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THE
LEGISLATIVE ASSEMBLY DEBATES
Official Report.

Volume IV, 1945

(2nd April to 12th April, 1945)

TWENTY-SECOND SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1945



LEGISLATIVE ASSEMBLY

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Mr. N. M. JOSHI, M.L.A.

Sardar SANT SINGH, M.L.A.

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LEGISLATIVE ASSEMBLY

Friday, 6 April, 1945

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.

MEMBER SWORN:

Mr. Ram Nath, M.L.A. (Government of India: Nominated Official).

STARRED QUESTIONS AND ANSWERS

(a) ORAL ANSWERS

POSTPONEMENT OF INDIAN IMMIGRATION BILL IN THE AMERICAN CONGRESS

1661. *Sardar Mangal Singh: Will the Foreign Secretary please state:

(a) whether it has been brought to his notice that the House Committee of the American Congress has indefinitely postponed the consideration of the Indian Immigration Bill;

(b) what action Government have taken or contemplate to take in this matter; and

(c) the position regarding the other Bills that were pending before the American Congress about the removal of disabilities from Indians in U.S.A.?

Sir Olaf Caroe: (a) Yes.

(b) The matter is under active consideration in consultation with the Indian Agent General in Washington, who has made further representations to the State Department.

(c) The Bills are understood to be still pending.

Seth Yusuf Abdoola Haroon: May I know whether the Agent to the Governor General is in touch with the Government of India regarding this matter?

Sir Olaf Caroe: Yes, in very close touch.

Prof. N. G. Ranga: Has the Government of India informed the Government of the United States how strong has been the reaction in this part of the world as a result of the postponement of this Immigration Bill in the House of Representatives?

Sir Olaf Caroe: Yes; the very strongest representations possible have been made on that point; and as far as I am aware, every effort to aid is being made by the State Department; but the trouble is that these Bills are sponsored in America by members of the Congress who are not members of the Government.

Mr. T. S. Avinashilingam Chettiar: May I know whether the Honourable Member is aware that his estimate of the effect of Mrs. Vijayalaxmi Pundit's visit to America in this matter has been contradicted by one of the authors of these Bills?

Sir Olaf Caroe: It has been contradicted by one of the sponsors of this Bill.

Sardar Mangal Singh: How is it that the Government of the U. S. A. did not initiate these Bills and how do the Government of India arrange that these Bills should be passed?

Sir Olaf Caroe: I cannot go into a dissertation—nor have I sufficient knowledge to go into a dissertation—on this fact that Bills have to be initiated by what may be called private members; the only thing to do is to get our diplomatic representative to get into touch with the State Department and try to make some arrangement with the State Department to give support to any Bill which would suit the book of the country which is affected.

Prof. N. G. Ranga: Is it not possible for the Government of India to seek the permission of the State Department there to indicate their views in a non controversial a manner as possible to all the members of the Congress?

Sir Olaf Caroe: I think that that is being done as far as possible. There are many cross currents in American politics. That is another difficulty, just as in any other countries.

RAILWAY ACCIDENT AT JUNGSHAHI

1662. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable Member for Railways please state:

(a) the full facts of the Railway accident that occurred at Jungshahi near Karachi on the 22nd March, 1945;

(b) the reason for the accident;

(c) the number of casualties; and

(d) the steps Government have taken in the matter?

The Honourable Sir Edward Benthall: (a) and (b). I would refer the Honourable Member to the reply I gave to parts (a) and (b) of Mr. Satyanarayana Moorthy's Starred Question No. 1561 on the 3rd instant.

(c) and (d). I have already given this information in my reply to parts (a), (b), (e) and (f) of Seth Yusuf Abdoola Haroon's Short Notice Question on the 2nd instant.

Mr. Lalchand Navalrai: May I know if the Sind Government has set up any judicial inquiry now or up to this time?

The Honourable Sir Edward Benthall: No. I have no further information, other than that which I gave to the House a few days ago, in which I said that there was a magistrate present at the initial inquiry.

Mr. Lalchand Navalrai: May I know if the compensation to the relatives of the persons who have died and to others who were injured is also being considered by the railway?

The Honourable Sir Edward Benthall: It is not only being considered; I understand it is being paid as rapidly as possible.

Mr. T. S. Avinashilingam Chettiar: With reference to part (b) of the question, is there any reason given for the accident?

The Honourable Sir Edward Benthall: No, because the Government Inspector under the Posts and Air Department was only then conducting an inquiry.

Mr. Lalchand Navalrai: I have not yet received the names of the persons involved in the accident?

The Honourable Sir Edward Benthall: No; after the last question on the 3rd instant I issued instructions for the names to be collected in order to be communicated to the Honourable Member.

ASCERTAINING THE VIEW OF THE LEGISLATIVE ASSEMBLY ON ROAD-RAIL
COORDINATION

1663. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable Member for Railways please state:

(a) whether he has considered the vote of the House censuring the Government for their failure to consult the House on the matter of Road-Rail Co-ordination; and

(b) if so, whether Government propose consulting this House on that matter by way of tabling a resolution, stating their proposals and taking the view of the House?

The Honourable Sir Edward Benthall: (a) and (b). Government have considered the situation arising out of the cut motion on Demand No. 6-G, Miscellaneous Expenses, of the Railway Budget and the speeches made during the debate thereon. In consultation with the Party Leaders, I have accordingly moved on the 3rd instant a supplementary demand in order to clarify Government's proposals for road-rail co-ordination and to ascertain the further views of the House.

Mr. T. S. Avinashilingam Chettiar: With reference to clause (b), may I know whether by putting the demand for a supplementary grant and the Resolution over this matter this House is put into a difficulty, because he wants to pass the grant and he wants to amend his views over the rail-road co-ordination policy too?

The Honourable Sir Edward Benthall: Yes; I appreciate the difficulty, which is exactly the difficulty I was in. I moved a demand dealing with the

emergency position and the debate developed on the lines of the postwar road-rail co-ordination position: That was the difficulty I found myself in; but after consultation with the party leaders, I decided, or we decided together, that the best way was to put up a supplementary demand in order to permit the House to come to a decision thereon.

Prof. N. G. Ranga: In view of the fact that the House finds it impossible to agree over the statement of policy which the Honourable Member has appended to his supplementary demand will the Honourable Member at least now reconsider his position and consider the advisability of tabling a resolution and getting the whole thing discussed on its own merits?

The Honourable Sir Edward Benthall: We had one long discussion and I have made an occasion, not perhaps in the usual way, for a further debate because I was very anxious that this whole subject should be fully ventilated; but time did not permit of my giving a day for a resolution. I thought the simplest way was to put up a supplementary demand in order to ventilate the subject further. It is not possible to do anything further this Session; but, if there is a demand for it in the next Session, I will see whether the position of business permits further discussion then. I will give the matter consideration.

Mr. Badri Dutt Pande: When will the proposals for rail-road co-ordination come into effect?

The Honourable Sir Edward Benthall: That is precisely the difficulty. The Provincial Governments are proceeding with their schemes and if the Central Government does not formulate some policy rapidly, the Central Government will be left out of the schemes altogether.

Mr. Badri Dutt Pande: Which are the Provincial Governments which have agreed to the proposal, and which are the Provincial Governments which have not?

The Honourable Sir Edward Benthall: Generally speaking, all the Provincial Governments appear to be veering towards the policy of the Central Government, with the exception of the Punjab Government, whose position is not clear yet but who would appear to be veering rather in the other direction, towards state ownership, that is, provincial ownership of transport; and Madras where the position is, so far as I know, quite undetermined—they are hovering between state ownership and—well, I do not know what.

Prof. N. G. Ranga: Is it not a fact

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

RAILWAY EXHIBITION IN DELHI

1664. ***Mr. T. S. Avinashilingam Chettiar:** Will the Honourable Member for Railways please state:

(a) the probable number of persons that would have seen the recent Railway Exhibition in Delhi;

(b) the total amount of money spent on the Exhibition; and

(c) whether he proposes to consider the advisability of having this Exhibition in Provincial Capitals also in rotation?

The Honourable Sir Edward Benthall: (a) It is estimated that over 60,000 people visited the Railway Exhibition.

(b) A sum not exceeding Rs. 50,000 was placed at the disposal of the Information and Broadcasting Department to cover their portion of the expenses. No details are readily available of the expenditure incurred by individual railways. The greater number of models were, however, already in existence and small cost only was, therefore, incurred on refurbishing them and providing them with appropriate text Boards.

(c) The advisability of holding this Exhibition in the larger Provincial capitals has been carefully considered. It is with regret that we have come to the conclusion that a repetition of this Railway Exhibition at other centres in India will not be possible at present in view of the heavy load on railways which is likely to be still heavier in the coming winter.

Mr. T. S. Avinashilingam Chettiar: I understood that an allotment of Rs. 50,000 was given to the Information and Broadcasting Department. Was the exhibition run by that department or by the Railway Department itself?

The Honourable Sir Edward Benthall: Jointly with the Information and Broadcasting Department who have experience of staging exhibitions but all the models were supplied by the Railways.

Mr. Lalchand Navalrai: May I know if these models will be preserved and kept in some museum or in the Broadcasting Office?

The Honourable Sir Edward Benthall: Not in the Broadcasting Office. These models, many of them, have been preserved for many years and in view of the success of the exhibition, we will certainly preserve them in future.

Shrimati K. Radha Bai Subbarayan: May I ask, Sir, if the object of the Exhibition is to educate the people about the existing conditions on the Railways or about the ideal conditions which the Government have in view?

The Honourable Sir Edward Benthall: Both. The object of the Exhibition was to show to the Members of the Legislature, members of the Military and other Services and the public in general the difficulties which the Railways are experiencing today, the manner in which they have attempted to overcome those difficulties and to a certain degree—and to a certain degree only—what we have in mind for post-war development.

Seth Yusuf Abdoola Haroon: May I know whether this 50,000 which was placed at the disposal of the Information and Broadcasting Department was only meant for advertising for the exhibition or does it include the capital expenditure also?

The Honourable Sir Edward Benthall: Not exactly capital expenditure but the expenditure of fitting up the exhibition.

Mr. H. A. Sathar H. Essak Sait: Has the total expenditure been less than 50,000?

The Honourable Sir Edward Benthall: I have not seen the accounts.

INDIAN DELEGATION TO SAN FRANCISCO CONFERENCE

1665. ***Mr. T. S. Avinashilingam Chettiar:** Will the Foreign Secretary please state:

(a) whether he has noted the fact that the various portions of this House have expressed dissatisfaction at the selection of representatives to represent India at the San Francisco Conference;

(b) whether this matter has been considered in the Executive Council; and

(c) if so, to what effect?

Sir Olaf Caroe: (a), (b) and (c). Government have noted the views expressed by various Members of this House but see no reason to alter the composition of the Indian delegation to the San Francisco Conference.

Mr. T. S. Avinashilingam Chettiar: May I know whether Government have seen reports that the San Francisco Conference may be postponed?

Sir Olaf Caroe: They have also seen the statement of the Secretary of State in the United States that there is no truth in it.

Mr. Badri Dutt Pande: Is it a fact that Russia has declined to take part in that Conference?

Sir Olaf Caroe: Not so far as I know. I do not know what is the Honourable Member's source of information.

Mr. T. S. Avinashilingam Chettiar: What is the Government's source of information in this matter? Have they any independent source of information other than newspapers?

Sir Olaf Caroe: You cannot have better information than that from the American Secretary of State.

Mr. T. S. Avinashilingam Chettiar: Do they know it directly from him?

Sir Olaf Caroe: Yes: We had a communication from Mr. Merrell, the American representative in India.

Mr. T. S. Avinashilingam Chettiar: Has he got any information that America is backing out of the Conference?

Sir Olaf Caroe: No, Sir. None at all. It is undesirable that a suggestion of that kind should be made in this House.

Prof. N. G. Ranga: Are these delegates instructed to say, if their representative capacity is questioned, that this House is not representative of the public because it was elected some ten years ago, just as other delegates were instructed earlier?

Sir Olaf Caroe: I do not think that arises.

Mr. Lalchand Navalrai: What major advantage the Government of India will get by sending these people against the wishes and suggestions of this House?

Sir Olaf Caroe: The representatives of any country must be the representatives chosen by the Government which is responsible for international affairs and other affairs.

Mr. N. M. Joshi: May I know whether the delegates of India at the San Francisco Conference will raise the question of the position of Indian minorities in South Africa and other dominions?

Sir Olaf Caroe: I do not see how that can come into the consideration of Dumbarton Oaks.

Mr. N. M. Joshi: Is the Honourable Member aware that in the League of Nations there was an organisation called the Minorities Commission and I want to ask whether their delegates are instructed to raise the question of having a sort of minorities commission in the new security organisation?

Sir Olaf Caroe: Broadly speaking, the intention of the San Francisco Conference is to draft statutes, what might be called International Statutes and not to consider the implications of various concrete problems.

SUSPENSION OF RECRUITMENT AND CONFIRMATION OF CLERKS IN POSTAL DEPARTMENT

1666. *Qazi Muhammad Ahmad Kazmi: (a) Will the Secretary for Posts and Air please state whether it is a fact that the recruitment and confirmation of the clerks in the Postal Department was temporarily suspended 15 years back, that is prior to the introduction of new time scale in the Postal Department?

(b) Is it also a fact that the candidates in the Post Office were taken upto the age of 29 and confirmed in the Postal Department at that time?

(c) If the replies to (a) and (b) be in the affirmative, why has not that concession been extended this time to the Matriculate candidates who have been officiating on vacant and temporary posts since the year 1937?

(d) Do Government propose to consider the advisability of allowing them the concession and saving them from the loss of non-confirmation?

Sir Gurunath Bewoor: (a) The facts are not as stated by the Honourable Member. Recruitment of clerks was not suspended but appointment of clerks on a permanent basis was suspended from April 1931 to 1st April 1935.

(b) Candidates were not taken up to the age of 29 and confirmed, but such of the candidates as had entered service on a temporary basis within the prescribed age limit but had failed to obtain permanent appointment, due to the ban on confirmation, were allowed to be confirmed even up to the age of 29, when the ban was removed.

(c) This does not strictly arise in view of the replies to parts (a) and (b) but I may inform the Honourable Member that on the introduction of the recruitment rules in 1937, Government granted several concessions to staff employed on a temporary basis who were ineligible for permanent appointment. The officials referred to by the Honourable Member are apparently those not covered by any of those concessions or those who failed to qualify themselves for permanent appointment by passing the prescribed tests. Such men have obviously no claim for any permanent appointment.

(d) No, as during war time all appointments are to be made on a temporary basis.

Qazi Muhammad Ahmad Kazmi: May I know whether the Government are even now prepared to take candidates on a permanent basis—I mean those who

temporarily and have passed the age of 29 during the course have he-work in the Posts and Telegraphs Department?

Sir Gurnath Bewoor: I have stated that no permanent appointments were made during the war. After the war, the intention is to reserve 70 per cent. of the permanent vacancies for candidates with war service and the remaining 30 per cent. will be filled from among temporary clerks.

Qazi Muhammad Ahmad Kazmi: What I wanted to know was whether it will be a disqualification for a candidate who is on a temporary basis because he has passed the age of 25, when the question of the permanent appointments will be considered by the Government?

Sir Gurnath Bewoor: If the candidate was within the age limit at the time he was taken as a temporary clerk, that will not be considered as a bar to his confirmation, if he has passed that limit at the time of the permanent appointment, provided he is qualified in all other respects.

MUSLIM PERSONNEL OFFICERS ON NORTH WESTERN RAILWAY

1667. *Maulana Zafar Ali Khan: (a) Will the Honourable the Railway Member please state if it is a fact that an assurance was held out by Government that the number of Muslim officers in the Personnel Branches will continue to be increased with a view to affording opportunities for their training for higher jobs?

(b) If the reply to (a) be in the affirmative, what has been the increase in the number of Muslim Personnel Officers on the North Western Railway during the last year?

(c) Is it a fact that there have been three vacancies of Personnel Officers on the North Western Railway during the past few months due to retirement and promotion of three Muslim Personnel Officers, but the same have not been filled by any Muslim? If so, why?

The Honourable Sir Edward Benthall: (a) The Honourable Member has probably in mind a statement made in this House in 1931, the precise terms of which are explained in the reply given to part (a) of Mr. H. M. Abdullah's Starred Question No. 197 asked on 4th August 1943. The Honourable Member has presumably drawn his reference to opportunities for training from a separate decision applying to all communities, the full text of which is given in the reply to part (b) of Mr. H. M. Abdullah's Starred Question No. 234 asked on 19th September 1939.

(b) Government understand that there was no increase in the number of Muslim Personnel Officers on the North Western Railway during 1944 as compared with 1943.

(c) The reply to the first portion is in the affirmative. One of the Muslim officers remains in the Establishment Branch even after his promotion. One vacancy in the chain of arrangements has been filled by a Muslim Officer, and the resulting position is that the decrease in the total number of Muslims in the Personnel Branch of the North Western Railway, after filling the three vacancies, is only one. As regards the last part of the question, it must be remembered that promotions to gazetted rank are made without regard to communal considerations, though every effort is made to post suitable Muslim Officers to the Personnel Branch if selected and available.

ABSENCE OF MUSLIM PERSONNEL IN MILITARY ENGINEERING SERVICE IN BALUCHISTAN

1668. *Mr. H. A. Sathar H. Essak Salt: Will the Foreign Secretary please state:

(a) whether he has read the letter published on page 2 of the *Dawn*, dated the 7th February, dealing with the complete absence of Muslim personnel even in the non-technical sections of the Military Engineering Service in Baluchistan;

(b) whether it is a fact that out of fourteen Head Clerks and fourteen Superintendents, Establishment Section, and ten Superintendents, Contract Section, not one is a Muslim;

(c) whether a few Muslims who were formerly employed in this service in Baluchistan were transferred; if so, why; and

(d) whether it is the policy of Government to have as few Muslims in the Baluchistan Government services as possible?

Sir Olaf Caroe: This question will be answered by my Honourable friend the Secretary for War on the appropriate day.

COAL AND CHROMIUM MINES IN BALUCHISTAN

1669. *Mr. H. A. Sathar H. Essak Salt: Will the Foreign Secretary please state:

(a) whether coal (including steam coal) is found in abundant quantity in Shahruq in Baluchistan;

(b) the person who is running these coal mines and the chromium mines at Hindu Bagh; and

(c) the amount of financial profit that the Province derives out of these mines?

Sir Olaf Caroe: The information is being collected and will be laid on the table when received.

Mr. H. A. Sathar H. Essak Salt: This question deals with coal and Chromium mines in Baluchistan and where is the difficulty of collecting the information?

Sir Olaf Caroe: This is a complicated matter and we want to give the Honourable Member a complete answer.

FILLING OF HIGH-SALARIED POSTS IN BALUCHISTAN THROUGH FEDERAL PUBLIC SERVICE COMMISSION

1670. *Mr. H. A. Sathar H. Essak Salt: Will the Foreign Secretary be pleased to state whether he proposes to see that all high salaried posts in Baluchistan are henceforth filled through the Federal Public Service Commission as Baluchistan is a centrally administered Province?

Sir Olaf Caroe: Recruitment to posts in Baluchistan is already subject to the Federal Public Service Commission (Consultation by the Governor General) Regulations.

Mr. H. A. Sathar H. Essak Salt: Even on the last day my Honourable friend answered questions on Baluchistan service, he said that so many recruitments were made by the A.G.G., by the Baluchistan Government without reference to the Federal Public Service Commission.

Sir Olaf Caroe: If my Honourable friend will examine the regulations, he will find that no consultation with the Commission is necessary in respect of a very large number of posts; for instance, in the case of appointments to the superior services, to the Provincial Service, to the Subordinate Service, such as Tahsildars, Naib-Tahsildars it is not necessary to consult the Federal Public Service Commission.

Mr. H. A. Sathar H. Essak Salt: Will the Honourable Member kindly consider the revision of these rules so that all these recruitments may be made through the Public Services Commission?

