

1st March 1940

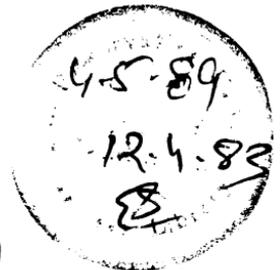
**THE**  
**LEGISLATIVE ASSEMBLY DEBATES**

**Official Report**

**Volume I, 1940**

*(6th February to 5th March, 1940)*

**ELEVENTH SESSION**  
**OF THE**  
**FIFTH LEGISLATIVE ASSEMBLY,**  
**1940**



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1940

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# Legislative Assembly.

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# LEGISLATIVE ASSEMBLY.

Friday, 1st March, 1940.

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

## STARRED QUESTIONS AND ANSWERS.

### (a) ORAL ANSWERS.

#### LICENCE-HOLDERS FOR WIRELESS RECEIVING SETS; PROGRAMMES AND STAFF OF THE ALL-INDIA RADIO.

**243. \*Bhai Parma Nand:** (a) Will the Honourable Member for Communications be pleased to state the number of licence-holders for wireless receiving sets on the 31st December, 1939, and how many of them were Hindus and how many Muslims, as far as can be ascertained from the names of the licensees or otherwise?

(b) How many programmes of the All-India Radio were given to Hindus and how many to Muslims during the year ending 31st December, 1939, and what were the respective amounts paid to them?

(c) How many Hindustani programmes of the All-India Radio were given to Hindus and how many to Muslims during the year ending 31st December, 1939, and what were the respective amounts paid to them?

(d) What is the ratio of Hindus and Muslims employed in the Hindustani programme staff of the All-India Radio?

**The Honourable Sir Andrew Clow:** (a) 92,782. Information regarding the latter part of this question is not available, as license-holders are not required to state their religion.

(b) and (c). Programmes are given to all who care to listen and the great bulk of the items are not designed specially for persons belonging to particular communities. Separate lists are not maintained giving the amounts paid to artists of different religious faiths.

(d) Hindustani programmes are mainly broadcast from the Bombay, Delhi, Lahore and Lucknow Stations of All-India Radio. About three-fifth of the programme staff at these stations consists of Muslims and two-fifth of Hindus. The proportion of Hindus is much larger at the remaining stations of All-India Radio.

#### HINDUSTANI TRANSLATORS AND ANNOUNCERS, ETC. IN THE ALL-INDIA RADIO.

**244. \*Bhai Parma Nand:** (a) Will the Honourable Member for Communications please state how many Hindustani translators are employed in the Central News Organisation of the All-India Radio and how many of these know Hindi and have experience of Hindi journalism?

(b) What script is used in the Hindustani News Bulletins of the All-India Radio?

(c) How many Hindustani Announcers are there at the Delhi Radio Station, and how many of these are Hindi knowing Hindus?

(d) What is the number of Muslim Announcers of Hindustani at Delhi Radio Station?

(e) How many Hindustani dramas were broadcast during the year ending 31st December, 1939?

(f) Is the *Sarang* the fortnightly magazine published by the All-India Radio, a Hindi or Urdu magazine, and who is its editor? What are his qualifications in Hindi?

**The Honourable Sir Andrew Olow:** (a) Four. All of them understand Hindi. None of them has had experience of Hindi journalism.

(b) Urdu.

(c) Three. One of them is a Hindi knowing Hindu.

(d) Two.

(e) The attention of the Honourable Member is invited to the fortnightly issues of the *Indian Listener* which contain the required information and copies of which are available in the Library of the Legislature.

(f) The *Sarang* is a Hindustani magazine printed in the Devanagri script. Its Editor is Mr. A. N. Bhanot. He is a graduate of the Punjab University and took Hindi as one of his subjects in the Degree course.

**Pandit Krishna Kant Malaviya:** With regard to part (a), do the translators know Hindi at all?

**The Honourable Sir Andrew Olow:** I have said that all of them understand Hindi.

**Pandit Krishna Kant Malaviya:** Can they read or write Hindi?

**The Honourable Sir Andrew Olow:** I believe that two of them use the Devanagri script, if that is what the Honourable Member wants to know.

**Dr. Sir Ziauddin Ahmad:** What does the Honourable Member mean by "Hindustani"?

**The Honourable Sir Andrew Olow:** I have not mentioned that word in my answer.

**Dr. Sir Ziauddin Ahmad:** It is in the question.

**The Honourable Sir Andrew Olow:** I am not responsible for interpreting the question; I can only interpret my own answer.

**Dr. Sir Ziauddin Ahmad:** How can the Honourable Member answer a question without knowing what it means? When the word "Hindustani" is in the question, did the Honourable Member reply to it without knowing what that word means?

**The Honourable Sir Andrew Olow:** It is not always easy to know what a question means, but I do my best. Sir, I am very sorry; I did say in answer to clause (f) that the *Sarang* is a Hindustani magazine.

**Dr. Sir Ziauddin Ahmad:** This matter will come up in connection with questions on the Radio, and so I want to understand it. What is the difference between Hindi and Hindustani?

**The Honourable Sir Andrew Olow:** I think the Honourable Member will have to address that question to the Secretary of the Education, Health and Lands Department.

