

*Friday,
15th February, 1907*

ABSTRACT OF THE PROCEEDINGS

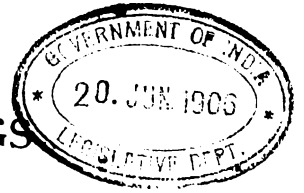
OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XLV

April 1906 - March 1907



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OF

THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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1907

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 15th February, 1907.

PRESENT:

- His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.
His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.
His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.
The Hon'ble Sir Denzil Ibbetson, K.C.S.I.
The Hon'ble Mr. H. Erle Richards, K.C.
The Hon'ble Mr. E. N. Baker, C.S.I.
The Hon'ble Major-General C. H. Scott, C.B., R.A.
The Hon'ble Sir Harvey Adamson, K.T., C.S.I.
The Hon'ble Mr. A. A. Apcar, C.S.I.
The Hon'ble Mr. S. Ismay, C.S.I.
The Hon'ble Mr. W. T. Hall, C.S.I.
The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.
The Hon'ble Mr. Gangadhar Rao Madhav Chitnavis, C.I.E.
The Hon'ble Sir S. W. Edgerley, K.C.V.O., C.I.E.
The Hon'ble Mr. H. W. W. Reynolds.
The Hon'ble Mr. F. A. Slacke.
The Hon'ble Mr. H. A. Sim, C.I.E.
The Hon'ble Tikka Sahib Ripudaman Singh of Nabha.

QUESTIONS AND ANSWERS.

The Hon'ble MR. CHITNAVIS asked :—

“Adverting to that portion of my question regarding the pay of the postal establishment that remained unanswered at the last Council meeting, I beg permission to ask if it is a fact that the present scale of pay of postal employes below the rank of superintendents was fixed in 1875 and whether that scale has since then been revised, considering the rise in wages and

[*Mr. Baker; Mr. Chitnavis; Sir Harvey Adamson.* [15TH FEBRUARY, 1907.]

prices. If not, will Government be pleased to consider the advisability of revising the scale of such employés, so as to make some allowance for the increased cost of living?"

The Hon'ble MR. BAKER replied :—

" It is not the case that the present scale of pay of postal employés below the rank of superintendent was fixed in 1875. The scales of pay of these servants are constantly being revised; and, as already stated, it would be impossible to give more detailed information in respect of this matter without an expenditure of time and labour incommensurate with the advantages to be derived from the collection of statistical information on the subject."

The Hon'ble MR. CHITNAVIS asked :—

" In view of the facts that the Ayurvedic Materia Medica and the Yunani Materia Medica are rich and valuable, and that with the decadence of the Indian systems of treatment they have come to be neglected, will Government be pleased to say if there is any arrangement for the compilation and publication of the most up-to-date information of indigenous drugs and whether Government thinks such information is necessary? If so, will Government be pleased to consider the advisability of constituting Boards of experts at convenient centres for such purpose or compiling such information in any other way as it may think best?"

The Hon'ble SIR HARVEY ADAMSON replied :—

" The desirability of collecting information regarding indigenous drugs has been recognised by the Government of India for some years past. A collection of papers relating to the subject is laid upon the table.* The work is now in charge of a Central Committee of six members presided over by the Professor of Materia Medica in the Calcutta Medical College."

PRESIDENCY BANKS (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved that the Report of the Select Committee on the Bill further to amend the Presidency Banks Act, 1876, be taken into consideration. He said :—" I will take the opportunity of offering some observations on one point which is not referred to in the Report—I mean the question of allowing the Presidency Banks to borrow in London.

* Not printed.

[15TH FEBRUARY, 1907.]

[Mr. Baker:]

“Disappointment has been expressed by the Chambers of Commerce that this proposal, which had been under consideration for some time, should have been abandoned, and some of them have asked for a statement of the reasons which have led to this result. The request is reasonable, and I shall endeavour to comply with it.

“At the outset, I may observe that the question is one on which there is a good deal to be said on both sides. The financial advisers of the Government of India at different times have held different views regarding it; and when we find such high authorities as Mr. Barclay Chapman and Sir John Strachey holding one opinion, while Sir James Westland held a contrary one, and Sir Clinton Dawkins only assented to the proposal on conditions which were quite unacceptable to the Banks, a cautious person would probably be disposed to regard it with prudent reserve. But there is one authority which, since the proposal was first originated over forty years ago, has never wavered in his views on the subject, and that is the Secretary of State. Now I would remind the Council that the Secretary of State has access to the highest expert banking advice in London, *i.e.*, probably in the world, and it is a well-known fact that, acting on that advice, each successive Secretary of State to whom the proposal has been submitted has refused to entertain it. This fact, I think, possesses no small significance.