Sir Olaf Caroe: No, Sir. That is the regulation which exists all over India, not only in Baluchistan.

INDIAN DELEGATION TO SAN FRANCISCO CONFERENCE

1671. *Prof. N. G. Ranga: Will the Foreign Secretary be pleased to state:

(a) if the delegation of the Government of India to San Francisco is being given any instructions as to the role to be played by them on behalf of India, in the present political conditions of India;

(b) the objects that Government wishes them to have in their view and to advance; and

(c) whether they propose to take this House into their confidence as to their instructions and objects and ascertain the wishes of the Assembly?

Sir Olaf Caroe: (a) Yes. •

(b) To make the greatest possible contribution to the realization of a world organization on the Dumbarton Oaks plan, in which India may play a part worthy of her war effort, her aspirations and her resources.

(c) It is not in accord with accepted practice in international affairs for the Government to disclose in advance the nature of instructions given to representatives to an international conference.

Prof. N. G. Ranga: The Honourable Member makes reference to India's aspirations. May I know what steps have the Government of India taken to ascertain India's aspirations? For instance, in America, they have tried to ascertain the aspirations by getting into touch with the Opposition leaders also in the Senate as well as in the Congress. What steps have the Government of India taken?

Sir Olaf Caroe: The Government of India hear every day the aspirations of my Honourable friend's Party, the aspirations of other Parties, the aspirations throughout India, the Government have every opportunity of knowing from the Legislatures, the press and platform what India's aspirations are.

Prof. N. G. Ranga: We learn from the Press that America is preparing plans in regard to colonial peoples, colour problems, regional organisations of these various countries for political and defence purposes. What steps have Government taken in regard to these matters? What are the instructions which the Government of India have given to their delegation in regard to these matters?

Sir Olaf Caroe: Government have taken what they consider to be the necessary steps. I cannot disclose what instructions have been given to the delegation.

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

COMPLAINT OF SHORT WEIGHMENTS AT RAILWAY GRAIN SHOP, MALAKWAL

1672. *Mr. Lalchand Navalrai: (a) Will the Honourable the Railway Member be pleased to state if he has received a complaint from the Railway staff, Malakwal junction, against the Grain-shop Manager, Malakwal, regarding short weighments?

(b) Are Government aware that the said Manager was caught red-handed while selling wheat, potatoes, onions, etc., in the market?

(c) What steps do Government propose to take in the matter?

(d) Do Government propose to pay the staff in cash? If not, for what reasons?

The Honourable Sir Edward Benthall: (a) Yes.

(b) and (c). Information is being obtained and a reply will be laid on the table of the House in due course.

(d) I would refer the Honourable Member to the reply I gave to part (a) of starred question No. 3 on 1st November 1944 in this House.

Mr. Lalchand Navalrai: In view of the fact that there are many complaints and the staff is being very much troubled, will the Honourable Member reconsider the question of giving them cash and also in view of the difficulty experienced by the railways also?

The Honourable Sir Edward Benthall: No, Sir. The staff are not being very much troubled. Many of them, on the other hand, feel great relief.

Mr. Lalchand Navalrai: Will the Honourable Member kindly appoint a Committee of enquiry?

The Honourable Sir Edward Benthall: No, Sir.

OFFICIATING PERSONAL ASSISTANT TO CHIEF MEDICAL OFFICER, NORTH WESTERN RAILWAY

1673. *Syed Ghulam Bhik Nairang: (a) Will the Honourable the Railway Member be pleased to state if it is a fact that the gazetted post of Personal Assistant to the Chief Medical and Health Officer on the North Western Railway has always been held by the technical Medical personnel and falls within the regular channel of promotions of Assistant Surgeons?

(b) Are Government aware that the justification for a technical medical personnel to hold the post of Personal Assistant to the Chief Medical and

Health Officer is further strengthened in view of the recent transfer of additional sanitation work from the Engineering to the Medical Branch on the North Western Railway?

(c) If the replies to parts (a) and (b) above are in the affirmative why has a non-Matriculate Head Clerk, Medical Branch, who possesses no medical qualifications and whose channel of promotion is the clerical establishment been allowed to officiate as Personal Assistant/C. M. O. on account of the permanent incumbent being posted as Divisional Medical officer?

The Honourable Sir Edward Benthall: (a) and (c). The post referred to is normally held by technical medical personnel. During short leave vacancies, however, non-technical subordinates have, for administrative convenience, been appointed to officiate in the post. The officiating appointment of the Head Clerk against a short-term vacancy in connection with a leave arrangement has been made for this reason.

(b) The reply is in the affirmative.

Syed Ghulam Bhik Nairang: Am I to understand that the Honourable Member means that this non-technical head clerk who is now officiating is not going to hold the post permanently and that permanently only a technical medical man will be put in charge?

The Honourable Sir Edward Benthall: Yes, Sir. It is purely a short leave vacancy and on this occasion, as in the past, it is found administratively convenient to allow the head clerk to carry on during the short term vacancy.

Maulvi Muhammad Abdul Ghani: May I know whether a more qualified person in the office was not available?

The Honourable Sir Edward Benthall: It was administratively more convenient to make this arrangement.

LOW WAGES OF COOLIES AT ARAVANKADU CORDITE FACTORY

1674. *Sri K. B. Jinaraja Hegde: Will the Honourable the Supply Member be pleased to state:

(a) whether it is a fact that male coolies and women coolies at the Aravankadu Cordite Factory are engaged at nine annas and six annas a day respectively;

(b) whether it is not a fact that wages outside the factory for male and female coolies are Rs. 1-8-0 and Annas 0-12-0 respectively;

(c) the number of coolies working at six annas a day and nine annas a day;

(d) whether it is a fact that coolies working in the Stores Section have to shovel coal and were, therefore, supplied with special black clothing which have been stopped since three years; and

(e) the number of coolies who resigned during the last twelve months on account of the unsatisfactory conditions of labour and low wages, but whose resignations were not accepted on the ground that they were on essential duty?

Mr. J. A. Mackeown: (a) Yes, but they receive dearness allowance in addition.

(b), (c), (d) and (e). The information is being collected and will be laid on the table of the House in due course.

Seth Yusuf Abdoola Haroon: May I know what dearness allowance they receive?

Mr. J. A. Mackeown: Rs. 11 a month.

Shrimati K. Radha Bai Subbarayan: While collecting information will Government ask if the men coolies can be given coloured overalls and women coolies coloured saris while they are on duty?

Mr. J. A. Mackeown: That is the point of collecting information, to know whether any practice that prevailed in the past has been unnecessarily suspended.

HILL ALLOWANCE FOR TEMPORARY CLERKS AND LABOURERS AT ARAVANKADU ORDNANCE FACTORY

1675. *Sri K. B. Jinaraja Hegde: Will the Honourable the Supply Member be pleased to state:

(a) if it is a fact that in Aravankadu Ordnance Factory 'Hill Allowance' is paid to permanent clerks and labourers, but not to temporary clerks and labourers;

(b) the percentage of temporary clerks and labourers to the total number of employees in the Aravankadu Factory who do not receive hill allowance;

(c) whether it is true that the wages paid to temporary clerks and labourers in the Aravankadu Factory are not higher than the wages paid in other Ordnance factories in the country; and

(d) whether it is true that the Railway employees in Aravankadu and Ootacamund receive hill allowance; if so, do Government propose to consider paying similar allowance to the employees of the Aravankadu Factory?

Mr. J. A. Mackeown: (a) Hill allowance is paid to permanent clerks only.

(b) Out of the total number of clerks and labourers only 5 per cent. is permanent.

(c) Yes.

(d) Government have no information on the first part of the question. They do not propose to consider the extension suggested in the second.

Sri K. B. Jinaraja Hegde: May I know why only 5 per cent. of the employees are made permanent in spite of the fact that this factory has been running for so many years?

Mr. J. A. Mackeown: The 5 per cent. of the clerical staff that is permanent is what may be called the nucleus staff for peace time. We cannot make permanent the extra staff which is needed only for war-time requirements.

Sri K. B. Jinaraja Hegde: What is to happen to those who are not employed on a permanent basis?

Mr. J. A. Mackeown: That is under consideration in other departments, not in the Supply Department.

SUPPLY OF CHEAP GRAINS TO WORKSHOP AT ARAVANKADU ORDNANCE FACTORY

1676. ***Sri K. B. Jinaraja Hegde:** Will the Honourable the Supply Member be pleased to state:

(a) whether it is a fact that in Aravankadu Factory, dearness allowance is paid to clerks at Rs. 14 and to workers at Rs. 11 per month;

(b) if it is a fact that the co-operative Stores supplying foodstuffs to employees make no difference in prices charged from workers and clerks; and

(c) whether Government propose to make arrangements either to supply cheap grains to workers or pay the same dearness allowance to workers as well; if not, why not?

Mr. J. A. Mackeown: (a) The position is as stated by the Honourable Member except that clerical staff governed by the Factories Act and any other clerk in receipt of less than Rs. 40 p.m., also received a dearness allowance of Rs. 11. The question of revising the present orders is underconsideration.

(b) Yes.

(c) No, in view of the possible revision referred to in reply to part (a).

Prof. N. G. Ranga: Why is it that Government do not want to introduce the salutary practice that the railways have instituted of selling foodgrains at cheaper rates to low-paid employees?

Mr. J. A. Mackeown: The position is that we are considering revising the dearness allowance itself, and if the distinction between clerks and labourers is removed the necessity for any special concessions in purchase of stores would disappear.

IN-PATIENT HOSPITAL AT ARAVANKADU ORDNANCE FACTORY

1677. ***Sri K. B. Jinaraja Hegde:** Will the Honourable the Supply Member be pleased to state:

(a) whether it is true that the inpatient hospital at Aravankadu Factory contains ten beds only and there is no provision for supplying diet to inpatients;

(b) whether it is a fact that this hospital was demanded by civil authorities who promised to run it as a hospital with diet; and

(c) whether Government propose to hand it over to the civil authorities or run it with diet for the benefit of the workers of the factory?

Mr. J. A. Mackeown: (a) There is a dispensary at the Cordite Factory, Aravankadu, with six beds for the use of Emergent Cases pending their removal to the local hospitals. The beds are not available for accommodating regular inpatients and the question of providing diet does not normally arise.

(b) No.

(c) There seems no reason to depart from the present practice.

Sri K. B. Jinaraja Hegde: Are Government prepared to hand over this hospital to the local civil authorities so that they may run it as a hospital with diet?

Mr. J. A. Mackeown: No, we had no request, and at the same time even if we had a request I do not think we could do so, because this is an emergency hospital in a dangerous factory where accidents are liable to occur and we must have some place where to put seriously injured patients while they are waiting for removal to a regular hospital. And if we turn this temporary hospital into a regular hospital, we would have to set up somewhere a special dispensary to attend to serious emergent cases. We could not afford to wait if the beds in this hospital were occupied by permanent patients. We must have some place to put emergent cases.

Shrimati K. Radha Bai Subbarayan: May I ask, Sir, if any of these beds are reserved for women coolies?

Mr. J. A. Mackeown: I require notice of that question.

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

Sri K. B. Jinaraja Hegde: What is the distance of this factory from the civil hospital?

Mr. J. A. Mackeown: I require notice.

CONCERNS IN INDIA MANUFACTURING CYCLES

1678. *Mr. K. O. Neogy: (a) With reference to the reply given by the Honourable the Supply Member to part (b) of starred question No. 1123 on the 20th March, 1945, will the Honourable Member be pleased to state how many concerns in India manufacture cycles, and whether his observations apply equally to them? With which particular make of British cycles did he compare the Indian manufactured cycles for the purpose of his statement?

(b) Will he please state whether it is not a fact with reference to Hind cycles, (i) that the cycles were examined by Inspecting Officers before orders were placed, they were examined before supplies were accepted, and Inspecting Officers certified that they were satisfied with the quality;

(ii) that the assembling of the cycle parts was for some time done under the supervision of experts sent by the Military authorities who were satisfied as to the quality of the manufactured parts; and

(iii) that supplies in 1943, made against urgent Government demands, included cycles, parts of which were made of locally available steel in place of suitable imported steel which Government had failed to obtain for the industry from abroad, and that this point was made clear to Government at that time, and that Government decided to obtain the supplies in spite of this known deficiency?

Mr. J. A. Mackeown: (a) Two firms are manufacturing bicycles in India. The observations in part (b) of starred question No. 1123 apply to the bicycles produced by both firms which cost about twice as much as 'Raleigh' and 'B.S.A.' bicycles.

(b) (i) Yes, but complaints about the unsatisfactory performance of the bicycles began to come in after they went into use.

(ii) Yes.

(iii) Yes.

HANDICAPS FOR INDIAN CYCLES MANUFACTURING INDUSTRY

1679. *Mr. K. O. Neogy: Will the Honourable the Supply Member be pleased to state:

(a) if it is a fact that Government pressed for fullest possible supplies of cycles from indigenous sources in 1942-43 when the shipping situation was unfavourable, and that as a consequent factories were expanded, and the

firms did their best to increase production;

(b) if it is true that in 1944, when the shipping situation improved, Government not only stopped orders, but also cancelled foreign indents of special steel required by the industry, which resulted in serious loss to the concerns and stoppage of cycle production; and

(c) as regards the price of Indian-manufactured cycles, if the Honourable Member made any allowance for the handicaps under which the Indian manufacturers may have laboured, such as shortage of skilled labour and necessary material, and also the limited turnover; whether the cost of production of Indian-manufactured cycles was analysed by any responsible Government officials in co-operation with the firms concerned; if so, with what result?

Mr. J. A. Mackeown: (a) Government decided to utilise indigenous capacity for the manufacture of bicycles to the maximum extent in 1942-43 subject to prices being reasonable. Government are not aware of any appreciable expansion of bicycle manufacturing capacity, though undoubtedly there has been some increase.

(b) Orders on indigenous manufactures were stopped because imported cycles could be bought at about half the price of the Indian-made machine. The indent on the U. S. A. for special steel had to be cancelled because the U. S. A. authorities did not agree to accept it.

(c) Due allowance was made for all the considerations mentioned, but the margin of difference between the cost of the Indian-made machine and the imported machine was so great that Government could not agree to accept it. Production cost of the Indian manufacturers were examined by responsible Government Cost Accounts Officers, with the result indicated in the reply to part (b).

Mr. K. C. Neogy: Do I understand that the improvement in the shipping position referred to by him in answer to part (b) coincided with the cancellation of indents for special steel?

Mr. J. A. Mackeown: They may have coincided in point of time, but the decision to stop ordering Indian cycles had nothing to do with the shipping position.

Mr. Manu Subedar: In view of the fact that the defects in Indian made cycles were due to the use of ordinary steel instead of special steel, will the Government consider the advisability of getting into communication with the proprietors of the Indian cycle manufacturing firm and place proper materials at their disposal and then revise their judgment with regard to the quality of these cycles?

Mr. J. A. Mackeown: We have already taken steps to support indents for good steel, suitable steel from the U. K. and we are hopeful that the U. K. will be able to provide most of the steel required. When bicycles are made of better quality with suitable material, then of course we will reconsider the matter.

LIST OF APPROVED CANDIDATES FOR TEMPORARY CLERKS IN POST OFFICES IN DELHI

1680. *Qazi Muhammad Ahmad Kasmi: (a) Will the Secretary for Posts and Air please state if it is a fact that since November, 1944, list of approved candidates for the temporary clerks in the Post Offices in Delhi is being prepared for purposes of providing them with permanent employment?

(b) Is it a fact that the candidates who are being taken on the approved list are Matriculates who were employed as temporary clerks in 1943, with Rs. 50 as the starting salary?

(c) Is it a fact that the temporary clerks employed in 1937 with a starting salary of Rs. 40 are not being taken on this approved list?

(d) Is it a fact that clerks who were employed in 1937 on temporary basis have since then been continuously working in the Post Offices in almost all capacities?

(e) Is it a fact that some of those clerks who had prospects of getting much better pay in other Departments of the Government applied for jobs, but on enquiry the Post Office authorities refused to allow them to accept such jobs?

(f) Do Government propose to consider the advisability of allowing them to be taken on the approved list for permanent jobs and not refusing them the opportunity of better pay and prospects in other Government Departments?

Sir Gurunath Bewoor: (a) Yes. But the object in preparing the list is to have information readily available for the purpose of filling, after the war, those vacancies which are left available for temporary employees after satisfying the claims of candidates who have rendered war service.

(b) Yes, but they are employed on Rs. 46/ as pay *plus* Rs. 4 as deferred pay.

(c) and (d). Yes, in some cases.

(e) Yes, in one or two cases, as suitable substitutes were not available.

(f) All temporary candidates who have been in continuous service since 1937 and who satisfy the conditions now in force for employment in the post office will be duly considered for appointment along with the candidates subsequently employed. Their applications for transfer to other Departments will be considered favourably if they can be released without detriment to the public service or if there is a reasonable prospect of their being employed permanently in other Departments.

Qazi Muhammad Ahmad Kasmi: May I know whether, so far as these clerks are concerned who have not been allowed to go to other departments, their claims for permanent employment will be considered differently from that of other candidates who are not so appointed?

Sir Gurunath Bewoor: I cannot give any assurance of that kind. If a clerk already employed in a post office applies for going somewhere else, it depends upon the state of work in the post office whether he can be released or not.

Prof. N. G. Ranga: With reference to part (e), some of these people who had better prospects in other departments were prevented from going to other departments by the Postal Department, is it not unjust to drop out their names in this new list that is being prepared?

Sir Gurunath Bewoor: No, Sir. Their names are not being dropped from this list at all. I have said that all temporary candidates who have been in continuous service since 1937 and who satisfy the conditions will be considered for permanent employment.

Prof. N. G. Ranga: With reference to part (e) of the question, the Honourable Member said that of those people who were employed in 1937 on a starting salary of Rs. 40 all are not being taken on the approved list. May I know why some are being dropped?

Sir Gurunath Bewoor: That may be because they are not eligible for permanent appointments; they may not be fully qualified.

Qazi Muhammad Ahmad Kasmi: In preparing this approved list may I know how the age of the candidates will be taken? Will it be the age at the time the list is prepared or the age at the time they entered their temporary service?

Sir Gurunath Bewoor: I think every one who was within the age limit when he entered service will be considered for the approved list.

Maulvi Muhammad Abdul Ghani: Will the communal ratio be maintained in this approved list?

Sir Gurunath Bewoor: The communal proportion does not apply to the approved list. It applies to appointments and that will be observed when permanent appointments are made.

REALIZATION OF MONEY UNDER ORDINANCE 57 OF 1942 FROM BENGAL AND NORTH WESTERN AND ROHILKUND AND KUMAON RAILWAY COMPANIES

1681. ***Qazi Muhammad Ahmad Kasmi:** Will the Honourable Member for Railways please state whether Government have received money from the Bengal and North Western and Rohilkund and Kumaon Railway Companies as required by Ordinance No. 57 of 1942? If the reply be in the negative, will Government be pleased to advise the House how it is proposed to honour the pledge given to the employees before taking them over under the State service?

The Honourable Sir Edward Benthall: The matter is still under negotiation between the Government of India and the Companies' Liquidators and a settlement is likely to be reached shortly. Pending settlement, however, payments are being made to employees as due.

Seth Yusuf Abdoola Haroon: In view of the Ordinance, is there any reason for any other negotiation between the Companies and Government?

The Honourable Sir Edward Benthall: Yes, Sir, negotiations on matters of detail. But so far as the staff are concerned, payments are being made pending conclusion of the settlement of those details.

Mr. Badri Dutt Pande: Have these Companies received their share of the money all right?

The Honourable Sir Edward Benthall: That does not arise out of this question.

IMPROVEMENT IN SCALES OF PAY ON OUDH AND TIRHUT RAILWAY

1682. ***Qazi Muhammad Ahmad Kazmi:** Will the Honourable Member for Railways be pleased to state if any improvement has been made by Government in the scales of pay of the employees of the Oudh and Tirhut Railway? If not, why?

The Honourable Sir Edward Benthall: With your permission, Sir, I propose to reply questions Nos. 1682 and 1683 together.