#### TEST FOR SELECTION OF HINDUSTANI TRANSLATORS FOR THE ALL-INDIA RADIO.

**245. \*Bhai Parma Nand:** (a) Will the Honourable Member for Communications please state how many Hindus and how many Muslims were called in the test held to select Hindustani Translators?

(b) How many Hindi knowing and how many Urdu knowing men were appointed?

(c) How many of them had experience of Hindi journalism and how many of Urdu journalism?

**The Honourable Sir Andrew Olow:** (a) 30 Muslims and 16 Hindus.

(b) All the four translators appointed understand both Urdu and Hindi.

(c) Three of the translators have had experience of Urdu journalism.

**Dr. Sir Ziauddin Ahmad:** In this question the word "Hindustani" occurs in one paragraph and the words "Urdu" and "Hindi" in the remaining paragraphs. What is the difference?

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

#### PROMOTION OF CLERKS IN THE NORTH WESTERN RAILWAY ACCOUNTS DEPARTMENT.

**246. \*Mr. H. M. Abdullah:** (a) Will the Honourable Member for Railways please state whether it is a fact that in the North Western Railway Accounts Department ordinarily only those clerks class II are promoted to class I who have passed the Appendix 'C' or Part I Examinations?

(b) Is it a fact that several class II clerks have been promoted to class I without passing any of the above examinations? If so, what is their number, community-wise?

(c) Is it a fact that certain clerks transferred from other branches into the Accounts Branch were promoted to class I without passing such examinations? If so, what is their number?

(d) What is the number, community-wise, of clerks class II who were shortly due for promotion to class I but were deprived of it as a consequence of promotions of unqualified staff mentioned in parts (b) and (c)?

(e) Are Government prepared to consider the question of issuing definite rules on the subject, either exempting all staff from passing Appendix 'C' examination for promotion to class I or insisting on this qualification in each case?

**Mr. B. M. Staig:** (a) Yes. The examinations are "Appendix C" and "Old Class I" and not "Part I".

(b) No.

(c) Yes; five men, who were transferred along with their work from the control of the General Manager to that of the Chief Accounts Officer, were exempted from passing the Appendix C examination by the competent authority in order to secure for them the benefits they would have enjoyed but for such transfer.

(d) None, because the men referred to in (c) above brought the posts with them.

(e) Definite rules already exist, *vide* paragraphs 3 and 4 of the Rules and paragraph 3 (c) of Appendix A, issued with the Railway Board's memorandum No. 5565-F, dated the 31st July, 1929, a copy of which is available in the Library of the House. Government do not consider it necessary to issue any further Rules.

**Mr. Muhammad Nauman:** With reference to part (c), may I know whether these transfers meant promotions for these people without any test or examination?

**Mr. B. M. Staig:** It meant that on their transfer under the Chief Accounts Officer they got without examination the promotion they would have got had they remained under the General Manager, also without an examination. No concession was given to them; the rights in their previous places under the General Manager were merely preserved.

**Mr. Muhammad Nauman:** What was the difficulty in getting them examined and tested? Why did not Government consider that?

**Mr. B. M. Staig:** They had the privilege of being exempted from this examination, and I presume it was not considered desirable to make their conditions of service more difficult.

#### COMMERCIAL SUPERVISORS ON THE NORTH WESTERN RAILWAY.

247. **\*Mr. H. M. Abdullah:** Will the Honourable Member for Railways please state:

- (a) the number of Commercial Supervisors, community-wise, employed on the North Western Railway;
- (b) the date from which they hold their posts;
- (c) whether they are confirmed or not;
- (d) if there is any waiting list of selected candidates for the posts of Commercial Supervisors, and if so, the number of such candidates by communities; and

- (e) if the various communities are not adequately represented among the staff referred to, what steps Government propose to take to remove the over-representation of any one community in that category of staff?

**The Honourable Sir Andrew Clow:** (a) Two Hindus.

(b) 21st October, 1988 and 17th April, 1989.

(c) One is confirmed and the other is on probation.

(d) The answer to the first part is in the negative, and the latter part does not arise.

(e) Selection for appointment to these posts is not governed by communal considerations and Government have no steps in contemplation.

**CERTAIN INFORMATION REGARDING CLERICAL STAFF ON THE NORTH WESTERN RAILWAY.**

**248. \*Mr. H. M. Abdullah:** (a) Will the Honourable Member for Railways please give the following information relating to the clerical staff of the North Western Railway Headquarters, Divisional and Extra Divisional Offices, separately:

- (i) the date from which the orders regarding 20 per cent. direct recruitment to intermediate grades in the clerical establishment were brought into effect and the grades and categories selected for such recruitment;
- (ii) the number of permanent and leave-preparatory-to-retirement vacancies which occurred after the issue of those orders;
- (iii) the number of permanent vacancies which occurred on account of the conclusion of leave-preparatory-to-retirement terms subsequent to the issue of those orders and the number of the incumbents by communities who were officiating against such vacancies on the date of the issue of most of the orders; and
- (iv) the number of men by communities who were directly recruited in the intermediate grades in pursuance of these orders against permanent and leave-preparatory-to-retirement vacancies referred to in parts (ii) and (iii) above?

(b) Is it a fact that certain clerks grade I who were officiating in grade II against permanent or leave-preparatory-to-retirement vacancies referred to in parts (ii) and (iii) above were confirmed in that grade after the issue of the orders of 20 per cent. direct recruitment to intermediate grades without taking into account the proscribed percentage of direct recruits?