“The reasons for not adopting the proposals are these: Firstly, it is not clear that to give the Presidency Banks access to London would really increase the net aggregate facilities for importing capital into India. The Exchange Banks with their large capital and resources collected from many parts of the world, and free from the special restrictions which necessarily attach to the Presidency Banks, possess ample facilities for supplying all the capital that Indian trade requires. To admit the Presidency Banks into this class of business would add a new channel of import, but would in no way increase the supply of capital offering. If it is the case that the total funds imported to India in the busy season would not be increased by the means in question, it is preferable in the public interest that the business should be left to the Exchange Banks, rather than that the Presidency Banks should be enabled to embark upon it. This I shall now endeavour to show.

“I am not now referring to the risks which were formerly held to attach to engaging in foreign exchange business. That objection was a powerful one in former days; but with a stable exchange, it has lost almost all its force. The objections to which I allude are of a different character.

[*Mr. Baker.*]

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"It is of course well understood that the Presidency Banks could not legitimately be allowed to receive deposits or engage in ordinary banking business in London. If therefore they were allowed access to London, it would mean merely that they would be permitted to borrow in that market (subject to certain restrictions), to remit the funds thus borrowed to India, and, after the term of the loan had expired, to return the money to London for repayment. In other words, all sums thus brought out of India by the Presidency Banks would have to be remitted back to London, after a comparatively short interval. Now with the Exchange Banks, that is not wholly the case. Part of what they import no doubt goes back again; but part of it at least remains in this country, even during the slack season. This has been shown among other things by the comparatively small reflux of gold which has taken place each year at the end of the busy season. The capital, which thus remains in India, and is not re-exported, is available for investment in our rupee loans which are always floated in the summer months, and improves the rate which we obtain for them.

"If therefore we allowed the Presidency Banks to attract to themselves part of the business of importing capital which is now done by the Exchange Banks, one result would be that the issue price of Government loans would be likely to suffer.

"Another result of analogous character would be that the average rate obtained for the Secretary of State's Council drawings would probably be lowered. The necessity for returning the money to London when the busy season was over would depress exchange during the slack months. And this would not be counterbalanced by a rise during the busy months, for during the latter, exchange is always high and could not be raised appreciably higher without touching specie point. The net result for the whole twelve months would thus be a fall.

"A third objection is that a Presidency Bank which had taken a sterling loan for a fixed term might be forced to denude itself of resources in a time of stringency in order to repay it when due. This danger may be regarded as theoretical rather than practical; but it is a contingency which cannot be wholly overlooked in a general review of the position.

"Lastly, we have to consider the effect on the Exchange Banks themselves of permitting the Presidency Banks to embark upon even a limited competition with them in financing the foreign trade of the country. The Exchange

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[*Mr. Baker.*]

Banks play a most important part in providing for the requirements of this trade, and hitherto they have, I believe, discharged their functions to the general satisfaction of the commercial public. They have of course no claim to be protected against competition in their business, but the competition must be on equal terms, and they might fairly complain if they were required to enter the lists against a State-aided competitor. It has sometimes been affirmed that the use of the Government balances free of interest, and the general prestige which attaches to the position of State bankers, are of comparatively little value, and are counterbalanced by the restrictions which are imposed by the law and the contracts made thereunder. I do not think that rivals in the same field can be expected to regard the matter in the same light. The Government balances are usually about 3 crores of rupees, say $\frac{1}{3}$ ths of the aggregate paid up capital of the three Presidency Banks, taken together. It cannot reasonably be disputed that the free use of this very large sum must be of the greatest value to the Banks; and I may mention that occasions have occurred, not so very long ago, when the Government balances at one or other of the Banks actually exceeded its whole cash resources. If the Exchange Banks are apprehensive of having to encounter such powerfully aided competitors, one cannot regard their apprehension as altogether unreasonable.

“ These, my Lord, are the reasons which have led to the decision not to pursue the proposal to give the Presidency Banks power to borrow in London. We all sympathise with the desire of the Chambers of Commerce to afford facilities for the easy provision of cheap capital; but it is open to doubt whether this particular measure would really increase existing facilities, while it is likely to be attended by drawbacks and disadvantages of its own.

“ I do think I need offer any remarks on any other provisions of the Bill.”

The motion was put and agreed to.

The Hon'ble MR. BAKER moved that the Bill as amended be passed.

The motion was put and agreed to.

The Council adjourned to Friday, the 1st March 1907.

J. M. MACPHERSON,
*Secretary to the Government of India,
Legislative Department.*

CALCUTTA :
The 15th February, 1907.