The Honourable Member is referred to my reply to Starred Question No. 400 asked by Mr. Satya Narayan Sinha on the 20th February, 1945.

ADMINISTRATIVE POSTS ON OUDH AND TIRHUT RAILWAY

†1683. ***Qazi Muhammad Ahmad Kazmi:** (a) Will the Honourable the Railway Member be pleased to state how many administrative posts exist on the Oudh and Tirhut Railway and how many of these are held by Indians? If the reply be that none of these are held by an Indian, what Government are doing to select capable Indian Officers of this Railway for these posts?

(b) Is it a fact that due to increase of work on this Railway posts of Deputies are being created in all Departments? If so, do Government propose to select some of the capable Indian Officers of this Railway for some of these posts with a view to keep pace with other State Railways so far as Indianisation of services is concerned?

GRIEVANCES OF TRADING PUBLIC *re* SETTLEMENT OF CLAIMS, ETC.

‡1684. ***Qazi Muhammad Ahmad Kazmi:** Is the Honourable the Railway Member aware of the grievances of the trading public so far as settlement of compensation, claims and refunds are concerned? The delay being considerable, what steps are being to expedite matters on all Railways specially on the Oudh and Tirhut Railway?

The Honourable Sir Edward Benthall: The attention of the Honourable Member is invited to the reply given to starred question No. 401 asked by Mr. Satya Narayan Sinha on 20th February, 1945.

OVERCROWDING IN RAILWAY TRAINS

‡1685. ***Qazi Muhammad Ahmad Kazmi:** Is the Honourable the Railway Member aware of overcrowding in trains at present? Are Government also aware that overcrowding in upper classes becomes worse on account of Railway employees occupying the same in large numbers? Do Government propose to instruct Railway Administration to take steps to reduce overcrowding and, as a special relief to the travelling public, to provide extra carriage for their employees on each train?

The Honourable Sir Edward Benthall: The Honourable Member is referred to a reply given by me on 20th February 1945 to starred question No. 402 asked by Mr. Satya Narayan Sinha in this House. •

†For answer to this question, see answer to question No. 1682.

‡Answer to this question laid on the table, the questioner having exhausted his quota.

NON-PROSECUTION OF A BOMBAY EUROPEAN FIRM FOR VIOLATION OF NON-FERROUS METAL CONTROL ORDER

1686. ***Mr. G. Rangiah Naidu:** (a) Will the Honourable the Supply Member please state if it is a fact that a Mohammadan firm of Bombay was prosecuted under the Non-Ferrous Metal Control Order for selling electrolytic copper wire without permit?

(b) Are Government aware that the agents of the Indian Cable Company Limited Bombay, have sold tons of electrolytic copper wire without permit?

(c) Is it a fact that this information was reported to the Director General, Non-Ferrous Metal Controller, but no action was taken by him?

(d) Why no action was taken by the Controller against the European Firm?

Mr. J. A. Mackeown: (a) Government is aware that the Bombay Police were investigating a case in January 1945 involving a Mohammadan firm of Bombay but they are not aware whether the firm was eventually prosecuted.

(b) and (c). No.

(d) Does not arise

Mr. G. Rangiah Naidu: Did not Government at that time receive any complaints from the public and the merchants of Bombay that this firm was selling the articles mentioned in the question illegally in the black market?

Mr. J. A. Mackeown: From time to time the Controller received anonymous letter which contained very vague allegations. He tried to follow up the allegations made but they were so vague, and the letters being anonymous, he was unable to make headway at all.

Mr. Manu Subedar: In view of the fact that this has been raised on the floor of the House, will Government now institute an inquiry into these allegations?

Mr. J. A. Mackeown: I cannot make any inquiry unless somebody will come and give me some facts. If some one will come and give me facts I shall only be too glad to inquire.

Seth Yusuf Abdoola Haroon: With reference to part (a), may I know if when prosecutions are launched by the police the result of such prosecutions are forwarded to the Honourable Member's Department?

Mr. J. A. Mackeown: I shall require notice of that question.

SALE IN BLACK MARKET BY FACTORY REPRESENTATIVE OF INDIAN CABLE COMPANY LIMITED, BOMBAY

1687. ***Mr. G. Rangiah Naidu:** (a) Is the Honourable the Supply Member aware that the factory representative of the Indian Cable Company Limited, Bombay, has sold electrolytic copper wire in the black market under the style of Ruby Electric Company?

(b) Are Government prepared to institute an inquiry in this affair and take necessary action against the party or parties responsible for this? If not, why not?

(c) Are Government aware that the said factory representative has also sold Rubber Insulated Cables of the Indian Cable Company's make, in the black market through an Electric Supply Company?

Mr. J. A. Mackeown: (a) No.

(b) Government are prepared to enquire into any specific allegation of contravention of its Control Orders, and to prosecute when enquiry shows such action is justified.

(c) No.

Mr. Manu Subedar: Have Government examined the stock declarations of all the firms that were asked for, including this firm, and from the stock declarations have they found any discrepancies? Will Government institute an inquiry?

Mr. J. A. Mackeown: I am certainly prepared to suggest to the Controller that he should examine the stock returns. They are with the Controller and not with Government.

Prof. N. G. Ranga: Apart from the Controller; have Government no other machinery under which it may be possible to make surprise visits to these markets and examine the accounts of sales, etc., so as to ascertain the true state of things?

Mr. J. A. Mackeown: Apart from the Controller's staff we have no staff for that purpose. But the police can give assistance.

MOTION FOR ADJOURNMENT

SUPPLY OF WRONG INFORMATION BY THE HONOURABLE THE FOOD MEMBER IN REPLY TO A QUESTION AND REFUSAL TO VERIFY INCORRECTNESS.

Mr. President (The Honourable Sir Abdur Rahim): Yesterday Maulvi Abdul Ghani gave notice of an adjournment motion which was received after the House had commenced its sitting, i.e., after 11 A.M. Therefore it could not be taken up according to the rules and Standing Orders. He has given another notice today of substantially the same motion. I would like to know from the Honourable Member which one he wishes to move. The first one is still undisposed of and according to the practice it will have to be disposed of.

Maulvi Muhammad Abdul Ghani (Tirhut Division: Muhammadan): I would like to move the first one.

Mr. President (The Honourable Sir Abdur Rahim): The notice is this: Maulvi Abdul Ghani wishes to move the adjournment of the business of the House to discuss an urgent matter of public importance, namely, the giving of wrong information to the House by the Honourable the Food Member and also his refusal to verify the incorrectness of the information in reply to starred question No. 1581 of the 4th April 1945, particularly when the incorrectness was challenged on the floor of the House.

It is rather difficult to follow the question. Anyway the Honourable Member does not state in his notice what is the wrong information.

Maulvi Muhammad Abdul Ghani: The statement which the Honourable Member laid on the table of the House.

Mr. President (The Honourable Sir Abdur Rahim): Does the Honourable Member mean that the whole statement is wrong?

Maulvi Muhammad Abdul Ghani: No, a major portion of the statement is wrong. The statement laid on the table of the House by him does not tally with the reply which he gave.

Mr. President (The Honourable Sir Abdur Rahim): Has the Honourable Member seen the statement laid on the table?

Maulvi Muhammad Abdul Ghani: Yes, Sir. I have got a copy of it.

Mr. President (The Honourable Sir Abdur Rahim): Very well. The Honourable Government Member gives a lot of figures. I will read the first item:

Name of the firm—Messrs. Meghraj Ramchandra.

Extent of sugar business— Had a turnover varying from 14,000 to 18,000 bags a year between 1940-41 to 1942-43; annual investment exceeds Rs. five lakhs.

Names of sugar factories from where supplies obtained— Majhauha, Bagaha, Ramnagar, Sagauli, and Motipur.

Period in trade— Nearly 50 years.

Date and amount invested in National Savings Certificate—
Rs. 20,000 in January, 1944;
Rs. 5,000 in March 1944 and
Rs. 2,500 in January 1945.

Date of grant and issue of the sugar wholesale dealer's licence— 12th March 1943.

The Honourable Member contends that this statement is wrong.

Maulvi Muhammad Abdul Ghani: I draw your attention, Sir, to the item against which the period is mentioned as ten years whereas the Honourable Member said it was 50 years.

Mr. President (The Honourable Sir Abdur Rahim): I am now enquiring regarding this one.

Maulvi Muhammad Abdul Ghani: Regarding that I have to submit that the company is said to be carrying on the trade only for the last two or three

years, but here the period of their trade is given as 50 years. There is discrepancy between the two statements.

Mr. President (The Honourable Sir Abdur Rahim): There are similar figures given as regards the other firms also.

Maulvi Muhammad Abdul Ghani: No figure is given.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has not given in his notice the information which he says is incorrect, and therefore the basis on which he wishes to move the adjournment of the business of the House is wanting. If any Honourable Member wishes to move an adjournment motion on the basis of a statement by any Member of the Government, he must set out either the statement in full or at least give a substance of the statement. Otherwise it could not be a definite matter as required by the Rules, to discuss which the House should be adjourned. Therefore on that ground alone the motion is out of order. But as a serious charge has been made against a Member of this House, I believe the House would want to be satisfied if Honourable the Government Member did in fact attempt to mislead the Assembly by supplying wrong information.

Maulvi Muhammad Abdul Ghani: Sir, I was drawing your pointed attention to the last item on the statement wherein the period in trade of the company, as stated by the Provincial Government, is ten years, whereas the Honourable Member insists that the company was in the trade for 50 years.

The Honourable Sir Jwala Prasad Srivastava (Food Member): I did not refer to that company.

Maulvi Muhammad Abdul Ghani: When I challenged the correctness of that statement and asked him to verify it further, he stuck to his statement and said 'there is no necessity'.

Mr. President (The Honourable Sir Abdur Rahim): Did not the Honourable Member state that this information was supplied by the Local Government?

Maulvi Muhammad Abdul Ghani: I could not follow.

Mr. President (The Honourable Sir Abdur Rahim): Did not the Honourable Member say that the information supplied to him and laid on the table was supplied by the Local Government?

Maulvi Muhammad Abdul Ghani: The Local Government gave him the information, and that statement was not correctly made when I put my supplementaries and he insisted on his incorrect statement.

The Honourable Sir Jwala Prasad Srivastava: I really fail to understand what my Honourable friend is worried about. I have got the transcript of the answers I gave the other day. I do not see anything wrong in them. My friend challenged me as to whether these merchants were dealers in sugar or in cloth. I said in sugar and then I said that they have been dealing in sugar for fifty years. I did not refer to any particular firm. Two of them were dealing in sugar for fifty years, as the statement shows. I did not want to give wrong information on a point which I had already made clear in my statement. Two of the firms were at any rate dealing in sugar for fifty years.

Nawabzada Muhammad Liaquat Ali Khan (Rohilkund and Kumaon Divisions: Muhammadan Rural): Partners of the firm?

The Honourable Sir Jwala Prasad Srivastava: I do not know. No, I said the firm. They have been dealing in sugar for fifty years.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Did the Honourable Member say two of them at that time?

The Honourable Sir Jwala Prasad Srivastava: The emphasis was on whether they were dealing in sugar at all. That was the point stressed by my Honourable friend. As to the period the statement was there and I did not want to contradict the statement.

Then my friend says that I refused to verify the information further, and to make further enquiries. I admit I said that I did not consider that necessary in view of the definite information given to me by the Bihar Government. I did say that in answer to my friend, Mr. Ghani, but later on on the intervention of my friend Prof. Ranga I said that I would make further

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enquiries and although I added that I did not think there was any need for such an enquiry in view of the information supplied by the Bihar Government.

I do not know, Sir, what was behind these questions. The insinuation seemed to me to be that these firms were not dealers in sugar and that they were selected because they had invested in the national savings certificates. Well, I denied that and I have given all the information which I could give and which was supplied to me by the Bihar Government. I have undertaken, as I said, to enquire further into the matter through our Regional Food Commissioner and I could not do any more. I do not know what the grouse of my Honourable friend is. I would, Sir, beg of the House not to admit adjournment motions on matters like this, and I hope, Sir, the explanation which I have given will satisfy the House that I have not been wanting in courtesy or in giving the information required.

Maulvi Muhammad Abdul Ghani: My supplementary question as reported by the official reporter is clear. My supplementary was this: "As this is not correct information, will the Honourable Member make further enquiries and find out whether they were dealers in sugar for so many years." The Bihar Government says in one case 10 years: he says 50.

Mr. President (The Honourable Sir Abdur Rahim): There were three firms. Two of those firms were dealing in sugar for fifty years.

The Honourable Sir Jwala Prasad Srivastava: He did not say for so many years. The emphasis was not in the "years". Those words were not in the transcript. I think they have been added to this to suit the Honourable Member's purpose.

Mr. President (The Honourable Sir Abdur Rahim): This motion is out of order on the ground that it does not specify, as required by the rules and Standing Orders and as I have laid down, more than once, the statement which is stated to be incorrect: otherwise it would be impossible for Members of the House and the Government Member concerned to understand the position. The rules require that the motion must relate to a definite matter of urgent public importance. The Government Member's replies to the supplementaries cover three pages in addition to the table of figures laid on the table of the House.

On the merits, I must hold that no justification whatever has been shown for moving a motion of this kind. The Honourable Government Member stated quite clearly that he had derived his entire information from the Provincial Government and he laid that information on the table and it has not been shown at all that it is incorrect in any particular.

The motion is disallowed.

AMENDMENT OF THE INDIAN AIRCRAFT RULES

Sir Gurunath Bewoor (Secretary, Posts and Air Department): Sir, I lay on the table a copy of the Posts and Air Department Notification No. 26-V(14)/44, dated the 6th December, 1944, relating to an amendment of the Indian Aircraft Rules, 1937, under sub-section (3) of section 5 of the Indian Aircraft Act, 1934.

Copy of Notification No. 26-V (14)/44, dated New Delhi, the 6th December 1944, from Government of India, Department of Posts and Air, to the Publisher, Gazette of India, and copy forwarded to the Director of Civil Aviation in India and War Department.

In exercise of the powers conferred by section 5 and sub-section (2) of section 3 of the Indian Aircraft Act, 1934 (XXII of 1934), the Central Government is pleased to direct that the following further amendment shall be made in the Indian Aircraft Rules, 1937, namely:—

After Part XII of the said rules, the following shall be inserted, namely:—

"Part XII A—Emergency Provisions.

133A. The Joint Flying Control Regulations for the Royal Air Force and the United States Army Air Forces, as may from time to time be prescribed by the South East Air Command, shall, with effect from the 1st December, 1944, apply to all aircraft for the time being in or over British India and shall have effect notwithstanding anything inconsistent therewith contained in the preceding Parts of these Rules."

Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce): Will the Honourable Member tell us what it is about?

Sir Gurunath Bewoor: This is about flying control regulations at air ports intended for the pilots who use them.

Mr. Manu Subedar: Purely internal regulations?

Sir Gurunath Bewoor: Yes, Sir, they are purely internal regulations.

THE BANKING COMPANIES BILL.

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

"That the Bill to consolidate and amend the law relating to banking companies be referred to a Select Committee consisting of Mr. Bhulabhai J. Desai, Mr. Abdul Qaiyum, Mr. Manu Subedar, Mr. T. S. Avinashilingam Chettiar, Mr. H. A. Sathar H. Essak Sait, Seth Yusuf Abdoola Haroon, Syed Ghulam Bhik Nairang, Mr. T. T. Krishnamachari, Mr. Akhil Chandra Datta, Mr. G. W. Tyson, Mr. E. L. C. Gwilt, Sir Cowasjee Jehangir, Rai Bahadur Sir Seth Bhagchand Soni, Sir Vithal N. Chandavarkar, Mr. Ram Nath and the Mover, that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five, and that the Committee be authorised to meet at Simla."

Sir, I have already explained the objects and main features of the Bill when introducing it during the last Session. In support of the present motion I need refer again only to the salient points bearing on the principles of the Bill.

The objects underlying the Bill are, as I said, the protection of the depositor and the development of banking in India on sound lines, the protection of the share holder being left as at present to the Indian Companies Act. In certain countries such as Sweden legal provisions for the protection of the shareholders and the depositors of Banks are included in a single comprehensive measure. A large part of such enactments is necessarily a repetition of the ordinary Company Law. At the other extreme are countries like Great Britain, where the banking law is only a part of the Companies Act and where the legal provisions specially applicable to banks are included in only a few sections of that Act. In such countries the best safeguard for protecting the interests of the depositors is the sound tradition which has been built up by the banks under the informal guidance or protection of the Central Bank.

In the original proposals for banking legislation in India, which were circulated for opinion in 1940 it was considered advisable to have a special Banking Law to be read in conjunction with the ordinary Company Law following the precedent of the Insurance Act. In framing the present Bill we have adhered to that pattern: and this course has the advantage that it avoids unnecessary repetition of the Indian Companies Act. We do not anticipate that any difficulties will be experienced in administering and applying the two Acts to banking companies. As compared with the detailed codes enacted, say in the United States or Canada, the present Bill is modest in scope, since it attempts to lay down only the minimum essentials of sound banking. A detailed regulation of banking does not appear to be desirable in the circumstances prevailing in India, where banking is still in the development stage and the units engaged in it are of widely varying size and environment and professional tradition. Even if such legislation were to be attempted it would take years to train and build up the personnel necessary for its proper administration. Quite apart from the question of personnel, the experience of the countries having detailed codes has not yet sufficiently crystallised to enable us to pronounce definitely on the most appropriate type of banking legislation. Practically all bank Acts, including those in the United States, were found inadequate during the Depression of 1931-33 and were remodelled thereafter. The period that has since elapsed is too short, particularly in the abnormal conditions created by the war, to make possible a just appraisal of the new or amended codes. The only banks which emerged with a fine record from the great depression were those in the British Empire, where though there are detailed codes, as in certain Dominions such as Canada, the dominant influence on the whole has been that of the sound practices of British banking. The present Bill aims at giving legislative sanction to those practices and at

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prescribing minimum guidance for banks and bankers, so that it may be possible to build on this basis a superstructure of sound banking tradition, which is an essential pre-requisite of banking stability. While it is recognised that legislation alone does not create good banks, legislation can, nevertheless, be useful to those who require guidance and it has a decided influence in helping the development of sound banking traditions. With these general observations I will now pass to the main points of principle in the opinions and criticisms received from the public on the circulation of the Bill.

I need not deal at this stage with matters of technical detail, as there will be plenty of opportunity of considering those in the Select Committee, if the principles of the Bill commend themselves to the House: and the Select Committee will also be in a position to hear expert witnesses if it desires to do so.

The first point I wish to make is that these opinions disclose a general measure of support for the main principles of the Bill. Honourable Members will recall that when the Reserve Bank's proposals for the Bank Act were originally circulated in 1940, there appeared to be doubts in certain quarters as to the necessity for banking legislation. A few of the larger banks still oppose the Bill as also certain small banks which might be affected by it, particularly by clause 11. The bigger banks that continue to be sceptical are of the view that the development of banking in India would be best served, if it were left as free from legal restrictions as possible and they seem to think that the public should be left to discriminate by experience against dishonest bank managers and directors. These banks would appear to be apprehensive that the reputation of banking in India will be damaged by the weaker and inefficient units and they, on the whole, seem to prefer that these should be weeded out by natural economic forces. This waiting on natural economic forces is somewhat out of tune with modern concepts of the responsibilities of the State in matters of this kind. Moreover, such weeding out can only take place at the cost of the depositor and that must give a shock to the economic system that may well retard progress. The opinions received from several smaller banks, on the other hand, reflect a desire to escape the regimentation of the Bill to suit the methods not always safe or prudent of their individual institutions. Honourable Members will appreciate that it is not practicable to frame a measure that will fall in line with the practices of all existing institutions. Adjustments on the part of some of the banks will be inevitable. Since, however, the Bill is primarily based on banking practices followed by sound banks in India and abroad, there is no danger that the legitimate activities of the banks which conduct their business on prudent lines will be at all hampered.