(c) If the reply to part (b) above be in the affirmative will the Honourable Member please state why 20 per cent. of the vacancies were not filled by direct recruitment?

(d) Is it a fact that such action on the part of the North Western Railway administration has deprived the men selected for these posts from the rapid chances of their appointment and will the Honourable Member please say how does he propose to regularise matters?

**The Honourable Sir Andrew Glow:** (a) (i). Orders were issued on the 27th April, 1937, authorising General Managers to make initial recruitment to grades higher than the lowest up to a maximum of 20 per cent. of the vacancies per year.

(ii), (iii) and (iv). Government have no information separately for clerical staff showing the number of vacancies, the details of those officiating against vacancies or the direct recruitment to intermediate grades, but I lay on the table of the House a statement showing the initial recruitment to grades higher than the lowest by communities for all grades on the North Western Railway from the date of issue of the orders to the end of 1938-39, the last complete year for which figures are available.

(b), (c) and (d). The orders regarding direct recruitment to intermediate grades permitted General Managers in their discretion to make such recruitment, but did not order that the vacancies in all grades higher than the lowest must be filled up to a maximum of 20 per cent. by direct recruitment. There has thus been no irregularity calling for action by Government.

*Statement showing the direct recruitment to intermediate grades on the North Western Railway.*

| Year.             | Permanent. |          |                |        | Temporary. |          |        |        |
|-------------------|------------|----------|----------------|--------|------------|----------|--------|--------|
|                   | Hindus.    | Muslims. | Anglo-Indians. | Total. | Hindus.    | Muslims. | Sikhs. | Total. |
| 1937-38 . . . . . | ..         | ..       | ..             | ..     | ..         | 2        | ..     | 2      |
| 1938-39 . . . . . | 1          | 2        | 1              | 4      | 8          | 19       | 1      | 28     |

**Mr. Muhammad Nauman:** Is it a fact that before this order was issued, they were recruiting about 30 per cent. in the intermediate grade on the North Western Railway?

**The Honourable Sir Andrew Glow:** I do not think that is a fact, but I have not got the figures here.

**PROMOTION OF CLERKS IN THE HEADQUARTERS OFFICE OF THE NORTH WESTERN RAILWAY.**

**249. \*Mr. H. M. Abdullah:** (a) Will the Honourable Member for Railways state in regard to the clerical staff employed in the Headquarters Office of the North Western Railway:

- (i) the number of clerks by communities and grades employed in each branch and percentage of each community in each grade in each branch; and

(ii) the number of clerks grade II by communities employed in each branch and the number of years they have been blocked at the maximum of their grades?

(b) Are clerks grade II promoted to grade III in order of their seniority in their own branches?

(c) If the reply to part (b) above be in the affirmative, is the Honourable Member aware that there are unequal chances for these clerks for promotion to grade III in different branches, and is he prepared to consider the advisability of providing equal chances of promotion in each branch by making adjustments? If not, why not?

**The Honourable Sir Andrew Olow:** I have called for information and will lay a reply on the table in due course.

#### TRANSFER OF THE ACCOUNTS STAFF UNDER THE ADMINISTRATION OF THE GENERAL MANAGERS OF STATE RAILWAYS.

†250. \*Sardar Sant Singh: Will the Honourable Member for Railways be pleased to state whether the recommendations contained in paragraph 80 of the Report of the Indian Railway Enquiry Committee (1937) in regard to the transfer of the Accounts staff under the administration of the General Managers, have been given effect to on all the State-managed Railways? If not, what are the conclusions of Government thereon?

**The Honourable Sir Andrew Olow:** In pursuance of the recommendation of the Railway Enquiry Committee and with the approval of the Public Accounts Committee, the experiment was instituted in November, 1938, of placing the accounts staff on two railways under the General Manager. The working of the experiment is being carefully watched but some further time will be required before reliable conclusions can be reached in regard to it.

#### CONTROL OF THE GENERAL MANAGERS OF STATE RAILWAYS OVER THE RAILWAY CLEARING ACCOUNTS OFFICE.

†251. \*Sardar Sant Singh: Will the Honourable Member for Railways be pleased to state whether the staff of the Railway Clearing Accounts Office will be under the administrative control of the General Managers of the respective railways, when the recommendations referred to in the preceding question are given effect to? If not, what will be the position thereafter?

**The Honourable Sir Andrew Olow:** As I have informed the Honourable Member in reply to his previous question, no final decision has been reached in regard to the transfer of the accounts staff to the control of the General Managers. If that transfer were ultimately to take place, it would not necessarily involve any change in the control of the Railway Clearing Accounts Office. The latter acts on behalf of a number of railways and as long as the work it undertakes is done in a single office, it would be impracticable to place it under divided control.

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

### CALCULATIONS OF THE REVENUE EARNED BETWEEN STATE-MANAGED RAILWAYS.

†252. \*Sardar Sant Singh: Will the Honourable Member for Railways be pleased to state whether they have approved the suggestion made in paragraph 67 of the Report of the Indian Railway Enquiry Committee 1937, in respect of the calculations of the revenue earned, between State-managed Railways? If not, what are the reasons therefor?

**Mr. B. M. Staig:** The attention of the Honourable Member is invited to page 6 of the second statement issued in November, 1938, showing the action taken on the recommendations in the Indian Railway Enquiry Committee's report. A copy of this statement is in the Library of the House. The new procedure of apportionment of receipts introduced in the Railway Clearing Accounts Office in February, 1938, to which this statement alludes has resulted in a saving of about Rs. 80,000 per annum.

