day out. From morning till evening he has been at his post and has put in a stupendous amount of labour in fighting against great odds and it is no small satisfaction to us to know that at least there has been one Honourable Member amongst us who, despite a variety of difficulties, right and left of him, kept up his steady fire. The only remark of his in which I did not agree with him was when he described and called the Imperial Bank as "cheats" and "syndlers". I am not sure, if my Honourable friend really meant to use that language towards an institution of a long standing occupying a premier position in the country. I may assure him that I am not a debtor of the Imperial Bank, nor do I intend to apply for a loan. But I was sorry to see that an otherwise flawless lining should have been marred by these one or two observations which, I think, were not quite justified. The next notable effort was that of my Honourable friend, Mr. Sarma, if anything, it deserves even greater credit, because it comes from a quarter from which we ordinarily do not expect such a contribution. I am sure, the value and merit of that amendment is not a bit reduced on account of its sex inferiority. The House will remember that my Honourable friend, Mr. Yamin Khan, described it as a "female amendment". Sir, I am not sure whether it is a female amendment or a male amendment, or both or neither; but I am quite certain that its merit does not depend on its sex. Nor, let me assure the House, is its value affected by the fact that Mr. Sarma's esteemed Leader did not think it fit and proper to vote with his devoted Pro-Leader. Sir, if anything, the value of his amendment in my mind stands much more enhanced on account of the difficulties which had been put in his way. I go a step further and say that the value of

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this amendment is still further enhanced by the sarcastic criticism levelled against it by the Honourable the Finance Member himself when he said that Mr. Sarma was placing in the market goods merely as a "middle-man", that these goods were not produced by him, but that they had been placed at his disposal by a well-known Calcutta firm which had been very much in evidence in and about the Assembly. Sir, assume that this charge is true. Does the Honourable the Finance Member seriously contend that that is any answer and that the moment he has said that the amendment stands demolished? We all know that the Finance Member is a gifted gentleman,—unfortunately every one is not so gifted and self-contained as he is. He needs no assistance from any quarter. We know that he has really been piloting this Bill single-handed, unassisted by the army of men who constitute his Secretariat. We know that an expert from the Imperial Bank who has sat throughout this debate—not very far from where the Honourable the Finance Member himself sits—has been taking notes, for the benefit of Dr. Ziauddin and not for the benefit of the Honourable the Finance Member. If it is a sin to borrow the opinions or expert knowledge from those who have made a life long study of financial subjects, Mr. Sarma has probably committed that sin, but surely, Sir, it did not lie in the mouth of the Honourable the Finance Member who, even as he is sitting now in the House, is being assisted by more than one expert official in the discharge of his duties—but we do not blame him for it: we are not making a grievance of it: under the circumstances, even if ten men were by his side, it would be perfectly legitimate, it would be perfectly honest. I say, if Mr. Sarma has been supplied with the material by the agency to which the Honourable the Finance Member has referred, that should go in his favour, inasmuch as it shows that he has taken the care not to launch his own inexperienced opinions before the House, but has taken the precaution of consulting and collaborating with men who have got a right to speak on these subjects and then placing these matters before the House.....

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member intend to speak much longer?

Mr. B. R. Puri: Yes, Sir: I may have to speak for some time more.

Mr. President (The Honourable Sir Shanmukham Chetty): The House now stands adjourned till tomorrow morning at 11 o'clock.

The Assembly then adjourned till Eleven of the Clock on Friday, the 22nd December, 1933.