In some quarters it is argued that the Reserve Bank already enjoys considerable powers of supervision under Section 42 of the Act and that there is no need for further legislation. The powers conferred on the Bank under section 42 are, however, actually very limited in scope. Apart from the provision for the inclusion of banks with a capital and reserve of 5 lakhs in the second schedule that section, section 42, merely requires that the prescribed percentages of demand and time liabilities be maintained by scheduled banks with the Reserve Bank and that a weekly return of the liabilities and the resources held in the form of cash, advances and balances with the Reserve Bank be submitted by such banks. The provision does not ensure that advice tendered by the Reserve Bank to a scheduled bank in regard to sound banking practice will necessarily be heeded and the Reserve Bank is not even legally empowered to call for any information other than that specified in section 42. Of course, if a scheduled bank refused to heed to the Reserve Bank's advice, and if by following an unsound practice, it got into difficulties and came to the Reserve Bank for assistance, it would obviously be open to the Reserve Bank to refuse to come to its aid. This, however, would only precipitate a crisis in the affairs of the bank concerned with possible repercussions on the banking fabric generally. The House will, therefore, see that the powers which the Reserve Bank is supposed to enjoy are not nearly so extensive as has been alleged, and that it is necessary that wider powers

should be conferred on the Reserve Bank for supervision and investigation as envisaged in the present Bill.

I will now, Sir, deal with the main criticisms received on individual clauses of the Bill. As was the case when the Bill was circulated in 1940, the criticism has centred mainly on clause 5, Definitions, clause 11, Restrictions on the commencement of business and conditions for carrying on business, clause 18, Maintenance of a percentage of assets, and clause 28, Inspection. Another clause that has come in for considerable criticism is clause 16 relating to Restrictions on loans to Directors and their companies.

Now, as regards clause 5, the revised definition of banking has met with a better reception than that suggested originally by the Reserve Bank, though a number of those who have sent in their replies would prefer to retain the existing definition contained in section 277 of the Companies Act. This matter of definition of banking has long baffled legislators and professional economists, and I am persuaded that all things considered, the definition in the Bill is very probably the most suitable that can be devised.

Clause 11 has probably met with the most severe criticism from the smaller banks. That is the clause that deals with restrictions on the commencement of business and conditions for carrying on business. Several replies suggest reductions in the standard of capital and reserves proposed, while a few advocate the abolition of the clause altogether. Some of the Honourable Members who spoke in this House during the last Session also expressed themselves as opposed to this clause on the ground that it would affect the smaller banks adversely. These criticisms will now receive the very careful consideration of the Select Committee. I would, however, like to emphasize that a strong capital structure is essential to a banking institution if it is to be in a position to afford the cost of a reasonably good management to start with, quite apart from the question of safeguarding the interests of its depositors. The House will perhaps remember that the Banking Enquiry Committee stressed the need for larger capital, and reported that most of the banks which went into liquidation in India were institutions with a small paid-up capital. The set-back which the banking habit in the country receives when these small banks fail is a matter which I am sure will be duly considered by the Honourable Members when discussing clause 11.

In this connection a suggestion has been made that the period of two years permitted under clause 11 (i) for complying with the requirements of the clause should be extended to five years to avoid hardship to small banks. This suggestion, no doubt, will receive due consideration by the Select Committee.

I now pass to clause 16 which seeks to prohibit unsecured loans to directors and the firms and companies in which they are interested. The object underlying this provision is to place a check on indiscriminate loans and advances to directors, which have in the past led to the failure of a number of banks in India. While there appears to be no serious opposition to the prohibition of unsecured advances to directors themselves, some of the leading banks are of the opinion that it is inequitable to preclude a company of undoubted standing, in which a director happens to be interested, from availing itself of clean accommodation from its bankers merely because the company and the bank have a common director. There is much to be said on both sides of the question, and I trust that while the principle underlying the clause will be preserved, a way will be found to surmount the practical difficulty foreseen by the critics of the clause. A system of periodical returns to the Reserve Bank with discretionary powers of veto to that Bank may facilitate the necessary discrimination and furnish an acceptable solution.

Clause 18 requires every banking company to maintain, in cash, gold or unencumbered approved securities, an amount which shall not at the close of business on any day be less than 25 per cent. of the total of its demand and time liabilities in British India. Several bodies have protested against this clause, while some others have suggested a reduction in the percentage of approved assets from 25 to 15. The percentage suggested in the clause is.

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however, much less than what is already being maintained by the larger banks. But this, again, is a criticism which will be carefully considered by the Select Committee, and it should be possible to meet the critics without abandoning the principle that a certain minimum degree of liquidity should be maintained by every bank. Another suggestion which has been received on this clause is that the daily return contemplated in it should be replaced by a weekly return, as the former will involve unnecessary labour. This suggestion seems not unreasonable.

Next, I proceed to clause 28 regarding inspection of banks by the Reserve Bank. While this clause has been welcomed by several of those who have offered their opinions, and in fact some of them have suggested a regular system of inspection, certain banks have opposed it mainly on the ground that commencement of inspection of a bank by the Reserve Bank may occasion a run on it and may impair its credit irretrievably. The suggestion has also been made that a bank should have the right of appeal to a court against the decision of Government that it be inspected. The experience of the Reserve Bank in regard to inspections which it has already made shows that the fear of a run on a bank being caused by its inspection has been very much exaggerated. Besides, the right to appeal has been given under the Insurance Act, and it has been found that certain insurance companies have misused it. I am strongly of the opinion that it would be a mistake to provide for such an appeal in what is essentially a matter of administration.

I should now deal with certain points raised in the replies in regard to which it has been suggested that provision be made in the Bill. The first is the application of the Bill to the Imperial Bank of India. The restrictions on the business of the Imperial Bank of India imposed by its own Act are in many cases much more onerous than those proposed in the present Bill, but Government have already power under Regulation 59, Schedule 2, of that Act to appoint auditors to report on the business and accounts of the Bank. For these reasons there is no obvious advantage in bringing the Imperial Bank within the scope of the present legislation, and the minor amendments which may be necessary in the light of the final enactment could conveniently be carried out as amendments in the separate Act. The Government, however, have an open mind in this matter.

The next important issue raised in the replies is the linking of the indigenous bankers with the Reserve Bank, a matter which strictly speaking relates to section 55 of the Reserve Bank Act. It is a matter for regret that the indigenous bankers have not been able to accept the conditions which the Reserve Bank considered necessary as a preliminary to their linking with the Reserve Bank. The main difficulties in the way are the reluctance of the indigenous bankers to segregate their banking from their non-banking business and to submit periodical returns to the Reserve Bank. In its negotiations with the Bombay Shroffs Association the Reserve Bank was even prepared to drop the idea of immediate legal segregation provided the indigenous bankers were prepared to segregate their non-banking accounts within a specified period. It, however, appeared that not even a modicum of such bankers was prepared to fall in with the scheme proposed by the Reserve Bank. In any case, since indigenous bankers will not be carrying on banking as it is proposed to define it, I do not consider that their operations fall within the scope of the Bill as limited at present.

A further important issue raised is the provision of adequate assistance by the Reserve Bank to the co-operative banks and scheduled banks. This again is a subject of little direct relevance in the present context; and I refrain from commenting on this line of criticism for fear of clouding the issue. It arises more properly in relation to the provisions of the Reserve Bank Act.

In conclusion I would say that this Banking Bill represents the greatest common measure of agreement on the subject. It embodies the banking principles and practices which experience has proved to be sound, and I regard it

as a foundation on which desirable traditions of good banking can be built up. I hope the measure when passed into law will ensure not only that banks weather successfully the strains and stresses that may follow the cessation of hostilities but also that they will take their proper place in the post-war development of the country. Sir, I move.

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

"That the Bill to consolidate and amend the law relating to banking companies be referred to a Select Committee consisting of Mr. Bhulabhai J. Desai, Mr. Abdul Qaiyum, Mr. Manu Subedar, Mr. T. S. Avinashilingam Chettiar, Mr. H. A. Sathar H. Essak Sait, Seth Yusuf Abdoola Haroon, Syed Ghulam Bhik Nairang, Mr. T. T. Krishnamachari, Mr. Akhil Chandra Datta, Mr. G. W. Tyson, Mr. E. L. C. Gwilt, Sir Cowasjee Jehangir, Rai Bahadur Sir Seth Bhagchand Soni, Sir Vithal N. Chandavarkar, Mr. Ram Nath and the Mover, that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five, and that the Committee be authorised to meet at Simla."

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, as one who took a considerable and active part in the Reserve Bank Bill of 1927 and 1928, when my friend Mr. Jamnadas Mehta had the privilege of sitting on this side of the House, and he and I took the lead in throwing out that Reserve Bank Bill one afternoon after lunch hour, and as one who took a much more active part in the passing of the Reserve Bank Bill of 1933-34, I am surprised at the Bill which my Honourable friend Sir Jeremy Raisman has introduced. On the eve of his departure from this country I wish him well and I hope he will enjoy well earned rest from his labours in this country but I wish he had not brought forward this political measure and be a partisan of the European interests or the die-hard British Government interests. This Bill is a misnomer. It should not be called a law relating to banking companies; it should be called the "Reserve Bank Consolidation Bill". My Honourable friend took no interest in those fruitful years of 1927 to 1934 in any of the affairs pertaining to banking and the Reserve Bank Bills. I was surprised when he talked of the Central Banking Inquiry Committee and its reports. But his second predecessor, Sir George Schuster, gave the go-by to the Central Banking Inquiry Committee's reports; and the British people inspired by King Benthall of the European group manufactured handicaps and laid it down that a Reserve Bank should be a pre-requisite condition of any new reforms in India and so compelled us—or rather the circumstances compelled us—to pass that ill-designed measure, the Reserve Bank Bill, which we all thought at that time would become the national banking concern of India in a short period. At that time I never thought that we had raised a Frankenstein in India when we passed the Reserve Bank Act, which even a good Finance Member like my Honourable friend Sir Jeremy Raisman would use as an instrument of loot of India and all its wealth,—he it silver or gold or the poor man's distress silver in name of war efforts. If I black out my mind from the year 1935 to 1945, I feel as if I am a Rip Van Winkle in this House who has come to listen to the Finance Member and who is also listening to those gentlemen there on the Treasury Benches as if die-hardism in India has returned and firmly re-established; and the Finance Member who has utilised the Reserve Bank to make the country poorer every day—he is trying to forge instruments by which to control all the banks in India. But what is the *quid pro quo*? We made a mistake at that time. You, Sir, were here as the Leader of the Opposition on the floor of this House. We made a mistake: we never laid it down that there should be an examination of the working of the Reserve Bank. We did not lay that down because we were expecting control of the Government of India in 1935: that was our grave and serious mistake. The Reserve Bank was asked to fulfil certain obligations; it has not fulfilled them. I will give them one by one; but it was pointed out, at that time, even by most Members belonging to the capitalist section of this House, including my Honourable friend Sir Cowasjee Jehangir and he will support me that this Reserve Bank has become a Frankenstein. We said "68 to 67 per cent. of the people of India are agriculturists; what is the use of talking this bosh, this nonsense that the Reserve Bank is a national bank unless it does something for the people of India, for the agricultural credit, for rural credit?" And

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though we were persuaded by the sweet soft words of Sir George Schuster that everything will be done as promised in the Select Committee, in the lobbies and even on the floor of this House, that within two years the Reserve Bank will transfer its accumulated wealth to the rural credit side, so that the rural population benefits, nothing has happened. The Honourable Finance Member said the other day—I think he also said it today—that he is sorry nothing has been done. The Reserve Bank has failed as a national bank. . .

The Honourable Sir Jeremy Raisman: I hope the Honourable Member is not putting into my mouth words which I never used.

Mr. B. Das: You expressed your regret the other day that the Reserve Bank has not done anything towards rural credit as was provided in the Act that within two years it would be done. . .

The Honourable Sir Jeremy Raisman: No; I am sure that that is an inaccurate repetition or representation of what I said.

Mr. B. Das: Can the Honourable Member tell us whether the Reserve Bank has done anything for the agricultural and rural credit of India, beyond helping him to tide over his war efforts?

The Honourable Sir Jeremy Raisman: I gave an answer to this the other day.

Mr. B. Das: Can the Finance Member's Secretary who is on the Directorate of the Bank say that sections 54 and 55 were given effect to and did you as my Finance Member see to it that the Reserve Bank carried out its functions under these sections?

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions: Non-Muhamadani Rural): The Reserve Bank did not carry out this function. That was the reply given to me.

Mr. B. Das: It is not the national bank of India.

The Honourable Sir Jeremy Raisman: Will the Honourable Deputy President repeat what he said?

Mr. Akhil Chandra Datta: My question, the other day, was as to whether the Reserve Bank had discharged its responsibility and performed its functions as laid down in sections 54 and 55 of the Reserve Bank Act and the answer was 'No'. Then I asked if the objects mentioned by Sir George Schuster still remain unfulfilled and the answer was 'Yes', that they still remain unfulfilled. That was the answer. In other words the Reserve Bank has failed in its function as the central bank.

The Honourable Sir Jeremy Raisman: I am quite sure I did not say that the Bank did not carry out the functions laid upon it by sections 54 and 55. Those sections required the bank to create a special agricultural credit department, the functions of which should be as prescribed in the Act. The Bank has certainly fulfilled that. Section 55 requires the bank to make a report with proposals for legislation on certain matters. Section 55(2) says:

"When the Bank is of opinion that the international monetary position has become sufficiently clear and stable to make it possible to determine what will be suitable as a permanent basis for the Indian monetary system and to frame permanent measures for a monetary standard it shall report its views to the Governor General in Council."

The bank has not failed to carry out that duty, but the pre-requisite condition has not been fulfilled.

Mr. Akhil Chandra Datta: I was not referring to that.

The Honourable Sir Jeremy Raisman: I drew the Honourable Member's attention to the report made by the Bank in 1937. I do not want to interrupt the Honourable Member's speech. I do not wish my remarks to be misunderstood.

Mr. B. Das: The Honourable Member is not aware of the discussions that went on behind the scenes, the backstairs chats that were given at the time of the passing of the Reserve Bank Act. My Honourable friend forgot to read section 54(b) which says: One of the functions of the Agricultural Credit Department will be:

"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 organisations engaged in the business of agricultural credit."

My Honourable friend the Deputy President was referring to 55 (1)(b), which is to report on—

“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.”

The Honourable the Planning Member is now planning in air and the Reserve Bank appointed an I.C.S. officer, one Mr. Ambegaonkar in charge of the Agricultural Credit, to plan. The fact remains that so far as the country is concerned, nothing has been done. That means that the Reserve Bank has failed in its function, except that it has helped to loot the country in the war efforts of the Honourable the Finance Member. I am told that this special officer of Agricultural Credit is now working as an officer or Deputy Secretary in Government of India here.

Sir, one of the conditions on which the Reserve Bank Act was passed was that there should be a Silver Redemption Fund and we were assured that the surplus silver of the Government of India will be kept there. Besides, we kept Rs. 110 crores in coins under the charge of the Finance Member at the Agra Fort and we said that it should not be sold or go away from India and must form a special reserve. Sir George Schuster and Sir Henry Strakosh tried to part with some of our silver bullion. After that we were told that no silver would be sold. What was the policy of my Honourable friend at the beginning of the war? He sold away all the silver bullions. He did worse than Sir George Schuster—who took away the distress gold and sold it to England. The present Finance Member made a silver rupee, a token rupee, with one anna of silver and he withdrew through the Reserve Bank 300 crores of silver coins, 8 anna and 4 anna pieces. He presented them to his English masters, the Bank of England. He rendered no account of the same.

The Honourable Sir Jeremy Raisman: There is nothing in this Bill about silver.

Mr. B. Das: Let me explain. I was pointing out that the Reserve Bank has failed as the national bank of India and the Reserve Bank which was given charge of the “currency” did not report to the country at large that the silver has been depleted through the instrumentality of the Reserve Bank at the order of the Finance Member.

Mr. President (The Honourable Sir Abdur Rahim): There is no provision, I understand, in the Bill regarding silver.

Mr. B. Das: I shall refer to the only two or three aspects of this Bill. The Reserve Bank wants to be the custodian of all the banking concerns. My Honourable friend withdrew the Income-tax Bill the other day. He wanted that Bill to be a sort of criminal intelligence department. Today, he wants the Reserve Bank to be another criminal intelligence department looking into the affairs of all the indigenous banks. If there is transfer of power and if we are a national government and the Reserve Bank is functioning as a national bank, then it will not do these inhuman and non-national things at the instance of England or a British Finance Member. My Honourable friend referred to the Imperial Bank and my Honourable friend wants this Bill to control all the banks. Ten years have passed. Has my Honourable friend given notice to terminate the agreement with the Imperial Bank as provided in the Reserve Bank Act? The Reserve Bank wants to control all the scheduled banks. The Government of India and the Finance Member want that the Imperial Bank should be the only agent of the Reserve Bank. Why should it be? Why should my friend the Deputy President's Bank pay 3 lakhs of rupees as a scheduled bank to the Reserve Bank and why should his bank not have any deposits from the Government of India or the Bengal Government, from district boards and other public institutions? The order of the Finance Member, whether it is expressed or implied, is that no Provincial Government or local self-government body could open an account in any other scheduled bank except the Imperial Bank which was the old Bank of the Government of India and which has been completely European-controlled all along. At that time many

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of us said, let the Imperial Bank be our national bank of India. Why, with the biggest Reserve Bank on the top, the Imperial Bank should still enjoy the benefit of getting all Government money and defy this Legislature and the public of India in its doings. I ask the Select Committee to enquire why the Finance Member will not terminate the agreement with the Imperial Bank by giving five years' notice and why the scheduled banks should not be entitled to have deposits from the Central, Provincial and other Governments.

I cannot review the doings of the Reserve Bank on the floor of the House. There is no provision for it in the statute. The present Finance Member and his predecessor, the egregious Sir James Grigg, these two gentlemen, never brought the affairs of the Reserve Bank to be discussed on the floor of the House and the Reserve Bank is doing things contrary to the principles under which we passed the Reserve Bank Act in 1933-34. Myself and some of my friends who were on the Select Committee of that Bill wrote a Minute of Dissent in which we referred to "the strong public feeling against any Member of the Indian Civil Service being appointed as Governor or Deputy Governor of the Reserve Bank". I am not referring to the present Finance Member. When we warned the Government against I.C.S. officials, we were having in mind men like Sir Malcolm Hailey whose frenzied financial policy took the rupee to 2s. 6d. and more—I think some of my Honourable friends will confirm me in this. In 1928, when this House threw out the Reserve Bank Bill the issue was whether the Deputy Governor should be an Indian and whether an Indian public man will be the Governor of the Bank. We agreed in 1933 that Sir James Taylor, who took such active steps in the piloting of the Reserve Bank Bill, should be a Deputy Governor. We never expected that after Sir Osborne Smith and Sir James Taylor, the whole steel frame regiment will perpetually occupy the stronghold of the Reserve Bank and thus make it the Frankenstein of the Finance Member, in not allowing us any say in the matter. The Reserve Bank has failed in its function as a national bank and if anybody is guilty for this lapse on the part of the Reserve of Bank in its function, it is the Government of India and the Finance Member, who taking advantage of the political condition in the country have denied to the people of this country any control over the Reserve Bank. I will now ask the Members of the Select Committee—the present Finance Member will not be there and so he will have no occasion to read and answer to what I say

The Honourable Sir Jeremy Raisman: If the Honourable Member makes any remarks relevant to the Bill under discussion, it will be taken into consideration. He has not yet done so.

Mr. B. Das: What I am saying is very pertinent and very relevant. You want the Finance Member to control the Reserve Bank, your attitude of mind towards the people of this country is one of control of private and public finances and my attitude is quite different.