### DISCHARGE OF THE BRIDGE DEPARTMENT STAFF ON THE NORTH WESTERN RAILWAY.

†253. \*Sardar Sant Singh: (a) Will the Honourable Member for Railways refer to his answer to question No. 97 asked by Mr. Lalchand Navalrai on the 15th February, 1940, and state if it is a fact that the Chief Engineer, Surveys and Construction, North Western Railway, wrote to the Deputy Agent Personnel (now Deputy General Manager Personnel) on the 27th February, 1931, insisting on re-employment of retrenched staff of his office? If so, is it a fact that the retrenched staff was re-employed and absorbed in other offices without any restriction of age, academic and selection boards qualifications having been insisted upon?

(b) If the answer to the preceding part be in the affirmative, is the Honourable Member prepared to issue similar orders for the absorption of the temporary staff of the Bridge Department in permanent posts in departments other than the Bridge Department?

**The Honourable Sir Andrew Clow:** (a) As regards the first part, I have seen a copy of the Minute Sheet from the Chief Engineer, Surveys and Construction, North Western Railway, dated 26th February, 1931, to the Deputy Agent, Personnel, requesting special consideration for the staff of his office and pointing out that they stood on a different footing from the staff working on the Survey and Construction Divisions who come automatically under reduction on termination of the work for which they are employed. As regards the latter part, Government have no information.

(b) No. I would refer the Honourable Member to my reply to the first part of part (e) of Mr. Lalchand Navalrai's question No. 97 asked on 15th February, 1940, which indicates the present policy on the North Western Railway.

### STATEMENT OF BUSINESS.

**The Honourable Sir Muhammad Zafrullah Khan** (Leader of the House): Sir, it will probably be necessary to hold sittings of the Select Committee on the Excess Profits Tax Bill on Monday, the 4th March, and I am, therefore, to request that the sitting of the House fixed for that day to

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

transact official business may be cancelled. Incidentally, that will give Honourable Members an extra day to study the budget before they enter upon its general discussion.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair takes it, that will suit Honourable Members, and it orders accordingly.

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#### THE COAL MINES SAFETY (STOWING) AMENDMENT BILL.

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar** (Member for Commerce and Labour): Sir, I move for leave to introduce a Bill to amend the Coal Mines Safety (Stowing) Act, 1939.

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

"That leave be granted to introduce a Bill to amend the Coal Mines Safety (Stowing) Act, 1939."

The motion was adopted.

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar**: Sir, I introduce the Bill.

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#### THE AGRICULTURAL PRODUCE CESS BILL.

**Sir Girja Shankar Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I move for leave to introduce a Bill to make better financial provision for the Imperial Council of Agricultural Research.

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

"That leave be granted to introduce a Bill to make better financial provision for the Imperial Council of Agricultural Research."

The motion was adopted.

**Sir Girja Shankar Bajpai**: Sir, I introduce the Bill.

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#### THE INCOME-TAX LAW AMENDMENT BILL.

**Mr. S. P. Chambers** (Government of India: Nominated Official): Sir, I move:

"That the Bill to amend the law relating to Income-tax be taken into consideration."

The Statement of Objects and Reasons explains the objects of this Bill, and I hardly think I need detain the House with a repetition of those objects. But perhaps the clause which deals with the Income-tax (Removal of Difficulties and Validating) Ordinance of 1939 requires a little more detailed explanation. Honourable Members will remember that about this time last year the Income-tax Amendment Act was passed and one of the provisions of that Act was to appoint commissioners without reference to areas. Those commissioners were to deal with cases of special technical difficulty or cases in which several companies were inter-connected, so that

[Mr. S. P. Chambers.]

it was desirable to have all the cases dealt with by one officer instead of by several officers. Power was taken under that section to appoint these commissioners and one commissioner, in fact, was appointed and his headquarters were located at Bombay. Since then the Bombay High Court has given a judgment in a case in which it has been laid down that although the appointment of the commissioner and the appointment of officers subordinate to that commissioner were perfectly in order under section 5 of the Income-tax Act, 1922, there was a defect in section 64. Section 64 had not been amended to correspond with section 5, and the High Court laid down that the only officer who had jurisdiction to deal with these cases was the officer subordinate to the local or provincial commissioner; and, therefore, we have provided in this Bill for the amendment of section 64 to correspond with the amendment in section 5 of the Act. The matter was dealt with by an Ordinance in December, 1939, and, I think, perhaps the reason why we dealt with the matter by Ordinance instead of leaving it to be dealt with in due course by the more normal process of legislation should also be explained in greater detail.

The effect of the judgment was to hold up all the work on all the cases transferred to this commissioner and to officers subordinate to him. The judgment also threw doubt on the jurisdiction of certain other officers who were not subordinate to that commissioner but were subordinate to the ordinary territorial commissioners; and we were placed in the position that had we left this matter to be dealt with by the ordinary legislative process, all the work would have been held up until a time such as this, when we were so near the end of the financial year that the income-tax and super-tax involved running into a very large sum—many lakhs of rupees—would not have been collected this year. For that reason it was necessary to deal with the matter urgently, as this was a drafting defect discovered by the High Court and not a matter of substantive principle. The other reason why it was so dealt with, if any other reason was necessary, was that in a number of cases the time-limit for completing proceedings under the Act expired on the 31st of this month and had the Ordinance not been passed those proceedings could not have been completed and the tax in those cases would not merely have been held over, but would permanently have been lost.

