

31st January 1927

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume I

FIRST SESSION

OF THE

THIRD LEGISLATIVE ASSEMBLY, 1927



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LEGISLATIVE ASSEMBLY.

Monday, 31st January, 1927.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President in the Chair.

MEMBERS SWORN:

Mr. Harchandrai Vishindas, C.I.E., M.L.A. (Sind: Non-Muhammadan Rural);

Srijut Tarun Ram Phookun, M.L.A. (Assam Valley: Non-Muhammadan);

Mr. Kikabhai Premchand, M.L.A. (Bombay: Nominated Non-Official); and

Mr. Chaman Lall, M.L.A. (West Punjab: Non-Muhammadan).

QUESTIONS AND ANSWERS.

ACCESS TO WRITTEN STATEMENTS BEFORE THE CURRENCY COMMISSION.

53. ***Mr. N. C. Kelkar:** Will Government place on the table the written statements of the 63 witnesses before the Currency Commission, which were not printed in Volume II (being appendices) of the Commission's report?

The Honourable Sir Basil Blackett: The choice as to what material should be published is normally left to the decision of a commission and as the statements in question were not published by the Commission for considerations of convenience and economy, the Government do not think it would serve any useful purpose for them now to place these statements on the table which would involve considerable expense in printing them up with the Debates. I shall be glad, however, to arrange for access to be given to the Honourable Member to the original statements which are now in the possession of the Finance Department.

ADVERTISING OF UNCLAIMED POSTAL CASH CERTIFICATES.

54. ***Mr. N. C. Kelkar:** What is the total number and the total amount of postal cash certificates which:

(a) have been permanently credited to Post-Office Funds by reason of their remaining unclaimed?

(b) are yet held in suspense account (though not yet credited) for the same reason?

What steps do Government take by way of advertising in District and Taluka newspapers the names of holders of certificates in (a) and (b)?

The Honourable Sir Basil Blackett: (a) and (b), No such cases have yet occurred. The latter part of the question therefore does not arise.

POLICY AND EXPENDITURE RE EXCAVATIONS IN SINDH (MOHENJO DARO).

55. ***Mr. N. C. Kelkar:** Will Government state:

- (1) How long do Government intend to carry on the work of excavation relating to discovery and preservation of ancient monuments in Sindh (Mohenjo Daro)?
- (2) What is the average annual cost of these archæological operations?
- (3) What is the scheme in contemplation about the permanent distribution and location of these archæological finds?
- (4) Is it a fact that Government have received requisitions from public museums or private patrons of ancient art from foreign countries for these finds?
- (5) Will Government state their intentions in the matter?

The Honourable Mr. J. W. Bhoré: (1) Government hope to carry on the work till the whole site has been excavated. It is not possible to say how long this will take, but it will be many years.

(2) Excavations on an extended scale commenced only in the cold weather of 1925-26 and from then till the 31st March, 1927, roughly rupees one lakh will have been spent.

(3) and (5). No scheme has yet been considered, but it is not improbable that the bulk of the finds will remain at Mohenjo Daro itself.

(4) Yes, from the British Museum only.

56—59. (Not put as the Honourable Member—Sir Hari Singh Gour—had not yet taken his oath.)

The Honourable Sir Alexander Muddiman: Does my Honourable friend ask question No. 60†?

Mr. Gaya Prasad Singh: No, Sir, I do not ask that question. (Laughter.)

PUBLICATION OF SKEEN COMMITTEE'S REPORT.

61. ***Mr. Gaya Prasad Singh:** Will Government kindly state by what time they propose to publish the Report of the Skeen Committee?

†REFUSAL OF PASSPORT TO MR. SAKLATVALA.

60. ***Mr. Gaya Prasad Singh:** (a) Will Government kindly state if Mr. Saklatvala, M.P., has been refused passport to visit India? If so, why?

(b) Is it a fact that Mr. Saklatvala is the only Member of Parliament who has been refused permission to come to India? Was any other Member of the British Parliament ever refused permission to visit India? If so, who and when?

(c) Will Government be pleased to place on the table all correspondence which may have passed between them, and the India Office, and Mr. Saklatvala, on the subject?

149. ***Mr. M. A. Jinnah:** (a) Will the Government be pleased to inform the House when the report of the Sandhurst Committee which concluded its work on the 4th November, 1926, is likely to be published?