I referred to the rural credit sections of the Reserve Bank Act. My Honourable friend Sir Jeremy Raisman has not got the same persuasive powers as Sir George Schuster. When the Reserve Bank Bill was under discussion in this House, Sir George Schuster played a confidence trick, he persuaded us to believe that within two years after the formation of the Reserve Bank, rural credit section will be established all over India and the amendment of Mr. Sitaramraju was allowed to be withdrawn. Any Honourable Member who reads Sir George Schuster's speech in this House will find that was the feeling he created in the minds of Members of the House then. Therefore clause 54(b) and clause 55(1)(b) were inserted. The drafting was changed and these sections were actually put in there at our insistence. But then we must remember that was in 1934 when we were all eagerly expecting Federation, we were all hoping that the days of autocratic and bureaucratic rule by European Finance Members were to be over. We were hoping that Indian Finance Ministers would never submit to the dictation of the Bank of England. We, however did not succeed then. At that time there was no expectancy of this War No. II. We did not

expect these further exploitations of India's wealth. But at the time it was said that an officer of the Reserve Bank was writing a book on rural credit scheme to be adopted by the Reserve Bank, we were all feeling glad, but then, soon after that officer was taken over to the Government of India Secretariat. That is how the Government allowed continuity of work to be done in the Reserve Bank of India by taking away the officer who was planning to introduce rural credit scheme in the Bank. I find, Sir, that my Leader and Deputy Leader and some prominent members of the Congress Party are all on the Select Committee. If I have my own way, I should like to see this particular Bill postponed for a year or two till the necessary atmosphere is created when we can think of national banking. What is the use of talking of banking in this vitiated atmosphere of British control, when the rupee is tied down permanently to the sterling? The Honourable the Finance Member on the other side and others have said that shape of things is changing. Even the Leader of the House said that things are changing. If things are changing, why then are you in a hurry to put this Bill on the Statute Book? Why have you brought this monster on the floor of the House? Well, my Honourable friend might say that Mr. Das has brought extraneous things into this discussion. But then, can he justify why there should be three Indian Civil service officers on the Reserve Bank? Be they Indian or European, I do not mind, they are all the creatures of the same steel frame machinery.

Sir, when I read the Bill, I got rather confused, the name of the Reserve Bank occurs nearly in 59 places.

The Honourable Sir Jeremy Raisman: No wonder you got confused.

Mr. B. Das: Not confused! I know more about banking than many other Honourable Members of this House, because for seven years, I worked on the Reserve Bank Bill. I am not confused at your remark, I am confused at your accepting a draft Bill from the Reserve Bank Governor and Deputy Governors and Directors. The Bill is not drafted by you in the Finance Department. The Reserve Bank was meant to be a national bank for India. Instead of that Reserve Bank wants to play the autocrat and the bureaucrat by keeping control over all indigenous banks and private banks in their own hands. If it is my national bank, then I can give full power to it. If it is a bank controlled by foreign vested interests doing things injurious to my country's interests, then I cannot permit such a Reserve Bank to have the control they want. I do not know if other Honourable Members think along this line that I am speaking, I should like this Bill postponed for some time till the proper atmosphere prevails. The control of the Finance Department and the control of the Reserve Bank has so much upset the country and we are also upset.

My Honourable friend, Sir, said I had not read the Bill. But I have read the Bill, and I am surprised to find that in every clause or every alternate clause control is handed over to the Reserve Bank. Why so? The Reserve Bank is not a national bank; why hand over all control to this bank? And the ultimate control is only exercised by your own Secretary. The Finance Secretary happens to be a Director of the Reserve Bank and whatever he says to the Governor and the Deputy Governor are accepted by them, because they are also mostly of the I.C.S. I do not know what line of action the House will take, but I do ask the Members of the Select Committee that before they proceed with the Select Committee they should read the speeches on the Reserve Bank Bill and the report of its Select Committee in 1933, and these papers should be circulated to every member of the Select Committee so that they may understand all the implications and assurances given. When has an Englishman spoken the truth? When has this Government fulfilled an assurance or pledge given on the floor of this House or in a Select Committee? I am not giving away any secret but even in the body of the discussions it will be found that the impression we carried was that there would not be any I.C.S. control in the Reserve Bank. This should be examined.

Then if the Select Committee think that such a Banking Bill is necessary it should see that the Imperial Bank is not the sole agent of the Reserve Bank.

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The Imperial Bank, though it has Indian directors, is European managed and when the new Act was passed in 1934, one of the Imperial Bank officers, Sir William Lamond—I do not know if he is still a Managing Governor—said to me, “Mr. Das, now you cannot agitate any more for Indianising the Imperial Bank”—That was the attitude of the Imperial Bank in 1934; and in 1945 with the huge deposits of the Government of India, we cannot accept the Select Committee stage unless the scheduled Indian banks—I do not care for European banks—are entitled to maintain deposits of Government, provincial and central, and local bodies.

Then, Sir, they should closely and minutely examine whether there should be inspection by the Reserve Bank officials. We Congressmen are familiar with visits of C.I.D. people; and we must see that the Reserve Bank officials who will inspect these scheduled banks do not become intelligence officers like the men of the Criminal Intelligence Department. You are giving such power to the Reserve Bank that on its report a bank can be liquidated. My Honourable friend referred to the Insurance Act, but there you have not handed over full power to any particular insurance company. Here why do you give full power to the Reserve Bank to report about the liquidation of banks? It is not a national bank. It is as much a European bank as the Imperial Bank,—though I have shares in it,—in outlook and mentality, though it may not be in colour.

The Honourable Sir Sultan Ahmed (Leader of the House): Are you a shareholder? (*Mr. B. Das*: “Yes”.) Then it is a national bank.

Mr. B. Das: Most of us then thought we were creating a national bank but we never thought we were raising this Frankenstein. Sir, I submit that the Reserve Bank should not control the authority of licensing. You have an actuary like Mr. Jones,—as if, there was no Indian actuary to be found. Let one banking expert be appointed to inspect these banks. The Reserve Bank is not functioning as a national bank; it has a Europeanised mentality with Europeanised ideas and the Finance Member, unless and until we become Finance Ministers, will be always a European. Why should this Reserve Bank have power to recommend liquidation?

Then, Sir, clause 38 gives power to make rules, and there also we find that the Reserve Bank is to be consulted. This Reserve Bank like King Charles’ head comes up everywhere. Why should the Reserve Bank be consulted in making rules? You better have your banking expert who is not a director of the Reserve Bank or the Imperial Bank or any other bank. You cannot have this kind of control. Who knows that some Machiavellian Finance Member like Sir James Grigg will not come up and say that the Reserve Bank will have all control of money: Who knows that the Reserve Bank will not think it to be its duty to provide only paper currency or leather currency or even tin or lead currencies, so that the Finance Member may tide over his difficulties in case of another war and say, like the present Finance Member, “I have administered the finances of India well” and yet the Reserve Bank of India will not tender any account of the 400 crores of silver spirited away from the people!

Sir, my personal view is that I oppose the reference to Select Committee.

Rai Bahadur Sir Seth Bhagchand Soni (Ajmer-Merwara: General): Sir, as stated in the Statement of Objects and Reasons of the Banking Bill, regulation of banking is deemed necessary in the interests of depositors alone. But this is too narrow a view as the interests of depositors can be suitably safeguarded by a few amendments in company law. Regulation of banking is very necessary indeed not for the depositors alone but for the business community as well. Financial stability needs sound banking methods and practice. This should be the guiding purpose of the Bill.

The development of banking in this country on sound lines is indeed very desirable. The great expansion of new banks and branches during the last few years rightly necessitates an examination of their activities and certain restrictions so that economic structure of the country in the post-war period may not

be adversely affected. The enormous increase of deposits with the banks, both new and old, might be the source of a potential danger. Such vast financial resources in the hands of unscrupulous banks might bring unhappy results and be so utilised as to cause serious losses to the constituents or shareholders and create chaotic conditions as have been witnessed in banking crises many times in the past. We have therefore to see carefully whether the provisions of the Bill will have the desired effect and not retard the growth of sound banking.

The wide scope given to the banks for engaging in business other than banking will give them ample opportunities for profitable investments. The prohibition of trading in non-banking activities is really very desirable.

Sir, as regards the disposal of non-banking assets, the period is relatively much longer for assets of moveable or perishable nature and proportionately shorter for immoveable assets, machinery, etc. The banks should not be compelled to dispose of properties which come into their hands as it may involve unnecessary heavy losses. If such properties can be leased or let on hire and can bring a reasonable return to the bank, it does not seem reasonable that such properties should be sacrificed. In course of banking business, such assets coming into the hands of banks as the outcome of their bad debts are usually obtained at a very low price and since prohibition in trading is applicable to them, the banks may not be allowed to handle such affairs; but if a long term lease is practicable, the banks should have the discretion to retain such properties for a relatively longer period.

In order to prevent the floatation of unsound banks with meagre and inadequate capital, it is quite necessary to impose restrictions on the banks in respect of their authorised, subscribed and paid-up capital, but the provincial distinction with regard to their principal place of business and their branches should be done away with. It would have been better if these restrictions were uniform and the same for all banks whether their principal place of business is in Bombay or Calcutta or in any provincial capital or other big industrial or commercial centre.

Sir, with the development of banking in the country, the need for their supervision is really very great and the powers given to the Reserve Bank in the Bill are quite adequate to deal with any situation that may arise requiring their intervention. The Reserve Bank as guardian of banking institutions is rightly entitled to be entrusted with these powers. I however find one omission with respect to one important subject and that is the banking staff. There should be some provisions to protect a large number of people engaged in these institutions. Some provisions for provident fund, pensions and other benefits should be made compulsory and embodied in the Banking Act.

Sir, I support the Bill for reference to the Select Committee.

Sardar Mangal Singh (East Punjab: Sikh): Sir, I welcome this Bill. As a matter of fact, some such legislation was long overdue but in dealing with a subject like banking we have to be very careful. The whole economic superstructure of country depends on the sound banking system and the whole banking system hangs on one very thin thread of credit. You give a slightest cause for shaking that credit and there will be a crash. Sir, I am reminded of a story I read sometime ago of an ordinary incident which brought about a crash for a bank: An old fat lady fell down on the steps of the bank and there was a crowd, followed by a rush on the bank, with the result that not only that bank but several other banks also had to close their shutters. So, when the Honourable the Finance Member referred to the clause about inspection, he said that the criticism was exaggerated. The Finance Member of the Mighty Government of India dealing in crores and crores of rupees, particularly in these days of inflation,—thanks to the printing press; he is printing a crore a day,—cannot imagine the difficulties of the smaller banks. I would like to remind my Honourable friend that smaller banks experience greater difficulties. They have to meet their enemies in the market—those disgruntled people who either fail to get loans from the banks or ex-employees who were turned out for some reason, and all these elements combine to take advantage of the slightest excuse to

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undermine the confidence of the bank. In our country, which is largely a rural country, we do require the services of smaller banks. The administration of the finance during the last several years by the Honourable the Finance Member, coupled with this Bill, will make the rich banks richer and the poor banks will go to the wall. I therefore submit that the Select Committee will have to give their best consideration to several clauses. The requirements of small towns and smaller towns have to be catered for, and the Select Committee will have to look into all this.

There is one observation which I would like to make. In this Bill there is no provision as to how the Government of India will deal with the banks of that country which places some kind of restrictions on the Indian banks. The Government of India through this legislation must get power to penalize the working of banks of that country which ill-treats or in any other way carries on discrimination against the banks or commercial institutions of India. There is no provision so far in this Bill to meet such a situation. For instance, if there are any banks belonging to South Africa in this country, the Government of India—or rather my Honourable friend the Member for Commonwealth Relations—must have the power to penalize those banks. That power is absent in this Bill.

Then, Sir, coming to the clauses, the Honourable the Finance Member says that the definition given in the Bill is all right. I do not possess any vast experience of finance, nor do I claim to know English very well, but I have to satisfy myself with regard to this definition. I would like to know whether those banks who accept fixed deposits will be governed by this definition. Or those banks who accept long term fixed deposits will be excluded by the operation of this Bill. The original idea of a bank to receive money for safe custody and to return back to anyone and at any time whenever it is demanded is now gone. The banks are primarily meant for the help of the industrial companies so that the country may be developed on sound lines. I would like to know whether under this definition all those banks who get long term fixed deposits will come.

Clause 6 is very important and I think a mischievous clause. It lays down restrictions on the working of the banks. I do recognise that there should be certain restrictions but they should not be of such a character that would hamper the sound development of the banks and prevent them from helping the industry and commerce of the country. I would particularly invite the attention of the Finance Member to (1)(r) of this clause, wherein it is said, "any other form of business which the Central Government may by notification in the official Gazette specify as a form of business in which it is lawful for a banking company to engage". Obviously the intention is to permit banks to undertake business otherwise specified in this clause. I would like to know whether such a notification authorising a bank or banks will apply to all the banks uniformly or will any bank be picked up for favourable treatment and notification be issued for that particular bank, because the language of this part of the clause is ambiguous. It says "it is lawful for a banking company". With regard to this I am very particular about such a power of favouritism or discrimination in favour of those banks whose management may not be in the good books of the Government or whose management may not be thought desirable for some other considerations. So it is necessary that this point should be made clear in the Bill that may emerge from the Select Committee. Such a notification which is to be issued by the Government should apply uniformly to all the banks. But if a distinction is thought necessary that distinction should be on certain merits which should be specified so that there may be no room for any favouritism and that on certain specified occasions these notifications may not be refused to some persons on account of other than financial considerations, namely, political considerations. I go a step further and say communal considerations. This part is very important and I would not give power, indiscriminate power, a *carte blanche*, to any Government unless these conditions are clearly and specifically explained in this part of the Bill.

The next clause is Clause 11. It is claimed that this Bill is being enacted to safeguard the interests of the depositors. In this clause it is laid down that if a branch or a head office is to be opened in a certain town, the paid-up capital should have some relation with the population of the town. I would submit, Sir, that the paid-up capital of a banking company should have some relation with the deposits. That I can understand. But that a paid-up capital of a particular bank should have some relation with the population of a town is wholly not understandable. I would beg my Honourable friend, the Finance Member, to look into this matter very carefully and as far as possible remove these defects.

Then there is another matter in Clause 14. It may be considered by those who deal in crores a small matter. But to humbler commercial people these things do count. It is provided that every banking company not being a scheduled bank shall maintain, in way of cash reserve, in cash a sum equivalent to at least $1\frac{1}{2}$ per cent of its time liability and 5 per cent. of its demand liabilities. This sum is to be maintained in the Reserve Bank, I understand, and no interest will be paid on this amount. Now, Sir, banks receive deposits, they pay interest to the depositors, and here in this Bill it is intended to provide that banks will be forced to take out their money and put it in the Reserve Bank where no interest will be paid on it.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Free use of the money to the Government!

Sardar Mangal Singh: Yes. It is impossible for a small bank to afford that kind of luxury. I do not at all say that no money should be deposited. I recognise the force of this provision but that bank should be allowed to deposit that amount in approved security. I think that is quite reasonable and should meet the requirements of the case.

Particularly coupled with this clause 14

The Honourable Sir Jeremy Raisman: May I point out to the Honourable Member that the clause as it stands at present says nothing of maintaining this cash reserve with the Reserve Bank. It is merely a cash reserve which must be maintained by the bank itself.

Sardar Mangal Singh: It is laid down that the amount of its liabilities shall be filed.

The Honourable Sir Jeremy Raisman: Yes, shall file a statement. But it does not say that the reserve must be in the form of a deposit.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions: Non-Muhammadan-Rural): Scheduled banks have to keep heavy deposits with the Reserve Bank without any interest.

The Honourable Sir Jeremy Raisman: That is a different matter. But this provision of the cash reserve will be observed by the bank itself and in the bank, and applies to a non-scheduled bank.

Sardar Mangal Singh: Coupled with this clause is clause 18. Here it is laid down:

"Every banking company shall maintain in cash, gold or unencumbered approved securities valued at a price not exceeding the current market price an amount which shall not at the close of business on any day be less than 25 per cent. of the total of its time and demand liabilities in British India."

That amount is rather excessive. I think that the requirements of the situation can be met if this percentage is reduced to 10 or utmost $12\frac{1}{4}$ per cent. I would not go higher than that.

In clause 21 it is laid down that the bank will submit a return of all those accounts which have not been operated for ten years. It is not specified how big or small the amount may be. It may be one or two annas and in that case to insist that the bank will continue to supply information every year to the Government, I think, is rather unnecessary. In this connection a certain limit should be fixed. Again, I have my suspicions why this information is being demanded by the Government. Is it with a view later on to direct the bank to transfer those funds to the Reserve Bank? I would like to be enlightened on

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that point. If that is the intention of the Government that at a later stage some regulation may be issued authorising the Reserve Bank to claim all those sums which have not been operated upon during the previous ten years, I would like very strongly to protest against it. The bank and the shareholder are in the healthy relation of a debtor and a creditor. That amount should be allowed to lie with the bank, so that that bank may earn interest on it and, at a later stage, whenever it is demanded, it should be paid. If there is any difficulty about limitation, that difficulty may be covered in this Bill, so that the payment of that account should not be refused on the ground of limitation. I can appreciate that difficulty but if the intention be to take away that sum altogether from the banks to the Reserve Bank, that would be very harmful to the bank.

I would like to endorse the remarks made by my Honourable friend Rai Bahadur Sir Seth Bhagchand Soni that there should be certain provisions to safeguard the interests of the bank employees. I would like to suggest that Government should lay down certain rules that in the banks only properly trained officers should be employed as managers and other responsible officers. That is very important and it will prevent the directors or proprietors of big firms putting their men in places for which they are not fit. Many a time such a thing has happened and the affairs of a bank have been mismanaged owing to the fact that a certain highly influential director put his own nephew at the head of affairs who did not know anything. Therefore I would suggest that at least for the manager or those persons who are appointed to handle the affairs of branches certain minimum qualifications may be prescribed: that would help the banks very much!

Lastly I come to clause 28. This is a very bad clause. By this clause the Reserve Bank of India has been made the Hitler of Banks and the language of the clause reads like the Defence of India Act. The clause reads:

"Without prejudice to the provisions contained in sections 137, 138 and 139 of the Indian Companies Act, 1913, the Central Government may, if it has any reason to believe"—(it reads just like the Defence of India Act)—"that the interests of the depositors of a banking company are in danger or that a banking company is unable to meet its obligations or has made default in complying with any of the provisions of this Act or that an offence under this Act has been or is likely to be committed by a banking company or any officer of a banking company or that it is otherwise desirable or necessary, direct the Reserve Bank to inspect the banking company, its books and accounts and make a report thereon to the Central Government."

These powers are very wide. The words are "If an officer of the bank is about to commit any offence". Is it the intention that if a despatch clerk misbehaves or misappropriates some postage stamps, then under this clause action may be taken and the Reserve Bank of India may be authorised to send its inspectors or Tanadars to inspect the bank? A cashier may be dishonest or an assistant in the bank may misbehave. Is it contemplated that the Government will order inspection merely on the report of the C.I.D. that there is a certain officer of the bank who is about to misbehave? Then "or it is otherwise desirable": I ask how and why? How is it desirable? Then, again, "or otherwise it is necessary". I would request the members of the Select Committee to consider all these matters very carefully and if an inspection is to be made, then definite conditions will have to be laid down under which inspection can be made. Such wide powers cannot be given to any Government, even to a popular Government

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may continue his speech after lunch.

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

The Assembly re-assembled after Lunch at Three of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Sardar Mangal Singh: When we broke off for lunch I was addressing a Hungry House. Now that the Honourable the Finance Member and our new

friend Mr. Ram Nath have had their sumptuous lunches, I hope they will be in a more receptive mood and will sympathise with the difficulties of the smaller banks.

I was dealing with clause 28 of the Bill. This clause, as I said, is worded like the Defence of India Act, and it embodies the same spirit. It virtually makes the Reserve Bank of India a powerful master of the banks with no corresponding responsibility. It can order inspection, and, after inspection, what does this Bank do? There are three courses which have been recommended. After a report, if a bank is found unsatisfactory, it is laid down here that on receipt of a report under sub-section (1), the Central Government, if it is satisfied from the report that the affairs of a banking company are being conducted to the detriment of the interest of its depositors, may—

“(a) by an order in writing prohibit the banking company from receiving fresh deposits,
or

(b) if the banking company is a scheduled bank, notwithstanding anything contained in sub-section (6) of Section 42 of the Reserve Bank of India Act, 1934 (II of 1934), by notification in the official Gazette, direct the exclusion of the Banking Company from the Second Schedule to that Act; or

(c) direct the Reserve Bank to apply for the winding up of the banking company.”