I think the rest of the clauses of this Bill are fairly explanatory, and the notes on clauses give the further details that are required: if any more explanation is required, perhaps that can be left to the time when we reach the clauses themselves. Sir, I move.

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

"That the Bill to amend the law relating to Income-tax be taken into consideration."

The motion was adopted.

Clauses 2 to 10 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

**Mr. S. P. Chambers:** Sir, I move.

"That the Bill be passed."

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

"That the Bill be passed."

The motion was adopted.

### THE RESERVE BANK OF INDIA (SECOND AMENDMENT) BILL.

**The Honourable Sir Jeremy Raisman** (Finance Member): Sir, I move:

"That the Bill further to amend the Reserve Bank of India Act, 1934 (Second Amendment), be taken into consideration."

It was said in this House the other day that the Opposition is not always wrong and the Government is not always right; and my Honourable colleague, Sir Andrew Clow, freely admitted that the monopoly of wisdom was not on these Benches. This is a Bill which arises out of the acceptance by the Government of India of an argument which at the time of the initial passing of the Reserve Bank of India Act, they were not prepared to accept. The argument then rested on *a priori* grounds and the Government spokesman, Sir George Schuster, felt that the dangers that were represented were perhaps unreal and that the Bill as it stood provided sufficient safeguards against an undue concentration of voting power in a few hands. Experience has convinced us that we were wrong and that there is a definite danger that unless special provision is made to limit the number of shares which can be held by individuals the voting power will be so restricted as to be a source of danger. I need not perhaps recount in great detail the history of the principle involved. It has always been pointed out by authorities on central banking that the shares of a central bank, where you have a shareholding bank, should be distributed as widely as possible, so that the policy and administration of the Bank should not be dominated by sectional interests. Thus Sir Cecil Kisch says in his book

"In particular, it is desirable to ensure that no particular group of shareholders should be able to establish predominant control."

The Hilton-Young Commission again said:

"Care must be taken to ensure that the policy of the Reserve Bank is governed by purely national considerations and is not influenced by the interests of any individual section of the community. It is undesirable that it should be possible for any particular group to acquire control of the affairs of the Bank and impose its policy upon the country."

Now, in the first Reserve Bank Bill, the 1928 Bill, which Sir Basil Blackett brought forward, there was a clause, clause 4 (2) to this effect:

"No amount in excess of Rs. 20,000 shall be issued to any one person or to any two or more persons jointly and no person shall be allowed to acquire an interest in the share capital of the Bank, whether held in his own right or held jointly with others, or held partly in his own right and partly jointly with others, to a nominal value in excess of Rs. 20,000."

The purpose of this sub-clause was stated to be to make provision for a broad-based distribution of the share capital both at the time of the original allotment and subsequently, and to have a safeguard against the control of the Bank of sectional interests of any kind. Then again in 1933, the London Committee made the following observations:

"In formulating a scheme for the constitution of the Board of Directors, we have borne in mind the importance of securing the representation of the economic life of India as a whole, while at the same time guarding against undue influence in the affairs of the Bank by sectional interests, acquired through the control of voting power."

Then we come to the Assembly debate in 1938. The Bill put forward at that time did not contain the safeguard which we now propose, and

[Sir Jeremy Raisman:]

amendments were moved in the House seeking to limit the number of shares to be held by individual shareholders. There was a considerable debate on this point, and as I have already indicated, Sir George Schuster resisted the amendments, because he felt, as he said, that the scheme of the Bill already secured that the shares would be widely held and he felt that the amendments would really be ineffective and were not really necessary. He also felt that the provisions for the original allotment would ensure a very wide distribution of the shares. He pinned his faith to those provisions and he thought that the distribution would remain broad-based even in the future. He also did not desire to hamper in any way the creation of an absolutely free market in these shares. Well, Sir, experience has shown that his optimism in this respect was not justified. In 1937 the Central Board of the Reserve Bank reported to Government that the number of shareholders was decreasing, the shares were getting concentrated in fewer and fewer hands, and that approximately 18 per cent. of the total strength of votes had already become sterilized. The Reserve Bank suggested legislation to restrict the number of shares to be held by individuals as, if this process were to go on, it might not possibly result in so large a proportion of the shares being held as investments in the custody of large financial institutions that the remaining voting power would be unduly restricted and consequently become liable to undue manipulation.

The Government gave the matter their careful consideration, and whilst they were impressed with the arguments, they decided to wait some further experience in this direction before introducing legislation. The Reserve Bank has, in the meantime, continued to bring the matter to notice in its Annual Reports, and the Central Board of the Bank have from time to time repeated their recommendation for legislation. The Reserve Bank have now reported that the number of shareholders has, since the inception of the Bank, declined by nearly 38 per cent. and that on the 31st December, 1939, there were no less than 17,473 frozen votes. Well, Sir, the situation has obviously reached a stage at which action can no longer be delayed. I think, Sir, that the object of this legislation will commend itself to the House, and that Honourable Members will agree that this reform should now be introduced. Sir, I move.

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

"That the Bill further to amend the Reserve Bank of India Act, 1934 (Second Amendment), be taken into consideration."