(b) Will the Government state what action they propose to take regarding the recommendations made by the Sandhurst Committee—in their report which was signed on the 4th November, 1926?

(c) Do the Government propose to place their proposals in the light of the recommendations made in the report before the House during this session?

(d) Do Government propose to give the House an opportunity to discuss and deal with the recommendations made in the report before the end of this session?

(e) What step, if any, have Government taken regarding the report, and what steps do they propose to take?

Mr. G. M. Young: With your permission, Sir, I will reply to question No. 61 and question No. 149 together. The Government of India are at this moment in correspondence with the Secretary of State on the question of the publication of the report and connected matters. As soon as a decision is reached, I will make a full statement to the House.

DIFFERENTIAL TREATMENT IN POLL-TAX AND EDUCATION IN KENYA.

62. ***Mr. Gaya Prasad Singh:** (a) Has the attention of the Government been drawn to the following Resolution passed by the Indian National Congress at Gauhati, on the 27th December, 1926?

“ In the opinion of the Congress the progressively restrictive legislation against the Indian settlers of Kenya as induced by the latest action of the Kenya Government in increasing the original poll-tax of 20 shillings which by currency manipulation was raised to 30 shillings, and which has now been raised to 50 shillings by legislation, is calculated to demonstrate afresh that British Imperialism means conservation of European interests at the cost of Indian interests, liberty, and aspirations.”

(b) Is it a fact that in Kenya a sum of £32,000 is required for the education of about 960 European children only; and £20,000 for the education of about 2,818 Indian children in Kenya?

(c) Will Government kindly state why Indians alone have been subjected to the payment of the poll-tax; and what steps, if any, have they taken, or propose to take in this matter? Is it a fact that in 1920 a deputation of East African Indians waited upon His Excellency the Viceroy for the redress of this wrong?

The Honourable Mr. J. W. Shore: (a) Yes.

(b) Government have not yet received official information on this point but understand that the position is as stated.

(c) The Honourable Member is mistaken in supposing that Indians alone have been subjected to the poll-tax. There is also a poll-tax at a higher rate on Europeans. The Government of India have made representations regarding the system of financing communal education in Kenya. The answer to the second part of the question is in the negative.

Mr. K. C. Roy: May I ask the Honourable Education Member as to when he expects to get the official report on the subject?

The Honourable Mr. J. W. Bhoré: I do not quite understand what my Honourable friend means by an official report.

Mr. K. C. Roy: Official report from the Secretary of State showing the exact position.

The Honourable Mr. J. W. Bhoré: It is not the business of the Secretary of State to furnish official reports to the Government of India, Sir.

Mr. K. C. Roy: Will he make a representation setting forth the position of the Indians in Kenya to the Secretary of State?

The Honourable Mr. J. W. Bhoré: I have already informed my Honourable friend that we are in communication with the Colonial Government on the subject.

Mr. K. C. Roy: That is exactly what I want to know: when does he expect to get an answer?

The Honourable Mr. J. W. Bhoré: I cannot tell him that.

Mr. A. Rangaswami Iyengar: May I know when these representations were made and when the Government expect to receive a reply?

The Honourable Mr. J. W. Bhoré: Representations were made directly we were in receipt of information

Mr. A. Rangaswami Iyengar: What time, I want to know.

The Honourable Mr. J. W. Bhoré: Sometime in December I think—I cannot give the exact date.

POLITICAL AND ECONOMIC STATUS OF INDIANS IN TANGANYIKA.

63. ***Mr. Gaya Prasad Singh:** (a) Has the attention of Government been drawn to the *African Comrade* of Dar-es-Salaam, dated the 24th November, 1926 (page 11), regarding the composition of the Legislative Council of Tanganyika?

(b) Is it a fact that out of the 7 non-officials appointed as members, only 2 are Indians, and the remaining 5 are Europeans?

(c) Is it not a fact that about 90 or 95 per cent. of the trade of Tanganyika is in Indian hands, and that the Indian population in that territory is much larger than the European population?

(d) Have Government been able to find out on what basis such appointments have been made?

(e) What improvements, if any, have been made in the political, or economic status of the Indians in Tanganyika since it became a mandated territory?

The Honourable Mr. J. W. Bhoré: (a) and (b). The reply is in the affirmative.

(c) According to the last census of the Tanganyika territory, the number of Asiatics in Tanganyika (excluding Arabs) was 10,950 of whom about 9,411 were British Indians, as against 2,447 Europeans. Statistics are

not available showing what percentage of the internal and external trade is in the hands of Indian traders but Government understand that it is considerable.