Now, Sir, the Reserve Bank of India will either ask the Bank not to accept any deposits, that is practically shutting up the show, or expel it from the schedule, that is rusticate it, or wind it up. Now, Sir, here is a doctor who goes to a patient, and, instead of giving him any remedy or injection or even a faith cure, leaves him to his fate, nay, he goes as far as deliberately to kill him. Now, Sir, some responsibility should be laid on the Reserve Bank. If a bank is in trouble, the Reserve Bank of India should help that bank with sympathy. All banks are not rogues, but there is no provision in this Bill that, at any time or in any difficulty the Reserve Bank will help them. With its powers the Reserve Bank will go on policing, exercising authority and carrying the Damocles' sword, but will not do anything to help a bank. There is not a word of sympathy for the smaller banks. If we are to give so much power to the Reserve Bank of India, we must also impose certain responsibilities on it, that is to say, the Reserve Bank should guarantee the liabilities of at least the scheduled banks. There is all policing and no responsibility on one side: this sort of one-sided authority will not help. In these days of ordinances, in these days of inflation, the minds of the officials are working in only one direction, namely, law and order, control, but no corresponding responsibility to the public. Therefore, I would suggest that the Select Committee should very carefully go into this section.

Now, what are the conditions under which an inspection can be ordered? The Bill lays down five conditions:

(1) Central Government have reason to believe that the interests of the depositors of the banking company are in danger.

(2) The banking company is unable to meet its obligations.

(3) The banking company has made default in complying with any provision of this Act.

(4) An offence under this Act has been or is likely to be committed by the banking company or any officer of the banking company.

(5) It is otherwise desirable or necessary.

Now these are the five conditions enumerated in clause (1). It is submitted that it will be in the interests of all concerned if the conditions are clearly stated under which the depositors of a banking company are considered to be in danger, and the Reserve Bank must proceed to examine its books. In my opinion, it is possible to define these conditions. Then condition No. 4—that an offence under this Act has been or is likely to be committed—is extremely vague. There is no difference between a default in complying with the provisions of the Act and an offence under the Act. As I have already pointed out, if Government receives a report that an officer of a bank is about to commit some offence under this Act, it empowers the Reserve Bank to approach the Central Government for an inquiry. This is extremely dangerous. Then last

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of all comes the fifth condition—if it is otherwise reasonable or necessary. This is very dangerous too.

The Honourable Sir Jeremy Raisman: What about the safety of the depositors?

Sardar Mangal Singh: That can be arranged without giving this vague power—if it is otherwise desirable and necessary. You can lay down the specific conditions when the interests of the depositors are in danger. These conditions can be laid down. If the balance sheet of the bank shows any deficit or loss, those conditions can be definitely laid down. Why give *carte blanche* to the officials? Why do you not come forward and lay down specific conditions? I will support all measures that are necessary for the safety of the depositors.

While on this matter I would like to reinforce my argument by quoting the opinion given by Professor Rao of Cawnpore. He is a famous authority on these matters. He says:

“The Central Government, or for that matter, the Provincial Governments to whom the Central Government has delegated its authority under these sections in the Indian Companies Act, may choose to appoint, if they so prefer, independent inspectors, under the provisions of the Indian Companies Act, that is, they may appoint for this purpose any one they like, Reserve Bank or other than the Reserve Bank.”

This clause 28 is without prejudice to the powers given to the Provincial Governments in the Companies Act where they deal with banking companies—it stands as before. So, even the Provincial Governments can appoint inspectors who will go to inspect the banks, and this Central Government or this Bill will not help them. Under these conditions, he remarks:

“This exposes banking companies to dual control—the Indian Companies Act and the Banking Companies Act—which is far from desirable. Public confidence is a delicate instrument and its chords have to be delicately touched. One would therefore much rather have a modification of these provisions of the Indian Companies Act so far as banking companies are concerned, so as to ensure that inspection, whether at the instance of the shareholder or at the instance of the Registrar of Joint Stock Companies or at the instance of the Central Government or of any of the Provincial Governments shall always be conducted by the Reserve Bank.” (*And by no other authority.*)

Then, conditions 5 and 6 mentioned in this clause are extremely unusual.

Mr. Rao says:

“Even if condition 6 is set down to rhetoric or legal rigmorole, there is little excuse for a provision such as is condition 5. It is unusual to ask for submission to penal inspections which may, lead, it may be for nothing, to panic in the minds of a bank's depositors on the ground of an offence not yet committed but on a mere suspicion that it may be or is likely to be committed.”

Now, I would ask the Honourable Finance Member that if on these grounds an inspection is ordered, you must get in and if the bank is forced to shut their doors, is that for the benefit of the depositors? Who will lose under such conditions? It is not for the benefit of the depositors: it is just to kill the smaller banks, so that the bigger banks like those of my Honourable friend Sir Cowasjee Jehaugir may get hold of the business of the country and kill the smaller banks. There is no provision in this Bill—there is a certain provision to safeguard the interests of the younger companies in the Insurance Bill—but here there is no provision to safeguard the interests of the younger banks. I would suggest that something might be done in that direction

Sir Cowasjee Jehangir (Bombay City: Non-Muhammadan Urban): Will you define what you mean by the interests of smaller banks?

An Honourable Member: Interests of the public.

Sardar Mangal Singh: You do not know them: you always speak in terms of big business. Sir, the smaller banks are those banks which are small and not big. I would suggest that something should be done in that direction and some provision made.

There is a suggestion that to avoid undue and unhealthy competition all charges should be governed by the rules and schedules fixed by the Reserve Bank. In this connection younger banks, or rather smaller banks, which may be defined—not with regard to their age in years and months but—in regard to the amount of

paid-up capital, the younger banks should be allowed certain latitude in that direction; for instance, they may be permitted to allow a fixed concessional percentage on deposit rates and other charges, say about $\frac{1}{2}$ per cent. on deposits and one anna on other charges. A provision of this sort would give some help to the younger banks; and at the same time it would not injure in any way the interests of the bigger banks, because all these smaller banks put their money in the bigger banks. The smaller banks will be acting not as competitors but as their feeders. So, if this sort of concession is given to the smaller banks they might be able to exist; otherwise under this clause 28, the younger banks will go to the wall and their interests will suffer—these younger banks whom my Honourable friend the Finance Member is so very anxious to save.

I do not want to take much time of this Honourable House, but before sitting down, I would like to suggest that clause 17 should be modified in such a way that the banking companies registered in the United Kingdom should not be treated on a par with those registered in this country. There is nothing in this Bill which will protect the interests of the Indian banks. Any foreigner can come to this country and start a banking company. That, I think, should be stopped; and it should be laid down in this Bill that no bank should be allowed to be registered in this country unless it has a certain percentage of Indian capital and a certain percentage of Indians on the directorate . . .

Dr. P. N. Banerjee: This can be done after the sections of the Government of India Act have been deleted—we carried that Resolution.

Sardar Mangal Singh: I know the difficulty. Now that the House has passed the Resolution about those sections, it should be possible at least to make a reference to His Majesty's Government or lay down somewhere that it is the desire of the House that certain modifications may be made in that direction.

I have already submitted that difficulty about the companies registered in the United Kingdom. But in this Bill there is no provision to prevent a citizen of any other country except the U.K., for instance, any American millionaire can come in or a millionaire from Yugoslavia or any other country can come and set up a bank here. If we cannot under this constitution prevent any man from U. K., surely we can prevent commercial men coming from other countries. Particularly, the Government of India should penalise the banks of those countries where some discrimination is being used against Indian citizens or against Indian commercial companies. In this matter I would particularly draw the attention of the House that Indians are not allowed to enter the United States of America. Indians are not allowed to carry on business in the United States of America or Canada and it should be laid down in this Bill that in those countries where discrimination is carried on against Indians, no banking company will be allowed to carry on business in this country, and if there is any banking company in this country coming from South Africa some action should be taken and some provision should be made in this Bill, so that the Government of India may take action against that banking company. I hope the members of the Select Committee, particularly from this side of the House (Congress side) will take jolly good care to provide that no exploitation should be carried on by foreigners in this country where the citizens of my country are not accorded the same treatment. When the United States of America is not prepared to give us citizen rights and is not prepared to allow me to go to that country and carry on trade and other professions, it stands to reason that this House refuses to pass a Bill which does not lay down similar conditions. I know His Majesty's Government's difficulties. They are senior partner in this great war. It may not be possible for His Majesty's Government to allow the Government of India which is their agent to carry on such restrictions but surely, Sir, this House has a right and it will be a fitting reply to the dropping of the Immigration Bill in the House Committee of the United States Congress. Therefore, I say that the Government of India should come forward to support the demands of the non-official representatives of this House as they came forward to support the Indian cause in South Africa and particularly somewhere provisions may be laid down and the position may be made clear and when this

[Sardar Mangal Singh.]

Bill comes back to this House, if there is such a provision, then it is assured of a speedy passage.

There is only one other point to which I would like to draw the attention of the Finance Member and it is a very important one. The banking system of the country is going to play a very important part in the future development of the country, particularly when we are planning on a large scale. I would therefore suggest that some witnesses may be called by the Select Committee and their views examined, so that no point of view may be left when the Select Committee frames its report. I would particularly request those members of the Select Committee who are inclined generally to protect the interest of the poorer classes to take good care to protect the interest of the smaller banks. My fears are that some of my own countrymen may not join hands with the Government to vote down the smaller banks. When Bombay big business and the Government combine their forces, the smaller banks may go to the wall. Sir Cowasjee Jehangir generally joins hands with the Government in these matters. I hope that Sir Cowasjee Jehangir will throw his weight on the side of the smaller banks. With these remarks I commend the Bill to the House. It should be passed and we hope that when we meet next—we do not know when we meet next, the Report of the Select Committee will be before the House and it will be satisfactory and the suggestions I have made will be given proper attention.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Mr. Deputy President, it has been said that the Insurance Bill should be regarded from the point of view of the safety of the policy holder and the banking Bill should be regarded from the point of view of the safety of the depositor. While that is true, we should not forget the main objectives of any banking system. The banking system in a country is intended to serve the agricultural population of this country, the internal and external trade of the country and its commerce and if any banking law is worth the name, it should in addition to protecting the interests of the depositors also help to form institutions which will help to make this country prosperous in trade, industry and agriculture. Today the basic facts for the banking legislation of this country is the report of the Central Banking Inquiry Committee which has been produced a few years back and nothing till now has taken its place. It is up to us to be guided by certain factors which they have brought to light. They have said that any banking legislation if it is to do good to the country must have three objectives and this Bill must be judged from those objectives. One is steps for increasing expansion of credit and providing greater facilities to agriculture, trade and industries. The second is protecting indigenous banking from the competition of foreign banks and the third is the regulation of the business of banking in the country.

If I may summarise this Bill into a few words, it serves only the third purpose. It helps to regulate the business of banking in the country. As was said by an Honourable Member of this House, it is mainly a police man's duty that this seeks to do and more than that it does not do. Coming to the second of the objectives, apart from protecting, the indigenous banking industry, it makes it open to the greatest competition from its greatest competitors. Only a couple of days back, we were discussing the relevant sections of the Government of India Act. I was surprised at the way in which the Leader of the European Group, Sir Henry Richardson, came out in the open and openly challenged the Honourable Member for Planning and Development to divulge his plans and come out in the open. Sir, if we have any competitors from whom we ask for protection, it is only from them. If our industries have been destroyed due to competition of anybody, it is due to their own action. If our banking has been destroyed due to the action of anybody, it is due to their competition. If we want protection from anybody, it is protection from our British competitors. So, Sir, if this Banking Bill is to do any good to this country, if it is to foster banking industry in this country and help banks which

will foster our foreign trade, our external trade as well as commerce within the country, then we have to be saved from our competitors—the British—and unless we are helped against them, there is no chance for Indian banks to make any progress at all. If any figures are necessary on this point—I believe many figures are not necessary—but if anybody is credulous enough to doubt it and wants figures, then I would refer him to the Central Banking Enquiry Committee Report, pages 810 to 812. I will just read a few lines:

"The financing of this foreign trade generally consists of two operations, viz., (1) the financing from the Indian port to the foreign port or *vice versa*, and (2) the financing from, or to, the Indian port to, or from, the up country distributing or collecting centre."

The Report goes on to say:

"There is no legal bar to an Indian Joint stock bank undertaking the first of the operations mentioned in paragraph 421."

That is No. (1), I have read above. Certain banks have had operations, they have been operating in the matter of financing foreign trade.

The report goes on:

"One of the existing banks, the National Bank of India was actually established in India with a rupee capital, though soon after its establishment it converted its capital into sterling and transferred its headquarters to London."

There were other banks also who attempted to do business, but in course of time what happened? What happened was that the banks started with rupee capital, started by Indians had to go under. Today most of the financing of foreign trade in this country is absolutely in foreign hands. On page 812, the report says:

"During its six years of independent existence, the Tata Industrial Bank, Ltd., also engaged freely in foreign exchange. At the present moment, however, only two or three Indian joint stock banks take an insignificant part in this business."

If that was so, 14 years back, I am afraid, Sir, it may be much less now:

"We have made enquiries, and discussed with many of our witnesses, the reasons why the business has now become practically a monopoly of non-Indian banks. The four main reasons given are;

(a) the competition of well established non-Indian exchange banks with large capital and reserves."

They have given four reasons of which what I have read out is the first and the most important.

Well, Sir, it is surprising how the Honourable the Finance Member gave a review of the opinions received for this Bill. He mentioned the opinion received on many clauses, but he did not perhaps discreetly mention the opinions received on clause 11 and clause 17. Clauses 11 and 17 put British banks on the same footing, and give them absolutely the same status, as Indian Banks, but they make a discrimination against banks of foreign countries. I do submit, Sir, that unless this country gets encouragement for its banking institutions as against its competitors who have established themselves firmly and who have grown fat by sucking our blood, unless that is done, this Banking Bill will be a mere burden on this country and its mission will be merely to regulate certain things. This Banking Bill may make some of these small banks better, and I have no doubt that in course of time some of these small banks may disappear, that may also happen, but this Banking Bill will not give that help which is necessary for the development and growth of banking industry in this country. It will not enable Indian banks to finance foreign trade and foreign commerce on the highest possible scales, even as foreign banks are doing in this country.

Sir, clause 17 has some provision for reciprocity, but that reciprocity is against foreign banks. But the Banking Enquiry Committee have also gone into the question and they have recommended on what conditions licence should be issued to foreign banks. I do not know, Sir, why these salutary conditions which have been prescribed in this report have not found a place in this Bill. I wish they had been incorporated in the Bill. These very salutary conditions are these. The recommendations of the majority report of the Banking Enquiry Committee are very moderate as opposed to some of the recommendations of the minority report produced by my distinguished colleague,

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Mr. Manu Subedar. On page 329, they lay down the four conditions which they would like to attach to banks which seek for licence:

(a) No foreign bank having a capital and reserve of less than £1 million should be given a licence.

(b) Foreign banks should not borrow in India more than 25 per cent. of their paid up capital and reserve, and in no case should the borrowing by a foreign exceed its total advances in India.

(c) Foreign banks should accept policies of approved Indian insurance companies."

Well, here is a tale of woe. Anybody who is in business knows this. Anybody who is in touch with business knows this. If I have dealing with foreign banks, every influence is brought to bear upon me to see that I do my insurance with foreign companies. If I insure my goods in Indian companies, then they refuse to discount my bills, they refuse to accept that as security. I know in Coimbatore some of my friends, thinking that insurance offered a good business started insurance companies. But the Imperial Bank of India came down with a heavy hand and said, "we will not accept that insurance. Unless you insure your goods with companies which we approve, we will not give you accommodation". Then, for the sake of that loan, I know that in many cases, against their own conscience, against their own inclination, many Indian merchants had to leave off their business with Indian companies and had to do insurance with British concerns. I know that in many cases where they were most unwilling, at least a part of their business they had to guarantee for British concerns. I want to know whether this is the way in which foreign banks want to entrench themselves in India.

Sir Cowasjee Jehangir: Is the Imperial Bank an English concern? Is it not an Indian Bank with Indian Directors?

Mr. T. S. Avinashilingam Chettiar: Who is the Managing Director? The Indian Directors are impotent. Who is the Managing Governor?

Mr. Manu Subedar: (Indian Merchants' Chamber and Bureau: Indian Commerce): This is worse than the British?

Sir Cowasjee Jehangir: Then we will wipe it out.

Mr. T. S. Avinashilingam Chettiar: Apart from the technicalities of this character, it is within the experience of anybody, I do not think even my Honourable friends from the European Group will deny this, the European Exchange banks have brought pressure, they have used coercion and they make it a condition precedent to their advancing money that insurance should be done in English insurance companies only.

Now, Sir, I would refer to the fourth condition laid down in the report:

"In the event of liquidation or failure, the assets of the Indian offices of the foreign bank should be earmarked for the satisfaction of Indian creditors, and this prior charge of the assets of the Indian branches should not be deemed to prejudice the claim of Indian creditors on the general assets of the bank in case Indian assets were insufficient to meet the claims in full."

Mr. G. W. Tyson (Bengal: European): How many such liquidations or failure have there been within the Honourable Member's recollection?

Mr. B. Das: Alliance Bank, Bolton Brothers, and so on.

Mr. T. S. Avinashilingam Chettiar: I am reading the recommendations of the Banking Inquiry Committee and in this matter I do not presume or claim that I have gone into this and taken statistics. Other people who are in touch with the trade may know more; and the Finance Member should be able to give the information which Mr. Tyson wants.

The Honourable Sir Jeremy Raisman: You answer your own supplementary questions. I have quite enough of my own.

Mr. T. S. Avinashilingam Chettiar: The unfortunate thing is that the machinery on which supplementary questions can be answered are with you.

"Then, Sir, I will refer to the fifth condition which they would like to impose and that is a very important condition:

"Foreign banks should give an undertaking to train and employ a definite percentage of Indians in their higher grades."

Of course every bank like the Government of India employs Indians, just as Sir Edward Benthall said the other day that over 99½ per cent. of people on the railways are Indians,—chaprassies, pointsmen and so on. The point is that in these 150 years of the existence of these foreign exchange banks have they trained any Indians here and have they made it possible for Indians to start such big banks? They have kept it a sort of close preserve for themselves. In this connection I will refer to page 343 of the same report, where they say:

"We are impressed by the fact that though the exchange banks have been operating in India for more than half a century they have not employed a single Indian in the superior grades of their services."

That is to say, up till 1931—whatever has happened after that I do not know—they have not appointed a single Indian in their higher grades. That shows how very well they have served this country. These people very often utter platitudes about co-operation being the best thing for India. Of course whatever is best for them is the best for India; whatever puts large amounts of money into their pockets is the best for India. It is only from that point of view that they can claim to have served this country. It was a great person who said that our greatest merchants are only commission agents. All our big merchants today have made their pile out of commission agents. We have only got a few small things which a European does not find it to his interest to take up. And I say that if this banking law is to do any good to this country, if India is to have a really good banking system, if Indian banking is to flourish and finance her own trade and commerce and foreign trade, we want protection. And protection against whom? We want protection not against the German; the poor fellow is dying and gasping; not against the Japanese, not even against the Americans. We want protection against the British who are entrenched here. And if that protection is not forthcoming, your clause 17 means nothing; the reciprocity provision that you have tried to make is mere eye-wash.