**Sir Muhammad Yamin Khan** (Agra Division: Muhammadan Rural):

Sir, I am glad that the principle which the Honourable Member has in view is going to be given effect to by this legislation. As a matter of fact, when we met in London, I mean when the London Committee on the Reserve Bank met in London, they laid great stress on the point that the shares should not be concentrated in a few hands, and with that object in view it was decided that the shares should be issued at the rate of Rs. 100 each and that shares exceeding Rs. 500 should not be issued to any one individual. That principle was accepted by the Government and they have been trying their best to give effect to this, but how is that shares are now concentrating in fewer and fewer hands? Why is it that these shares are passing from the hands of the poor people into the hands of the richer classes?

**The Honourable Sir Jeremy Raisman:** Because the rich people buy them.

**Sir Muhammad Yamin Khan:** Why is it so? There was such a great rush for purchasing these shares that many people sold away their limited concerns and invested the money for the purchase of these shares, but now these very poor people are selling back their shares to the richer classes. There must be some reason behind all this, and the Government have never paid any attention to this matter. It was pointed out on the floor of the House when the Bill was originally introduced that this evil was bound to creep in and that measures should be adopted to check it, but no attention was paid to this.

Now, Sir, I wish to place those evils before the Finance Member again, the evils which I placed before his predecessor in office. The real thing is this. You issue dividend warrants on these shares to poor people who pay no income-tax whatever, but before issuing those warrants you deduct at the source the maximum amount of income-tax on the small amount which they are to get. On Rs. 500, Rs. 15 is the dividend and out of that Rs. 15 you deduct Rs. 2 and odd beforehand, and then this poor man has to go and apply to the income-tax officer, get a receipt that he does not pay any income-tax or that he does not pay income-tax at the highest rate, and then he gets a refund of the amount. For the sake of Rs. 2 you want this man to spend Rs. 2. Supposing a poor man had Rs. 500 worth shares, he may be living in a village, or in the mofussil or a small town. Then he has to spend Re. one on tonga fare from his home to the headquarters of the district, he has to go to the income-tax office, present his application there, get a receipt after some time, then he goes back to the headquarters to have a refund of Rs. 2. So they think that they have done a great mistake in placing their money in the hands of the Government. They get more troubles than they get benefits. This has been the real cause. Formerly, in the first year of the Reserve Bank, the price of a share went up to Rs. 140, and now it is Rs. 108, sometimes it was Rs. 101. That shows that there are more shares for sale in the market than there are purchasers. The shares went up in the first year because there were few shares in the market and there were larger number of people who wanted to purchase them. Now is the reverse process. As long as that goes on, you will never be able to stop this evil and I do not think that Government can say that they are justified in creating circumstances under which it is almost impossible for the poor people to get a refund. Income-tax should be charged on people who really can pay, but to take money from people who are not liable to pay income-tax, in advance, is not a proper thing for the Government. It is not good that Government should do so and it is not proper taxation. I think the Honourable Member must exert his influence on or give direction, or whatever else he can do under the law, to the Directors of the Reserve Bank that they must change their rule and he must bring forward an amendment to the Act so that they may be empowered to take such steps. I am told that they cannot do it under the present law, and unless the provisions of the law are changed, they cannot take such a step.

Then it is for the Honourable Member to bring forward an amendment, because if a non-official brings forward any such amendment he knows what the fate of his amendment will be, and unless the Honourable Member himself is persuaded to bring up that amendment, the object in view cannot be achieved. The Reserve Bank should collect the income-tax through

[Sir Muhammad Yamin Khan.]

the Income-tax Department on the returns of income that the department gets, and not in the manner that you charge beforehand whether the man is liable to income-tax or not. When there is this grievance there will never be a rise in the prices of the shares. A man can purchase shares not only in his name, but in the names of his children, in the name of his wife, even in the name of his servant, with the result that, though the shares may not nominally be in the name of one person, the voting strength will be in one man's hands. For instance, my Honourable friend, Mr. Boyle, can purchase Rs. 20,000 worth of shares in his name, another Rs. 20,000 worth of shares in his wife's name, and so on, and thus control the votes. The evil which the Honourable the Finance Member has in view cannot, therefore, be stopped. You have got to diagnose the real disease and a proper cure must be prescribed. This Bill may temporarily meet the difficulty, but it will certainly create other loopholes. With these words I support the Bill, but I hope my Honourable friend will bring forward necessary legislation on the lines suggested by me.

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): May I remind my Honourable friend of the debate that we had in this House in 1934 on this Reserve Bank Act when my Honourable friend was probably not in the Finance Department, but was in some other Department of the Government of India. I had a full one month's discussion on the floor of the House on various measures, and this was one of them, with the Treasury Benches, and in the end when I found that I could not convince Sir George Schuster, I adopted the same practice which I did in the case of Sir Andrew Clow. I presented to him as a Christmas present a copy of the Reserve Bank Acts of all parts of the world, and I asked him to show whether those provisions existed which he had introduced in the Bill. One point on which I laid very great stress was that this Reserve Bank should not be a *Nambu Nichor* Bank. I fought for days and days and brought forward argument after argument. One argument which I advanced and which I thought was a very good argument was that this should not be a *Nambu Nichor* Bank.