(d) The appointments have been made in accordance with the provisions of the Tanganyika (Legislative Council) Order in Council, 1926. The East African Commission recommended that the unofficial members of the council should be individuals nominated without regard to representation of particular races, interests, or public bodies, and should be persons selected as being most likely to be of assistance to the Governor in the exercise of his responsibilities, and it is understood that the nominations have been made on this principle.

(e) The attention of the Honourable Member is invited to the annual reports by His Majesty's Government to the Council of the League of Nations on the administration of Tanganyika territory, copies of which will be made available for his perusal if desired.

CLAIMS OF INDIANS IN TANGANYIKA AGAINST EX-GERMAN COLONY.

64. ***Mr. Gaya Prasad Singh:** (a) With reference to my starred question No. 21 of the 21st January, 1926, regarding the claims of Indians in Tanganyika, has the attention of the Government been drawn to the *African Comrade* of Dar-es-Salaam, dated the 17th November, 1926 (page 5), in which it is stated that the Mixed Anglo-German Tribunal of 1923 decided that Colonial debts were not debts of the German Empire, and that the legal successors of the ex-German colonies should bear the liabilities of the payment of the Colonial loans?

(b) How far is this a correct presentation of facts; and what steps, if any, have been taken by Government towards reimbursing the Indians in Tanganyika?

Mr. L. Graham: (a) The Government of India have recently seen the article in the *African Comrade* of Dar-es-Salaam, dated the 17th November, 1926.

(b) They have no information as to the correctness of the statement in regard to the matter referred to in the article, but they are making inquiries.

SALE OF PLOTS OF LAND ROUND ABOUT MOMBASSA, LIGHT-HOUSE.

65. ***Mr. Gaya Prasad Singh:** (a) Has the attention of Government been drawn to a report published in the *Hindustan Times*, dated the 19th May, 1926, in which it is stated that the Mombassa District Committee, a purely Government body with representatives of various communities as mere advisers, has offered for sale plots of land round about the Mombassa Light-house, but has stipulated that though Indians may purchase plots and build thereon, they shall not reside in them?

(b) If so, why is this racial discrimination, and what steps have the Government taken in the matter?

The Honourable Mr. J. W. Bhore: (a) Yes.

(b) Government are in communication with His Majesty's Secretary of State for India on the subject.

Mr. Gaya Prasad Singh: Will the information be available to the Members of this House, Sir?

The Honourable Mr. J. W. Bore: What information?

Mr. Gaya Prasad Singh: You say that you are in communication with the Colonial Government on this subject; and whatever communication is received, will it be available to this House?

The Honourable Mr. J. W. Bore: I must wait and see what the reply is before I can answer that question.

FACILITIES TO DR. SUDHINDRA BOSE TO VISIT INDIA.

66. ***Mr. Gaya Prasad Singh:** (a) With reference to my starred question No. 297 of the 27th January, 1926, regarding the grant of a permit, or emergency certificate to Dr. Sudhindra Bose to visit India, has the attention of the Government been drawn to his letter published in the *Amrita Bazar Patrika*, dated the 15th December, 1926, in which he complains that he has not yet succeeded in getting a permit to visit India, in spite of the assurance given by Mr. H. S. Amery in the House of Commons in February last that Dr. Bose "could at any time obtain a certificate"?

(b) Will the Government be pleased to state definitely whether they have any objection to allow Dr. Bose to visit India? And if they have none, what facilities have they offered, or are willing to offer to Dr. Bose in this direction?

CASE OF DR. SUDHINDRA BOSE.

183. ***Mr. D. V. Belvi:** (a) Has the attention of Government been drawn to a communication purporting to be from Dr. Sudhindra Bose, Lecturer, State University of Iowa, and published in the *Indian National Herald* of Bombay, in its issue of Monday, 9th January, 1927, under the heading "Indians Banned from India"?

(b) If so, are the allegations made by Dr. Sudhindra Bose true?

(c) If not, what are the facts?

CASE OF DR. SUDHINDRA BOSE.

184. ***Mr. D. V. Belvi:** (a) How many times did Dr. Sudhindra Bose apply for a permit to go to India in the course of the last five years?

(b) Is it true that each time his application for a permit was refused?

(c) If so, what were the reasons for the refusal?