I will pass on now to some of the important clauses and first refer to the clause on definitions. The present definition is particularly unacceptable for this reason. As he would have found in the opinions, it is a habit with many trading concerns in India to have what are called book transactions under which monies are deposited or withdrawn. It is a common habit in my part of the country and I understand from the opinions that that habit prevails in other parts of the country too. And so if this definition is accepted it would affect many of the commercial concerns in this country. Therefore a definition must be evolved which suits the conditions of this country. One definition has been given by Finlay Shirras:

"Banking is the opening of credits by the deposits or collection of money or currencies, specially to be paid or remitted by draft, cheque or order."

I do not stand by any particular definition, but what I submit is that we should have one which will suit the conditions of commerce in this country, which will not be unnecessarily rigorous and give trouble to other commercial concerns.

Then I come to the next clause, clause 4 which relates to business. I come from South India, a part of this great country in which there is a large number of small banks. Those who have read the report of the Banking Inquiry Committee would have known that there is an institution called *Nidhis* in Southern India. In my district alone there are about 120 of them; and they are doing a sort of business which is not provided for in this Bill,—I mean what is called the *chit fund* business. It is referred to by the Registrar of Joint Stock Companies on page 125 of the opinions received. It is a sort of subscription. A few people gather together, contribute a quota which is spread over many months, 20 or 24 months, and they take it at their option as they find it necessary to have the money. The bank conducts it and acts as a sort of guarantee for it. It is a sort of business which many of the banks in India are doing and which acts as a savings drive to the ordinary middle-class man in South India. The Honourable Finance Member winks at me; I do not know what he wishes to convey. But I must clear one misconception about this

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savings drive which he has, though it is not strictly relevant to this Bill. He goes on the presumption—which I had no time to discuss on the Finance Bill debate—that the agriculturist is flowing with a lot of money in his hands. He is thoroughly mistaken. I know the agriculturists and am living in their midst. The prices of foodgrains fixed for them are not sufficient to cover their expenses; and if he is having his savings drive on them it is like trying to get water out of stone. The savings drive must be on people who have money; military contractors or people like that. It is they to whom you must go.

Coming to the chit fund business. It is a business which is being run mainly by many of the smaller banks in our part of the country and that should be provided for in clause 6 of the Bill.

Dr. P. N. Banerjee: Your complaint is that indigenous banking is not included within the scope of this Bill.

Mr. T. S. Avinashilingam Chettiar: No. I said there are banking companies, limited companies, joint stock companies, doing banking work which do this business also which has not been provided for in section 6 of the Bill. That should be added, that is all that I say.

While on this matter I would like to refer to another point which also relates to South India

The Honourable Sir Jeremy Raisman: It is full of eccentricities.

Mr. T. S. Avinashilingam Chettiar: All the efficient officers in your Department come from my part of the country. Judged from that you must know that our eccentricities are advantageous. Some Finance Member used to say put a Scotchman and a Madrasi together and they can never go wrong'.

The Honourable Sir Jeremy Raisman: What about the whisky?

Mr. T. S. Avinashilingam Chettiar: The Madrasi never goes for that.

Now I come to the first part of clause 11. Much has been made of population. There is not always much connection between the population of a place and the business that is being done there. Much has been said of branch banking. I do not know whether the Honourable Member knows about South Kanara. South Kanara beyond its border lies in the Bombay Presidency. To make a difference like this is sometimes very eccentric and I hope the Select Committee will evolve a better system than what has been found in the first part of clause 11.

Coming to clause 18. In clause 18 no difference has been made between time and demand liabilities. It says that twenty-five per cent. of the total of its time and demand liabilities should be kept in British India. Other countries have made a difference between time and demand liabilities. I refer to the practice in Argentine. In Argentine, the requirements are restricted to maintaining a cash balance of at least 16 per cent. of demand liabilities and 8 per cent. of time liabilities. If that distinction is made, I think it will be better for the banks. The banks themselves will differ in their time and demand liabilities according to the places concerned. Agricultural places may have a different proportion of time and demand liabilities to the commercial centres and I would suggest that this distinction should be made in our Banking Bill also.

Now, I come to clause 21 which refers to 'return of unclaimed deposits'. The State is a grabber. They want that accounts which have not been operated upon for ten years should be sent to the Reserve Bank. In this connection, I would refer only to page 3 of the opinions which refers to Canadian law:

"The treatment of such unclaimed accounts has been administered in a very enlightened manner by Canada where all unclaimed deposits are made over to the State after remaining unclaimed over a period, and my Committee urge that legislation should be therefore undertaken making it obligatory upon the Banking Institutions in India to hand over to the Indian Exchequer all such lapsed accounts which have not been operated."

I have got only one thing to refer to before I sit down. The power that has been given to the Reserve Bank in many cases seems to be really drastic indeed and so I hope many of those provisions will be mellowed and they will be made in such a way that the Reserve Bank instead of hindering the growth of

banking institutions in this country will be a source of help and strength to their growth.

Sir, I support the motion.

Mr. T. T. Krishnamachari (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): I rise to support the motion before this House and in doing so I shall **confine myself to a few remarks on the opinions that have been received on this Bill as a result of the motion for circulation that this House passed in November last.**

There are one or two questions relating to which some remarks fell out of the mouth of my Honourable friend, the Finance Member, with which I am not in entire agreement, but I will refer to them later on.

It is true, Sir, that the Honourable the Finance Member in making this motion outlined the scope and the nature of the opinions that have been received. But I believe, that since legislative procedure in this House does not permit of the House expressing its intentions in regard to the scope of the Bill or, **at any rate, in such manner that the Select Committee might exceed the scope of the Bill if it so desires by means of specific instructions following the practice that obtains in the House of Commons, the only guide that the Select Committee will have will be the discussion on the Bill in this motion and the points made which are not contradicted or controverted by the Government.** It is with that object in view that I shall refer to a few opinions in regard to particular clauses of the Bill.

Sir, at the outset, I would like to say that the opinions on the Bill have been ranging from one extreme to the other which shows that there are a number of interests in this country whose interests do not coincide and whose ideas vary and, secondly, organized public opinion in this country does not exist with regard to the type of a banking law that is best suited to the country. Beginning with the opinion of the Bombay Chamber of Commerce which does not want a Banking Bill at all which feels that those sections in the Indian Companies Act relating to regulation of banking are adequate enough, which also feels that if the Banking Bill has to be enacted into law it has to **be drastically altered, the Bombay Chamber of Commerce wants that all banks should be scheduled banks, that the capital structure of every banks must be much higher than that indicated in the Bill, and so on.** Otherwise the Bombay Chamber would allow the banking in this country to develop without let or hindrance, an opinion which can only be supported by the liberal economists' policy of the 19th Century of which, I am sure, this House will feel that the country has no need, notwithstanding the fact that my Honourable friend, Mr. B. Das, wanted this Bill to be dropped at this stage. As against the Bombay Chamber of Commerce's opinion, the opinion of officials, particularly those engaged in scrutinizing the balance sheets of banks and companies, mainly Registrars of Joint Stock Companies, have expressed opinions which, if followed, would make this Bill a far more rigid one than it is today. These people want control around. This view has been in part supported by the Lahore High Court and to a certain extent by the Madras Government and also by and large by academic economists. It therefore seems that in a House like this, composed of interests which represent a cross-section of society in India, we would have to have a compromise somewhere if we are to have a banking Bill.

4 P.M.

My own view is at variance with the wishes expressed by my Honourable friend, Mr. B. Das on this matter. I feel that the necessity for a banking Bill is there and it also is very necessary that it should be enacted as soon as possible. I am aware, Sir, as a person who is in close touch with the economic life of this country—not as a banker—that the vast changes that this country is undergoing in the economic field during the war would lead us at the end of the war to a stage very much like what it was in the pre-depression era and perhaps to something much worse. So far as the operation of the money market is concerned, wherever one might lay the fault for the present state of affairs,

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it is obvious that things are in such a state that rigid control would be necessary in all the phases of its operation. For one thing, the House knows that the number of scheduled banks including the Imperial and Exchange banks have increased from 51 in June 1939 to 76 in June 1944 and the total number of their offices, including head offices, from 1,328 to 2,141; and as against this the deposits have increased phenomenally and the relation of the capital structure to the deposits has also varied considerably. And surely the House knows that the money base behind all this has also increased phenomenally, because our currency has increased from 180 crores to well past the 1,000 crores limit.

Apart from all this, anybody who is in touch with what is happening about us should know that there is a lot of money available in the hands of many people and unfortunately the people who have a lot of money are not people who are over scrupulous in their outlook and actions. Insurance companies are being bargained away, put on the counter and sold. And why is the control over an insurance company bought in this manner. Merely for the purpose of handling that portion of the life fund which the law permits those who control those companies to handle. The life insurance fund is used to purchase bank shares and bank shares once purchased leads to the control of the banks and the moneys of the depositor in such Banks is used not for his benefit but for the good of the individual or individuals who controls the institution. I am not painting a lurid picture of the situation.

I wish I had the gift to really paint it as it is. There is no denying that the position of the money market today requires that every mechanism of credit must be as rigidly controlled as possible, the only limiting factor being the non-availability of personnel and the lack of experience which should ensure that the control will be exercised properly. So, I think Sir there is absolutely no room for doubling the need for a banking legislation and I think there is very little room to doubt the advisability of tightening up the screw as far as possible without the structure breaking under it. That is my own view and it is from that view point that I have scrutinised the opinions that have been received.

On the question of definitions much has been said and the view seems to be generally held that the definition of a banking company as we find it in the Indian Companies Act is more satisfactory. I am myself unable to make up my mind though my Honourable friend, the Finance Member recommends that the present definition is the best. I think that would be a matter for the Select Committee to examine very carefully.

On the second question on which a lot has been said in this batch of opinions received is the question of the capital structure in relation to the wording of Clause 11. I am afraid, Sir, that that this is rather a difficult matter to determine and it permits of different views all of them equally valid. It is true that the capital of the bank must bear some relation to the volume of the money that passes through it. But at the same time as I have said before when this Bill was being moved for circulation, that the position of the small banks will have to be safeguarded and the methods suggested in clause 11 neither appears scientific nor appears to fill the Bill. There is a case for a change and in changing the wording of clause 11, I hope the Select Committee will bear in mind the very imperative need to maintain the small banks intact. One word of caution I would like to utter in this connection. It may be that at the present moment there are enough big banks with a large capital structure in a position to satisfy the demands of clause 11 and willing to open branches in every nook and corner of this country. But should circumstances in the money market be different, say five or ten years hence, it might conceivably be that banks that are incorporated either in Bombay, Calcutta or Cawnpore and have opened branches in Tuticorin and Madura in the south, finding that there is a slump in the money market and that little or no business is to be had might close down some of these branches in such outlying parts. A similar thing happened in the Madras Province some years after the last war. The Tata Industrial Bank, and its successors the Central Bank of India opened branches in a number

of towns in the Madras Province. A slump came, and due to unwise investments and indiscretion on the part of managers of the bank resulting in a loss, these branches were closed and the banking facilities available to the people in those towns were taken away. The one safeguard the small banks offer is that they have nowhere else to go and that they are indissolubly connected with the life of those people who are interested in promoting and managing the institution and willy-nilly whatever happens to be the circumstances under which they have to function they have to remain in the same town or area and work for the benefit of the people of that area. The interests of the people of that area and the people who manage these banks are closely connected and care should therefore be taken to see that these facilities which are available to comparatively backward areas should not be easily interfered with to the detriment of the existence of these small banks. I think, Sir, that if that caution, is borne in mind, it will help the members of the Select Committee to alter the wording of clause 11 suitably.

Sir, I have said before that the relation of the capital structure of a bank to the population is meaningless. In fact it does not mean that a bank which is operating in a big town operates over the entire area: nor does it mean that when a bank is asked to have Rs. 20 lakhs capital—if it is going to operate in inter-provincial areas—means that it would be acting in a manner which is prejudicial to its safety and its depositors. After all, as a Professor of the Elphinstone College, Bombay has put it, these provincial boundaries are historical accidents and a bank which is promoted in Belgaum, if it operates in Bellary in the Madras Presidency need not have a 20 lakhs capital. This aspect of the matter can best be handled by the licensing of all banks. I do not know why the idea of licensing has been given up by the framers of this Bill. My friend Mr. Manu Subedar was at any rate some fifteen years back an opponent of licensing. He found himself in the strange company of foreign experts who advised the Banking Enquiry Committee. But I think the time has come when regulation can largely be done only by means of licensing and the question of opening of branches can also be regulated only by means of licensing. Probably the Select Committee, when it looks into clause 11 and also into clause 17, would evolve some method by which it will make it necessary for the Reserve Bank to license the opening of branches of every bank, whether it be foreign or locally floated in British India or elsewhere in India.

Another point on which there has been a considerable volume of opinion forthcoming was a matter, which is perhaps not of great interest to the bulk of the people in this House but one which is, nevertheless, of great importance to the bigger banks in this country, that is, clause 16. This clause prohibits the grant of unsecured loans to directors and to companies in which the directors have an interest. It has been pointed out by a number of institutions that this particular matter was considered at the time of the passing of the Indian Companies Act in relation to the wording of section 86D and the then Law Member decided that the banking companies should be excluded from the scope of section 86D, and they feel that no case has been made out for the reintroduction of this prohibition in the Banking Bill. I am aware that this is a particular method of helping the directors and their companies which is being very widely abused, I can cite instances after instances, instances where directors have taken loans of more than a crore of rupees with or without sanction of fellow directors, without any security or on faked securities and in some cases they have brought the banks concerned almost to a standstill. There is no denying that, that not merely should care be taken against unsecured advances to directors or to companies in which the directors are interested but also, as some of the Registrars of Joint Stock companies have said, there should be an absolute prohibition in regard to the granting of loans to directors or their companies, whether secured or unsecured. That is all right but it does not fit in with the needs of the country. I will mention an instance and I hope nobody will be offended by it. If my friend Sir Homi Mody happens to be the Chairman of the Central Bank of India and he also happens to be the chairman of the Associated

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Cement Co., it does not mean that if the Central Bank of India advances money to the Associated Cement Co. either as an unsecured loan or on a clean bill, that action is capable of being construed as something of a fraudulent transaction. Surely not. Those are the needs of the ordinary course of business: but at the same time, for one instance like this, there will be five or six instances the other way about. (Interruption.) My Honourable friend Mr. B. Das suggests why not take the worst instance and provide against it. Why take the best? I am not a misanthrope. I admit there are evils in the present system but if there is some good coming out of particular acts under the present system which at the same time produces some evil, we have got to do our best to safeguard ourselves from the evils operating rather than deny ourselves even the little good that it can do. I think that the opinions expressed by institutions by and large in this matter might be carefully considered. These generally recommended that the Reserve Bank should receive returns from the various institutions as frequently as possible, perhaps monthly if necessary, giving a list of secured and unsecured loans given to directors or to companies in which the directors have an interest and I think that if the Reserve Bank has got the personnel and the willingness to scrutinise these, that would cover the position against any flagrant abuse. In the case of the smaller banks the scrutiny need not perhaps be as rigid. It is only in the case of large amounts and the larger banks that the scrutiny has got to be carefully exercised. I think there is a way out in this suggestion which is worthwhile considering.

With regard to clause 17, on the subject of the licensing of foreign banks my Honourable friend Mr. Chettiar had something to say. I did say in a debate a few days ago that the existence of sections 111 to 121 completely took out of the proper focus anything that we want to do in regard to regulating the economic activities of this country. It is because of these sections that the bulk of the recommendations of the Central Banking Enquiry Committee have got to be sort of given the go by. When the Central Banking Enquiry Committee reported we did not have the 1935 Act in operation and those people who recommended certain methods of controlling banking never visualised the possibility of there being a law against imposing restrictions on foreign companies that are established or are functioning in this country. But there is no use complaining about what cannot be helped just now. We have to enact a law as circumstances are today but if conditions change, as perhaps they will, thanks to my Honourable friend Mr. Manu Subedar, all these sections can be modified. (Interruption.) My Honourable friend says "Why not wait". Wait till these clauses are removed. It may be that if I wait, say for four hours I might be able to give my cook time enough to cook my food properly and give me very good food to eat but hunger is a thing which compels me to eat and I want some food immediately. I cannot afford to give my cook a long time to prepare good dishes for me. I am not prepared to wait. I have not got the patience of my Honourable friend. If I wait, the deluge will overtake me and there will be nothing to do at the end of it all. That is my fear.

The Honourable Sir Jeremy Raisman: If you wait long enough, you may not need any food!

Mr. T. T. Krishnamachari: I think there is one way of camouflaging the injury to our pride and at the same time get over the difficulty. I would suggest to those people who are in charge of the Bill and to the members of the Select Committee that we can overcome this difficulty by imposing the same restrictions on all banks, whether foreign or Indian, whether floated in an Indian State or inside British India. It may look like a case of cutting the nose to spite the face but I think it is worthwhile, trying one. It is worthwhile in the long run and, as I said, the provisions of section 11 cannot be altered suitably without some form of licensing sections 11 and 17 can be clubbed together for this purpose.

On the question of percentage of assets to be maintained in a liquid state there again there is a large volume of opinion which represents views not in consonance with the provisions of this Bill. I stated on the last occasion when this Bill was discussed, that the percentage of assets to be maintained in a liquid state though it is not 90 per cent. as was proposed in the draft Bill of 1940, was still very high. I find, curiously enough, that support for decreasing this percentage comes from bodies, which most of us and some of my friends on my right will feel are bodies not interested in the economy of this country. The British Exchange Banks Association of Bombay and the Bombay Chamber of Commerce have suggested a reduction to 15 per cent. I find, Sir, that it is in consonance with what is happening in the United States of America.

Again, in dealing with this question many of the opinions have pointed out that, in order to maintain a statutory limit of 25 per cent. all the time, it may be that banks will have to err on the side of safety, and that, very often, they will have to operate only with about 60 or 65 per cent. of their assets, as the case may be, so as to leave a large margin so that they will never go down below the 25 per cent. level. In actual practice I believe it will have to be worked on some basis like that. Banking is not a thing which can be done with gold scales, and very often it may be that the banks will have to work on a margin of 8 to 10 per cent. above the limit fixed.

I find, Sir, that there is another reason why this percentage of liquid assets must be lowered. I mentioned on the last occasion that many banks employ their assets to the maximum capacity only during certain seasons, and banks which advance to agriculture are only making short-term loans. There is an inherent safety in the fact that the advances made are short term advances, and the fixing of this percentage at a fairly high figure will deprive the agriculturist of the benefit that he is now getting from these loans and also put these banks in a difficult position as regards their income because unless they get all the revenue they can during that period, they probably will end up in a loss.

Alternatively the position can be safeguarded by increasing the resources available to these banks. I suggested on the last occasion that the expectations that were aroused by the operation of section 17(2) of the Reserve Bank Act have not been fulfilled for the reason that bill habit in this country has not yet developed. I understand that the Reserve Bank is moving in the matter, and that there will shortly be a proposal to have some public warehousing at any rate in agricultural areas.

Mr. B. Das: How do you know?

Mr. T. T. Krishnamachari: I have not consulted an astrologer, I can assure my Honourable friend on that score but, be that as it may, there still remains the fact that the bill habit is and will be undeveloped in this country for a long time to come. So much so the provisions of section 17(2) of the Reserve Bank Act will have to be enlarged in such manner as to help, if it is necessary, to increase the resources available to the smaller banks. Another alternative is also possible.

[At this stage, Mr. President (the Honourable Sir Abdur Rahim) resumed the Chair.]

I would like to refer to the example of the South African Bank in this connection. I think it is referred to in DeKock's book on Central Banking. In 1930 the South African Reserve Bank was empowered to make advances not only against trade and agricultural paper but also against one-name bills on promissory notes secured by documents of title representing staple commodities, fully insured. Sir, these one-name bills or promissory notes have absolutely no value in this country so far as discounting facilities are concerned. Banks insist on two signatures. It may be that one signature is that of the man who is going to use the proceeds, and the other signature may be that of a chauffeur, but so far as the bank is concerned its regulations are fully met by two signatures. The Reserve Bank will do well to examine what the South African Reserve

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Bank has done in this connection, and place the result of their investigation before the Select Committee. If section 17(2) of the Reserve Bank Act can be suitably amended in order to encourage lending on a larger scale and make the definition of eligible paper wider, then perhaps the 25 per cent. limit may not be so hard as it looks today. In any event I do not see why the percentage should not be reduced to 15 per cent., and at the same time increased facilities also made available to banks.