**An Honourable Member:** What do you mean by that?

**Dr. Sir Ziauddin Ahmad:** I shall explain. There are certain persons who keep lemons in their pockets always, and whenever they find any person having a good dinner, they go to him and cut the lemon into two and then squeeze a little bit of the lemon into the food by saying that it would make it tasty. The man who is dining will naturally invite him to take part in the dinner, and the person who carries the lemon becomes a shareholder in the dinner by simply dropping a few drops of lemon in the food, and this class of people is called *Nambu Nichors*. The same thing happens here also. By purchasing Rs. five crores worth of shares, they have taken possession of the entire asset and the policy of the Government of India about their monetary transactions and currency. Simply by purchasing a few shares, I get possession of all the property, the financial policy, the currency policy and also the issue policy, and I become the master of, I do not know, how many crores, simply by purchasing a few shares. Really speaking, the shareholders of these banks have got very little interest in the Bank just as the lemon squeezer has got in that parti-

cular dinner. It is no use to have this class of people at all, and sooner or later the Government will come to grief. Sir George Schuster at that time had a very high opinion of our businessmen. Probably he had in mind his experience of some other parts of the world, but unfortunately I have got an entirely different opinion of the businessmen in this country. If there is a good deal of corruption in politics, that could be exposed on the floor of the House, but we cannot do it in the case of businessmen. The other day, when I criticised. . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member is not speaking to the amendment

**Dr. Sir Ziauddin Ahmad**: The point I am making is that this amendment will not achieve the object the Honourable Member has in mind.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has not succeeded in his attempt to confine himself to the Bill, so far.

**Dr. Sir Ziauddin Ahmad**: We must really do away with these shareholders also because, after all. . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member is trying to review the whole Act?

**Dr. Sir Ziauddin Ahmad**: Only in so far as it is relevant to this particular clause, and nothing else.

**Mr. President** (The Honourable Sir Abdur Rahim): The clause provides that shares must not accumulate beyond a certain extent in the hands of one particular man.

**Dr. Sir Ziauddin Ahmad**: I say that the Government ought to purchase all these shares.

**Mr. President** (The Honourable Sir Abdur Rahim): That is another matter altogether. The Honourable Member must address himself to the Bill before the House.

**Dr. Sir Ziauddin Ahmad**: I say that this particular provision that the Honourable Member has brought forward does not really go far enough and it will not achieve the object which my friend has in view. It was pointed out at that time that there will be concentration of shares in the hands of one man and we pointed out certain difficulties—that they will put up the value of the shares very high. My friend discovered this during the working of this Reserve Bank Act during the last five years, and now he has come forward with this proposal. This proposal will not achieve the object the Honourable Member has in mind on account of the difficulties which my friend, Sir Muhammad Yamin Khan, pointed out. The smaller people are anxious to get rid of their share. I know in my own case I offered to purchase the shares in my name and in the name of my son, and so on. I could not get any share myself, but my son got some shares—five shares. We find in practice that he gets only about Rs. 12½ for a Rs. 500 share. It is not worth while for him to take the trouble to go to the income-tax officer and fill up all the forms, in order to recover Rs. 2½ from him on a share of Rs. 500, and, therefore, he will be pleased to get rid of it.

[Dr. Sir Ziauddin Ahmad.]

because he cannot derive benefit in the same way as the big businessmen who hold shares in the Reserve Bank and the result is that these small people are now getting only Rs. 12½ for the whole year. Businessmen, especially what is called 9B—Big Bombay Businessmen—will be able to derive great benefit from the shares. They will always purchase it because it will pay them. Even if we put a restriction on 200 shares, this Bill will not achieve the object which my friend has in mind, because the shares will be purchased by the big businessman, first in his own name, and then in the name of his sons and daughters and other relatives and in the name of some other friends, so that he may be able to control a very large number of votes. After working for some more time, you will find that the difficulties are not minimised at all. The difficulties will still be there and he will have to come forward with some other suggestion. I make a workable suggestion to my friend and that is that the Government may purchase all the shares and they should work as a Government bank. That is what would ultimately happen in the case of the Reserve Bank and that would be the ultimate object which we will have to achieve.

I do not want to discuss any other aspect of the Reserve Bank, because other things that we pointed out in connection with the Reserve Bank have already been removed by executive action, such as rate of profit and dividend. We were apprehensive at that time that very large dividends will be paid and that will pass on to other people, but they have regulated the dividend, which has had a salutary effect. Some persons who have got personal interests in being Directors will have gifts by means of which they can help other banks.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member is really travelling away from the Bill. He cannot discuss the general policy of the Act.

**Dr. Sir Ziauddin Ahmad**: I am discussing this particular clause. It will be worth-while for those persons who have power in their hands to purchase these shares and those persons who have got no other interests in the Reserve Bank except the academic interest, or the interest in the general prosperity of the bank will not come to purchase the shares. They have no axe to grind. It is only those who want to use the Reserve Bank for their own purposes that will come forward, spend money and purchase a large number of shares in order to get themselves elected as Directors. I welcome this particular suggestion in the Bill, but it does not go far enough and it will not achieve the object embodied in the Bill. Power will still rest in the hands of a few individuals, and you will find that it is a source of nuisance to the Government and a source of great nuisance to the poor people and poor tax-payers of this country. With these words, I support the motion.