CASE OF DR. SUDHINDRA BOSE.

185. ***Mr. D. V. Belvi:** (a) Were any conditions ever laid down by Government for the grant of a permit to Dr. Sudhindra Bose?

(b) If so, what were the conditions?

The Honourable Sir Alexander Muddiman: With your permission I propose to give a single reply to question No. 66 and to the three questions asked by Mr. Belvi on the same subject.

The newspaper article referred to does not accurately state the position. Since his renunciation of British Indian nationality on becoming an American citizen shortly after the outbreak of the war, Dr. Sudhindra Bose has on two or three occasions applied for facilities to visit India. I have previously stated in this House that it was considered inadvisable to grant him a British passport, as a passport constitutes a proof of national status, and since the judgment of the Supreme Court of the U. S. A. in the case of U. S. A. *versus* Bhagat Singh Thind the national status of Indians naturalised in the U. S. A. has been a matter of doubt. Dr. Bose was, however, informed that the Government of India had no objection to the issue to him of an Emergency Certificate for a direct journey to India. I am not aware when Dr. Bose first applied for an Emergency Certificate, but failure to issue one to him immediately was due to a misunderstanding by the British representatives in America. This was corrected and Dr. Bose was informed by the British Embassy early in 1926 that he could have an Emergency Certificate on application to the proper authorities. If, as is alleged, he is still not in possession of the Certificate it is to be presumed that he has not applied for it. Dr. Bose did as a matter of fact correspond with the British Embassy on the subject in the beginning of 1926 when he sought for an assurance that he would be granted a safe conduct and facilities for his return to the United States. This unusual assurance the Government of India were not prepared to give. No conditions were laid down for the issue of a certificate.

RESULTS OF LAST ELECTIONS TO LEGISLATIVE ASSEMBLY.

67. ***Mr. Gaya Prasad Singh:** Will the Government be pleased to lay a statement on the table showing, Province by Province, the percentage of electors of the different Provinces who voted in the last general elections in the Legislative Assembly?

RESULTS OF LAST ELECTIONS TO LEGISLATIVE ASSEMBLY.

117. ***Mr. Harchandral Vishindas:** Will Government be pleased to state the number and percentage of voters who voted at the last elections for the Legislative Assembly as also the number and percentage of Muslim and non-Muslim voters respectively?

RESULTS OF LAST ELECTIONS TO LEGISLATIVE ASSEMBLY.

118. ***Mr. Harchandral Vishindas:** Will Government be pleased to state how many members of the European constituencies and Chambers of Commerce were returned unopposed and how many opposed to the Assembly at the last elections?

The Honourable Sir Alexander Muddiman: With your permission, Sir, I will answer questions Nos. 67, 117 and 118 together. The information desired by the Honourable Members is being collected and will be placed in the Library in the form of a Return as was done on previous occasions.

68—79. **Mr. M. K. Acharya:** May I, Sir, ask the questions standing in the name of Mr. Duraiswami Aiyangar?

Mr. President: The Honourable Member knows that the Member in whose name the questions stand has not taken his oath, and the Chair is not disposed to allow those questions to be put by any other Member.

80—86. (Not put as the Honourable Member—Raja Raghunandan Prasad Singh—had not yet taken his oath.)

DEVELOPMENT OF VIZAGAPATAM HARBOUR.

87. ***Mr. N. C. Kelkar:** Will Government give full information on the following points:

- (a) What is the total area of land acquired for the development of the Vizagapattam Harbour and the connection with it of the Vizagapattam Rayapur Railway?
- (b) What is the total amount of compensation paid for the two classes of acquired land?
- (c) Who bore the cost of compensation for the land used by the Bengal-Nagpur Railway, in connection with the Vizagapattam Harbour Scheme? Did the company or the Government Railway Department bear the cost? Was there any agreement between the Government and the Railway Company, with reference to the Railway section in question and about the free grant of land required?
- (d) What is the date of the agreement, if any?
- (e) In what year was the declaration for the acquisition of land made under the Land Acquisition Act?
- (f) In what years was the compensation for the acquired land paid to the owners of land acquired?
- (g) Was Government a party to any litigation in connection with these acquisition proceedings, either in the subordinate courts or in the Madras High Court? If so, what is the result of the litigation?