There is yet another alternative, in my view, which can be considered. It may be that, at the present moment, there being so much money available, and money being cheap, 25 per cent. might be quite proper limit. But before we know anything about it conditions might alter materially, I wonder whether it would not be advisable to fix a maximum of 25 per cent. and a minimum of 15 per cent. in regard to these clauses, and allow the Reserve Bank to notify from time to time which is the exact percentage they have fixed for the time being which should be maintained by banks in this country operating under this law so far as the liquidity of their assets are concerned.

Sir, on the question of assets in British India, again, there is a wide difference of opinion, but I think it is a matter which is not very serious and might be adjusted by the Select Committee.

In the matter of assessing what constitutes these assets, whether under clause 18 or clause 19 it is suggested that the assets that will have to be taken into account, should include balances with other banks. For instance, the balance with the Imperial Bank can be taken as a liquid asset. It is possible this facility might be abused by two banks collusively furnishing balances as at credit with the other. It may be that Bank A might have a balance with Bank B, and similarly Bank B might have a balance with Bank A, and these fictitious balances might be used. The insistence of 75 per cent. assets in British India is generally reasonable. I quite realise that the safeguard is necessary, particularly in view of what happened in 1938, but there is room for further investigation into this matter.

It is also said in regard to clause 19 where a return is asked for once a year, that the banks can evade this particular obligation for 364 days in the year. The Madras Government suggests two ways of getting out of this difficulty: one is that the return should be made monthly, and the other is that it should be obligatory for every bank of reasonable size to employ amongst its staff a certified auditor who will have to certify this return and be liable in case of a false return for disciplinary action by the Accountancy Board. It might be difficult to ask small banks to employ certified auditors, but there is something in the suggestion.

Two other matters which I would like to mention before I close are also rather difficult matters to decide one way or the other. One is clause 23 which refers to audit. There is no denying that so far as the auditor's certificate is concerned, it might represent nothing at all in the manner in which it is framed today. But so far as the activities of the branches are concerned, the auditor always accepts the statement of the head office in regard to the transactions of the branches, and it has been suggested that even branch accounts should be audited; but whether the banks can afford it is a matter open to question.

Mr. Akhil Chandra Datta: Branches are audited invariably in my part of the country.

Mr. T. T. Krishnamachari: The experience of banks in my Honourable friend's province is perhaps an exception: but generally it happens that the auditors accept the statement of the officers of the bank in regard to branch activities.

The second point is this: what is the guarantee that the auditor is doing his duty properly so long as he depends for his nomination on the shareholders' vote, which often means the manipulation of this vote by directors and managers of institutions? It must be true that we are trying to probe too

much into these matters but once we are on the subject it is worth while examining it in all its aspects. It has been suggested that something must be done in regard to this defect: it may be that the Reserve Bank of India might constitute a panel from out of which auditors should be selected by various banks

Dr. P. N. Banerjee: There will be room for favouritism.

Mr. T. T. Krishnamachari: I would much rather prefer the exercise of favouritism at the hands of the Reserve Bank of India than favouritism at the hands of private institutions and directors of institutions. It is a choice between the two evils, and I think the evil that now exists is greater than the evil that would come into being if the Reserve Bank is asked to constitute a panel and it is imposed by legislation that auditors of banks should be appointed from out of that panel. Surely the Reserve Bank will consult the Accountancy Board and if it is to be a matter of favouritism, the favouritism will have to be exercised by a number of people occupying positions of responsibility. It is inevitable in any bureaucratic administration that there would be some favouritism at some stage or other, and that is the price one has to pay for regulation and for efficiency. That is a point worth while investigation.

The last and most controversial section is clause 28. It is concerning the question of inspection. It has been suggested that inspection, if it is irregular, just when the Reserve Bank feels that inspection is necessary and gets the permission of the Central Government for instituting inspection—there will be a run on the bank concerned. It has been suggested by the Mover that the fears are largely illusory and seldom arise; but that is not so. It is a fact that if rumour gets about that the affairs of a bank are being looked into and there are other circumstances contributory to help that rumour to gain currency, the position of the bank will become difficult. The question, therefore, resolves itself into this: that inspection will have to be either regular and periodical or not at all. Legislation can be enacted to lay down that the Reserve Bank must periodically inspect, say once in one or two years, all banks. It may be that the Reserve Bank might say "We have not got the personnel; we have not the organisation and we will not be able to do all that now". But it is very necessary that this matter must be examined in all its aspects, and there is a very large volume of truth behind these fears that if inspection is haphazard and is permitted by reason of the fact that the Reserve Bank feels that the affairs of any particular institution is not in order, then the institution will suffer rather than gain by the inspection. That is all I have to say so far as the clauses are concerned and the opinions received thereon.

As I have said at the start the opinions are very instructive and very useful. My Honourable friend the Finance Member has said that the Select Committee can take evidence if it wants; perhaps it may be worth while to ask a few experts to help them before they finally draft their report; but I do want to say now that the reason why I have wearied the House with all these details is the fact that I wanted to state here categorically that these are the lines on which the Select Committee may proceed and proceed usefully, because it is a new measure and they need not be deterred by the fact that if they act on the lines suggested by me they will be exceeding the scope of the Bill.

My Honourable friend the Finance Member stated that he did not feel that there was any need for the amendment of the Reserve Bank Act at the present moment. My own feeling is I have sufficiently well demonstrated that there is a need for amendment of section 17(2), at any rate, of the Reserve Bank Act, because if we impose conditions on banks, we must also avail ourselves of the opportunity to extend to the Bank all reasonable facilities and see that they do not suffer by reason of the requirements provisions of this Bill and I think the powers given to the Reserve Bank in this direction should be enlarged and we could feel fairly safe that those powers would not be misused. Certainly there can be no favouritism or abuse so far as the Reserve Bank is concerned in acting under the enlarged powers suggested under section 17(2).

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But with regard to the other matters of expanding the scope of the Reserve Bank Act or of expanding the scope of this Bill in order to embrace the whole credit structure of this country, I agree with my Honourable friend the Mover that it is best for us to make a beginning. I would suggest now to him to lay on record that at the earliest possible an inquiry should be instituted, possibly through the agency of the Reserve Bank itself, assisted by one or two experts to study the whole question of the credit structure of this country in the light of the views of the various committees that have reported in the past, and in the light of the experience gained by the Reserve Bank of India since its inception. It has been suggested by one of the persons who have sent opinions here—I do not remember if he is a professor from Poona—that Bank Acts must be revised statutorily every ten years in order to suit the conditions that exist at the time, and in order that the development of credit institutions in the country should not suffer by reason of a time lag between changed conditions coming into operation and the time when the state intervenes to put things right. Anyway, I would suggest to my Honourable friend that he would do well to put it on record that an inquiry should be undertaken with the least possible delay.

Coming to my last point, my Honourable friend the Finance Member was good enough to make mention of the volume of opinion in this country in regard to the position, prestige and importance occupied in the credit structure of the country by the Imperial Bank of India. It is true that the Imperial Bank of India which has gained in some respects by the recommendations made by the Banking Inquiry Committee in its report, and by reason of the fact that the Reserve Bank gives it a special position of prestige in this country, has not acted up to the other instructions, the other recommendations made by the Banking Inquiry Committee. It has not Indianised its staff, it has not Indianised its outlook to any appreciable extent; it still remains a foreign institution unalike to the interests and needs of this country and pursuing its own course for the benefit of the members of a foreign community in this country and for their aggrandisement. I can state unhesitatingly that if the Imperial Bank of India has contributed in any measure to the economic prosperity of this country, it has only been incidental, it has not been deliberate or wilful. But the time has come to deprive this institution, not by the exercise of undue discrimination—let my Honourable friend, Sir Edward Benthall, rest in peace—not by discrimination but by depriving it of the unnecessarily privileged position in which it has been placed by force of circumstances. I suggest that the Select Committee should consider the adding of a clause to the clauses in the Bill, or adding a sub-clause to clause 40 of the Bill—Repeal of Part XA, Act VII of 1913—which ought to say “the repeal of Act 47 of 1920”. I think it is time, when we are enacting a banking law and consolidating various pieces of banking legislation and for the regulation of banking, however modest it might be, that we should bring the Imperial Bank of India within the scope of this Bill. And that can be best achieved by repealing the Imperial Bank of India Act. Whatever the Imperial Bank of India will do thereafter would be a matter left to the discretion and good will of the Reserve Bank who will impose such terms on the Imperial Bank using as leverage the concessions they have given them. If we have to wrest any concessions from the Imperial Bank of India, either in the matter of Indianisation of its personnel or in the matter of increasing the Indian directors on its Board or in the matter of helping the indigenous concerns in this country for industrial or agricultural purposes, pressure can only be brought by the apex institution in this country, the Reserve Bank, until such time as Government seeks to take control over the entire money structure of this country and nationalises banking. But short of that I feel that there ought to be in this particular Bill a provision for the repeal of the Imperial Bank of India Act.

Sir, I will conclude with a word of caution. Let not my Honourable friends who are afraid of regulation, let not my Honourable friends who feel that all

regulation at the present moment is inopportune, try to impede the proper growth of credit institutions in this country, until such time as we have the courage and the means and the strength necessary to nationalise them; because on these regulations will depend upon how we are going to tide over the very difficult times that are inevitably before us. And I think no excuses need be offered by anybody for not helping an institution which refuses to make its records available to a public auditor or to a public institution like the Reserve Bank of India. If a bank is run properly its accounts can be inspected and it will do it no harm. If any bank does not want its accounts to be looked into it is not being run properly. That is axiomatic, and there is no question of whittling down that proposition. So if we ask for greater regulation, let us bear in mind that the only limiting factor is that the institution on which we shall lay the burden may not be equal to the task at the present moment. It may be that the Reserve Bank might say, "Allow us more time, let us gather more personnel and let us gain more experience in this matter; we will then do all that you want". My feeling is that that is the only limiting factor, and I think that without stifling these institutions, without putting small banks in a strait-jacket, there is nothing wrong in asking banks to lay open their transactions before people in the know, people who will keep the information confidential and will not abuse it.

Sir, I have done.

Mr. G. W. Tyson: Sir, I had not intended to intervene in this debate, although as a member-designate of the Select Committee I have a special interest in what is said. Some of the words which fell from my Honourable friends Mr. Chettiar and Mr. Krishnamachari embolden me to say a few words. It seems to me very doubtful whether you will make good banks or good bankers by legislation. And if I may apply a theory which is held by a certain school of philosophers which hinges on the word "prehension", which I imagine may be known to the Honourable Member, it is this that you cannot wipe out the past, when the chief characteristics of every event are grafted, as it were, into the shape of unity of every succeeding event. Now, if it is supposed that by this Bill you are going to alter the chief characteristics of Indian banking and indigenous banking, or you are going greatly to alter and change the shape and the functions of the British exchange banks, I beg of you to wipe out that illusion from your minds. My Honourable friend Mr. Chettiar in quoting from the Central Banking Inquiry Report of 1931

Mr. T. S. Avinashillingam Chettiar: But the Honourable Member is certainly aware that there is something like encouraging Indian banking.

Mr. G. W. Tyson: I agree. In quoting from that report he singled out a section in which the Committee talked about what ought to be done with the assets of a non-Indian bank if that non-Indian bank failed. And I agree with those conclusions the Indian depositor ought to be protected. But the way in which he quoted it to my mind rather suggested that he wanted to convey to the House the idea that there was an immediate and urgent need of protecting the Indian depositor against the depredations of the non-Indian banks. If I am wrong I shall be glad, but if I am right in my assumption as to the meaning of his quotation, then I must emphatically protest against it.

Mr. Manu Subedar: Do you know that a Japanese bank failed here and the Indian depositors did not get what they wanted?

Mr. G. W. Tyson: Mr. Chettiar several times mentioned British banks. Of course if you do business with the Japanese and they fail you will take the consequences.

The other point that I want to make is this. Without going into any detail as to the clauses of this Bill, it seems to me that everything hinges on scrutiny and inspection. And in the very interesting, informative and lucid speech which my Honourable friend Mr. Krishnamachari made, which revealed his extensive knowledge of the subject. I was disappointed to see that he did not deal at any great length with this. The point that occurs to me is, are you not going

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to throw a very great deal of responsibility on the Reserve Bank in this connection? Are you, in fact, going to be able to create an inspecting authority which will be able to carry out, both in the spirit and in the letter, all that the Bill expects that authority to carry out? I am not saying whether the new powers of inspection that are proposed are good or are bad. Personally, I am in favour of more inspection, more scrutiny, more control. It is not a question of big or small banks; it is a question of protecting thousands and millions of small depositors in banks. But one wonders—it has certainly occurred to me in listening to the speeches this afternoon and in reading the Bill—whether the responsibilities that you are going to throw upon the central bank by way of inspection are not more than you should in fact expect them to discharge. I do now know what the alternative is; I cannot say. But these are matters which, I have no doubt, will be threshed out in the Select Committee's meetings.

With these few remarks I support the motion before the House.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I want to strictly follow the Government of India Act and respect the discriminatory clauses. Therefore I will not discriminate against the Honourable Member who spoke last. It will be discrimination. If I differ from him it is for this that if for one reason he thinks that the Bill is useless I for another reason think that the Bill is not useful. Sir, if I were an Under-Secretary to the Government of India in the Law Department, I could have helped the Finance Member to draft the Bill with only two clauses. The first section will be, "whereas there are no iron safes in this country where monies can be properly and safely deposited, I build iron safes everywhere and put the keys thereof in the hands of the Reserve Bank of India". That will be the first section. The second section will be, "when money is necessary, anybody who deposits can withdraw without any difficulty". Well, Sir, that is all the purpose of this Bill. Banks are primarily intended to draw savings from the public to utilise them for the prosperity and increased production in the country. As regards the second use of banks, namely increasing the production of the country, this Bill is absolutely silent. For the first half, I do not know if I have to be thankful to my Honourable friend. That is my position. Now, Sir, what is the object of this Bill? How does it serve the purpose in this country? This is a Bill for which I must give credit to the draftsman who copied item by item, the very Chapter X-A of the Indian Companies Act. Sir Nripendra Sircar who was the Law Member told us some ten years ago that he would bring in a Banking Bill specially for the purpose of regulating the working of banks, a Bill which would be comprehensive and would be a consolidating measure. Ten years have passed, and after all the mountain of labour has brought forth this small mouse—the Banking Bill before the House now.

Now, Sir, I shall accept the Honourable Member's bona fides. There is no question about it. What is his intention in bringing forward this measure? He wants to safeguard deposits, the current deposits in banks. He expects in years to come a large volume of current deposits in various banks. Lest they should crash like the Travancore National Bank, he wants to place small banks in a sound condition. He is trying to make provision of this kind. But may I know how many banks are there in the rural areas of this country? How many persons are there in rural areas who have got current deposits in banks? In my part of the country, there are banks in Madras. Each district has its own bank, there are co-operative banks here and there, and even they have not extended to villages. But co-operative banks do not come within the purview of this Act. I can assure this House that not a single bank in my district comes under the operations of this Bill. Even if there be small co-operative banks in villages, in my experience of nearly 25 years with respect to banks, I have found that everybody is more anxious to borrow than to deposit. In this country, almost all are borrowers, and there are very few depositors, except in towns.

My Honourable friend wants to cater to the interests of those who are in towns and who live in small rooms in flats where huge iron safes could not be kept and who therefore cannot keep their money safe and take it whenever they like. They must therefore deposit the money in banks and withdraw for necessities so that they may not starve. The money must be returned to a person who has placed it there. The money so deposited cannot be utilised for financing long range industrial operations. The money that is deposited can be utilised only for short term credit. In this way, the Bill will help only commercial banks. It will help only persons who want to take out monies from the time of production of an article till the time of its sale. This is the utmost time for which these deposits can be lent. After all, does it cover up the entire credit structure of this country? This country is mainly agricultural and we expect after the war to improve the industries. Does this Bill help either the industries or the agriculture of this country? It is too well known that for industries short term loans are not useful. Long term loans are necessary. My Honourable friend has carefully shunted out that aspect of the problem. He has made this Bill inapplicable to trading concerns, trading banks, investment banks. An investment bank, if it hereafter lends on long term credit and takes only time liabilities, as defined in the Bill it would cease to be a bank, and it has got to remove that name also. I know that during the past several years, a number of such banks have come into existence, but not one of them will be regulated by this Bill. My Honourable friend is trying to make stringent provisions so far as demand liabilities are concerned, that is current deposits are concerned. The Reserve Bank does not pay a single pie by way of interest on current deposits. The Imperial Bank does not pay and most of the banks do not pay interest on current deposits, and even if they do, it is a very small percentage. It is only for the purpose of safety that the money is kept there in banks. It is true that so far as such banks are concerned, stringent provisions have to be made. But is it for that my Honourable friend should take credit just at the time when he is completing his term of service and going back to his home?

Why has he not addressed himself to the larger issues in this matter? What does it matter if this Bill is not proceeded with? My Honourable friend Mr. Krishnamachari was afraid that the Ganges would be set on fire if these banks were to crash. If they crash many of us who are borrowers would only be glad. What is it that these gentlemen have done to the poor villager? I live in a village, it used to suggest itself to me that whenever I went to Madras, why we, villagers, who produce the food in this country, should not be able to have even a bullock cart which would carry us safely. But these persons in Madras whose children do not know whether paddy grows on the top of trees or whether it grows on land, these persons are able to move about in motor cars and even aeroplanes. I am still unable to understand how this useful mechanism of money currency and exchange is manipulated for the benefit of my good friend Mr. Krishnamachari and not for the poor villager. Sir, Mr. Krishnamachari has always been a good friend of mine, he always tries to get encomiums from my other friends, he knows their weakness, he cajoles them, praises them. But I am unable to do any such thing for this reason that I am starving. My starvation has not been removed. Have you addressed yourself to agricultural banks? Agricultural banks have been removed from the scope of the Bill. Agricultural banks, whether they give short term credits or long term credits, this Bill does not touch them. These agricultural banks are untouchables, they are Harijans. This Bill treats them as Harijans. Therefore whatever measures is passed by this Assembly, these agricultural banks, and industrial banks are out of the picture. In the Companies Act, Chapter X-A refers not only to banks which are receiving current deposits but also to banks which receive other deposits. These are included in that Chapter. My Honourable friend in repealing the entire Chapter X-A is doing a grave injustice to this country. I am afraid this aspect has escaped his notice. If he has done it deliberately, then this is the stone which he has thrown on our heads in this country. For what reason? I shall explain

[Mr. M. Ananthasayanam Ayyangar]
it to him. I am not dogmatic. I do not want to accuse any friend merely for the sake of cussedness. Now, let me see. Can you ignore the fact that there can be banking institutions which take only time liabilities and take deposits and giving them on long term loans. Is there any provision in this Bill to regulate the working of such institutions where the Reserve Bank has no hand in the matter? He removes Chapter X-A of the Indian Companies Act which was intended not only for banks of the description for which this Bill is sought to be enacted, but also for industrial banks. That is Chapter X-A., and it is sought to be removed altogether. What then is the law which would regulate such institutions as credit corporations or commercial trade. They will be regulated only by the Indian Company Act. What does the Company Act do, according to the wording of my Honourable friend? Companies are interested in persons who have got stocks or shares, companies mainly look to their own interests but banks are intended to regulate safety of deposits. Are you throwing these banks, these institutions into the hands of villagers? The Honourable the Finance Member in repealing Chapter X-A, wants to relegate all these institutions which are intended for the purpose of helping the industries to go without any check.

Mr. President (The Honourable Sir Abdur Rahim): The House will now adjourn. The Honourable Member can resume his speech on Monday.

The Assembly then adjourned till Eleven of the Clock on Monday, the 9th April, 1945.