**Mr. Muhammad Nauman** (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, I rise to support the Reserve Bank Amendment Bill as it has been placed before us. It does not require any further discussion as the point has been elucidated very ably by the Honourable the Finance Member and he went even so far as to say that this particular clause was moved as an amendment by the Members of this House, when the Reserve Bank Bill was being passed but was only resisted at that time in view of the optimistic view of the then Finance Member, Sir George Schuster.

In practice it has now been found out that it is necessary. As has been pointed out, the number of shareholders in the Reserve Bank has dropped by 38 per cent. It has been stated that this position will not be very much affected by this particular piece of legislation also which is proposed here. It might help us to some extent but it will not take us far enough.

It has been explained to this House by my Honourable friends, Sir Ziauddin Ahmad and Sir Yamin Khan as well. Whatever we have stated has only a suggestive value as no amendments have been moved to this particular Bill to that effect, still we wanted to impress upon the Government that this may be also borne in mind that although this particular amendment may help the Government in avoiding the concentration of holdings in one hand, yet, it will not do as much as is desired. Now, Sir, in this case I am very glad that Sir Yamin Khan pointed out the difficulty of the poor people who are holding these shares, *viz.*, that the income-tax is deducted at source and at the highest rate and those shares on whom the rate does not apply cannot get a refund unless they knock about the officers' doors here and there, for which either they have not got the time or even sufficient knowledge to approach the right authority. I do realise that another difficulty probably with the Government is this that all the other big companies also unfortunately adopt the same method of collecting income-tax at source. I know all the jute companies in Calcutta and elsewhere act like this and deduct the income-tax at source at the highest rate, although that particular rate does not in most cases apply to that particular shareholder. We have to write letters to the income-tax officer and get refunds, but many people I believe do not get refunds probably because they do not approach the Income-tax Authority because of great botheration. So that is the difficulty and I appreciate it. Still there is no going back from the fact that this is also one of the factors which makes the small shareholder feel that holding of Reserve Bank shares does not give him the desired benefit or does not give him the desired return. If it is possible to relieve the situation by a suitable amendment, I think the earlier this is done the better, although that particular suggestion has not much to do with this particular amendment to the Bill we have before us, but I suggested earlier that it is only to impress upon the House that although we are trying to cure the disease, we really ought to relieve the cause, we ought to find out the cause and see what are the different factors which are compelling this monopolist attitude and why the holdings are being monopolised by certain individuals, and are shifting from middle class of people. I hope that this view may be seriously taken into consideration, and at some future time or after a full inquiry another Bill might be brought in, which will relieve the cause and will give more interest to the ordinary shareholder. Give them the same advantages as the other people who are holding the monopoly and who do have, because they have facilities of collecting refunds. With these few words, Sir, I support the Bill as it is.

**The Honourable Sir Jeremy Baisman:** Sir, I am glad to note that my expectation that this amending Bill would find favour with the House has been realized. The only doubts which have been expressed are the doubts which the Government themselves entertained in 1934, *viz.*, whether a provision on these lines would be effective. Well, Sir, we have given the matter our most careful thought and we feel that we will certainly make an endeavour to see how far amendments of this kind will go to

[Sir Jeremy Raisman.]

prevent any further deterioration in the situation. In view of the history of this matter I am very loth to express optimistic views, but it is one thing to say that what you propose may not be effective and another thing to say, "well, do nothing about it". We feel that this at any rate is a step in the right direction and we hope that the doubts expressed by Honourable Members will prove unfounded and that this will in course of time genuinely prevent the further concentration in a limited number of hands of the shares of the Bank. There is only one other small matter to which both my Honourable friends, Sir Yamin Khan and Mr. Nauman, drew attention. They argued that the fact that income-tax is deductible at the source on these shares is the reason which has militated against their favour by the small man and that that has been one of the main reasons which have led to the process which we are now trying to counteract. Well, Sir, the feature of deduction of income-tax at the source is one which applies to all Government securities and the Reserve Bank shares are, I venture to say, statutorily in the same position as Government securities and I think that they are comparable with Government securities. Well, it is absolutely essential in the interests of simplicity of administration of income-tax that the tax should be deducted at the source on that large body of income which is disbursed by Government on its own securities. We have gone as far as we can to prevent inconvenience to the small man. It is not necessary for him to obtain a refund on every dividend or interest coupon. He can go once for all to the income-tax officer and obtain from him an exemption certificate. Once he has done that and sent that to the Reserve Bank, income-tax will no longer be deducted on his shares.

**Sir Muhammad Yamin Khan:** But supposing he becomes assessable next year, how could it be done once for all?

**The Honourable Sir Jeremy Raisman:** Well, Sir, if he is a man who, the income-tax officer judges, can be given a certificate of this kind, the income-tax officer will give him a certificate, and if a change afterwards takes place in his circumstances, the income-tax officer will then have to assess the income-tax on his holdings of shares. At any rate the problem is there. It is a matter of great difficulty. You cannot amend the whole system of deduction of income-tax at the source in order to cater for a comparatively limited number of cases, and I claim that we have gone as far as we can to eliminate that difficulty.

**Mr. Muhammad Nauman:** May I offer one suggestion—whether it would be possible, if the Reserve Bank itself opens an office for refund of income-tax money charged?

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has had his say. The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934 (Second Amendment), be taken into consideration."

The motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

**The Honourable Sir Jeremy Raisman:** Sir, I move:

"That the Bill be passed."

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

"That the Bill be passed."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 5th March, 1940.