Mr. A. A. L. Parsons: (a) 10,148.94 acres for the development of Vizagapatam Harbour. The Railway connection referred to by the Honourable Member is presumably the Raipur Vizianagram Railway of which the Section Vizianagram-Parbatipur has already been constructed and the remainder is under construction by the Bengal-Nagpur Railway. This Railway does not come near the Vizagapatam Harbour.

(b) Rs. 45,00,000 approximately.

(c) The compensation paid for the land has been met from Central Government funds allotted for the development of the Harbour. Land for the construction of the Railway connection referred to is charged to the Capital Account of the Bengal-Nagpur Railway under the terms of the Principal Contract with the Company. There was no special agreement for the construction of this Railway.

(d) Does not arise.

(e) Declarations for acquisition of land were issued in 1920, 1922 and 1926.

(f) Payments have been going on since 1922.

(g) Two original civil suits and 20 appeals have been filed in local courts. The Deputy Collector's awards have been confirmed in two appeals; all other cases are pending.

Three revision petitions were also filed in the Madras High Court. All of these were dismissed.

EXEMPTION OF 2ND AND 3RD CLASS SARDARS OF THE DECCAN UNDER INDIAN ARMS ACT.

88. ***Mr. N. C. Kelkar:** Is it a fact that second and third class Sardars of the Deccan have, under the existing rules under the Arms Act, been made *licenceses* instead of *exemptees*, and that also only upto their life time with regard to arms in their possession?

The Honourable Sir Alexander Muddiman: Yes.

MAHARASHTRA BRAHMINS IN THE ARMY.

89. ***Mr. N. C. Kelkar:** Will Government state whether there was a special military company consisting of Maharashtra Brahmins before the war? If so, for how many years was it in existence? What was its numerical strength? Is the company still in existence? If not, what were the reasons that led to its disbandment? In how many different regiments are there at present any Maharashtra Brahmin sepoy?

Mr. G. M. Young: The answer to the first question is in the negative. The next four do not arise.

15 battalions of the Indian Army recruit Mahratta sepoy. I am inquiring how many of these recruit Mahratta Brahmins, and will inform the Honourable Member in due course.

PROVISION FOR MAHARS, RAMOSHIS AND MANGS IN THE ARMY.

90. ***Mr. N. C. Kelkar:** Will Government state whether there is at present a battalion of Mahars in existence? If there is no such battalion in existence, was any battalion of this description in existence at any time before? In case the battalion has been demobilised, how have the Mahar units of the battalion been disposed of? Is there any definite provision at present for the inclusion of Mahars, Ramoshis and Mangs in military regiments?

Mr. G. M. Young: There is at present no regular infantry battalion composed of Mahars. A battalion composed entirely of this class was formed during the Great War in June 1917, and named the 111th Mahars. It was disbanded after the war and the men were demobilised. There is no definite provision at present for the inclusion of Mahars, Mangs or Ramoshis in regiments.

91—95. (Not put as the Honourable Member—Mr. Duraiswami Aiyangar—had not yet taken his oath.)

WOMEN VOTERS TO LEGISLATIVE ASSEMBLY.

96. ***Mr. Abdul Haya:** (a) Will the Government please state the total number of females registered as voters for the purpose of the last Assembly elections in India?

(b) Were any special means adopted to ensure that all the females entitled to a vote were duly registered?

(c) Will the Government please state the percentage of female voters in each province who actually got their votes recorded?

(d) Were any special facilities provided in any of the provinces to purdah ladies to have their votes recorded? If so, will the Government please state what those facilities were?

(e) If the answer to part (d) be in the negative, will the Government please state whether it is prepared to order for the future that special polling arrangements should always be made for purdah ladies in which only female Polling and Presiding Officers should be employed?

The Honourable Sir Alexander Muddiman: (a) and (c). The Return referred to in my reply to questions I have just answered will contain the information required by the Honourable Member.

(b) Elections for Indian and Provincial Legislatures being a provincial subject and the electoral rolls being prepared by officers subordinate to the Local Government, the Government of India have no information.

(d) The Honourable Member's attention is invited to amendment No. 4 of the amendments to the Legislative Assembly (Bengal) Electoral Regulations which were published with the notification of the Government of India in the Legislative Department, dated the 29th June, 1926, whereby suitable arrangements were required to be made for recording the votes of pardanashin female voters. The Government of India have no information regarding the nature of the arrangements made in pursuance of this requirement. No similar amendment has been made in the Legislative Assembly Electoral Regulations for provinces other than Bengal, and the Government of India are unaware whether special facilities were provided in any other province.

(e) For the reasons indicated in the reply to (b) the Government of India propose to leave it to Local Governments to move in the matter.

Mr. Abdul Hays: I do not want to put question No. 97 at present, Sir.

EXPENDITURE IN CONNECTION WITH THE MALABAR REBELLION.

98. ***Khan Bahadur Haji Abdullah Haji Kasem:** Will the Government be pleased to state the actual cost incurred in connection with the Malabar rebellion?

The Honourable Sir Alexander Muddiman: Excluding the ordinary charges on account of the units and formations employed in quelling the rebellion, which were not compiled separately and cannot now be calculated without an undue expenditure of time and labour, the net total extra military expenditure separately compiled is Rs. 13,57,701. The Government of India have no information as to the amount falling on provincial revenues, nor can we estimate the loss to private individuals.

PROPOSALS FOR MANGALORE HASAN RAILWAY LINE.

99. ***Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state what final orders have been passed by them regarding the construction of the Mangalore Hasan Railway?

(b) Have any proposals been submitted to them either by the Madras Government or by the Mysore Government?

(c) If so, will the Government be pleased to place the correspondence on the table of this House?

(d) Have Government any intention of constructing the above line at a very early date?

Mr. A. A. L. Parsons: We recently received a communication from the Madras Government enquiring at the instance of the South Kanara District Board what chance there was of a line being constructed in the near future, and are taking action on that communication. I cannot at the moment make any statement as to what the final decision will be. The Honourable Member is probably aware that when the project was examined in 1917 its financial prospects were unfavourable.

CONSTRUCTION OF LINE BETWEEN MANGALORE AND MALPE TO MORMUGOA.

100. ***Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state whether it is a fact that Sir John Wolfe Barry, Lyster and partners were deputed by them in 1919 and 1920 to report on the possibilities of developments at the ports of Malpe, Tuticorin, Negapatam, Mangalore and Coconada in the Madras Presidency?

(b) If so, will the Government be pleased to place their reports on the table of this House?

(c) Is it a fact that the said committee has recommended the construction of a railway line between Mangalore and Malpe?

(d) Do Government intend to extend the railway line from Mangalore to Malpe?

(e) Is it a fact that the construction of a railway line from the coast line (from Mangalore) to Mormugoa is under contemplation? If so, when will the work of construction be undertaken?

(f) Have any estimates been made? If so, by whom, and what is the probable estimate?

The Honourable Sir Charles Innes: (a) Yes.

(b) A copy of the report has been placed in the Library of the House.

(c) It will be seen from paragraphs 15, 116 and 124 of the report that the firm advised that the port of Malpe should be developed only if the improvement of Bhatkal was not proceeded with and that if it were decided to develop Malpe it would be necessary to connect it with Mangalore by railway.

(d) It is proposed to carry out a survey of a line of railway from Mangalore to Malpe in 1928-29 and its construction will depend upon the results of the survey.

(e) No.

(f) Does not arise.

EXPENDITURE ON MUSLIM EDUCATION.

101. ***Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state the names of Mohammadan colleges established in each province whose costs are borne by the Government?

(b) What amount is being spent every year on Muslim education in each province?

(c) What is the amount spent for the last five years on the various institutions referred to in part (a)?

The Honourable Mr. J. W. Shore: (a), (b) and (c). The information asked for is being collected and will be supplied to the Honourable Member in due course.

NAVAL TRAINING INSTITUTIONS IN INDIA.

102. ***Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state the number of naval training institutions opened by the Government in India?

(b) Is it a fact that there is such an institution in Bombay maintained by Sir Muhammad Yusuf Sowdagar, Kt.? If so, has it been recognised by the Government and how much subsidy is given to it?

The Honourable Sir Charles Innes: (a) No nautical training institutions have so far been opened by the Government of India but institutions for the training of lascar seamen opened by the Governments of Bombay and Madras had to be closed down mainly owing to the scarcity of pupils. A training ship for deck officers will be established shortly.

(b) No subsidy is paid by Government to Sir Muhammad Yusuf's Marine School at Nova Island, Bombay.

Mr. M. A. Jinnah: Are the Government aware that the Indian Marine Committee of Inquiry spoke of this Institution in very high terms, and do they propose to help this institution in any way or not?

The Honourable Sir Charles Innes: I believe, Sir, that question is being considered by the Bombay Government, but I am unable to say what the result of the consideration is.

" POLICY OF COLONISATION OF ANDAMANS BY MOPLAHS.

103. ***Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state whether it is a fact that the Moplah prisoners deported to the Andamans in connection with Moplah rebellion are still induced to bring their families there?

(b) Will Government be pleased to place the report of the committee appointed by Government to inquire into the question in 1925 on the table of this House together with the report submitted by Sir Alexander Muddiman?

(c) Will Government be pleased to place the report of the Cardew Committee appointed in 1920 and the Government orders passed thereon on the table of this House?

(d) Is it a fact that the Andaman Islands are marshy, unhealthy and unsuitable for dwelling purposes for the Moplah prisoners?

(e) Are Government aware of the discontent and dissatisfaction caused among the people of the Madras Presidency by the policy of the Government in the colonisation of the Andamans by Moplahs? If so, is there any intention to stop the migration of the families of the prisoners?

The Honourable Sir Alexander Muddiman: (a) The prisoners in question are allowed, if they wish, to import their families.

(b) The report of the deputation referred to with Government's resolution thereon has already been published. I am prepared to supply the Honourable Member with copies. On my return from the Islands I recorded only a note for the information of His Excellency and my Honourable colleagues. It is not the practice to lay such papers on the table of the House.

(c) The report of the Indian Jails Committee of 1919-1920 is a published document. If the Honourable Member finds any difficulty in securing a copy, I shall be glad to assist him. The orders passed on the report deal with a great variety of subjects, and Government do not consider that it would serve any useful purpose to lay them on the table. If the Honourable Member will indicate the subject or subjects on which he desires further information I will consider whether among these letters there are any that will be of value to him.

(d) Certain coastal areas of the Islands are marshy and consequently malarious. The sites selected for the Moplah villages are suitable for dwelling places, and the climate is very similar to that of Malabar.

(e) Government do not anticipate that their policy will cause discontent among the people of the Madras Presidency and have no intention of stopping the migration of prisoners' families.

STREET NAMES IN CANTONMENT BAZAR AREA OF HYDERABAD SIND.

104. *Haji Abdoola Haroon: (a) Will Government be pleased to state whether it is a fact that streets in the Cantonment Bazar area of Hyderabad Sind have been recently named? If the reply be in the affirmative, will Government be pleased to state by whom the names were fixed and on what principle?

(b) Were any proposals invited from the residents? If not, why was this not done?

(c) Have there been any protests from any of the residents to the Cantonment Board regarding the names given to some of the streets?

Mr. G. M. Young: Government have no information at present, but I have made inquiries and will let the Honourable Member know the result as soon as possible.

WHEELERS' CONTRACT FOR RAILWAY BOOK-STALLS.

105. *Haji Abdoola Haroon: (a) Will Government be pleased to state since when the firm of Messrs. A. H. Wheeler & Co. has enjoyed the monopoly of selling books, stationery and newspapers on the various stations of the North-Western Railway?

(b) Is there any contract existing between the North-Western Railway Administration and the abovenamed firm on this subject? If so, what are the terms of that contract, on what date does it terminate and what amount, if any, is annually charged from the firm?

(c) Before entering into contract with the said firm, did the Railway Administration invite tenders from others also? If so, what are the names of all those tenderers and the reasons for rejecting their offers?

(d) Will Government be pleased to lay on the table a copy of the Agreement, if any, existing between the Railway Administration and Messrs. A. H. Wheeler & Co.?

Mr. A. A. L. Parsons: (a) Since 1888.

(b) and (d). Government do not think it necessary to lay a copy of the agreement between Messrs. A. H. Wheeler and Company and the North Western Railway administration on the table, but they are quite prepared to let the Honourable Member see it if he so desires. But perhaps the following information will satisfy the Honourable Member. The agreement runs for two years from the 1st January 1927, continuing from year to year, until determined by either party on giving not less than six months notice in writing. Messrs. A. H. Wheeler and Company pay the North Western Railway, in addition to a small rent of one rupee per annum for each bookstall, a royalty of 2½ per cent. on the gross proceeds of all sales at the bookstalls, and a sum equal to 40 per cent. of all gross advertising revenue derived from advertisements displayed on the bookstalls. The North Western Railway on their side carry books and newspapers, etc., for the bookstalls free of charge by passenger train.

(c) No tenders were called for as this firm has given satisfaction for many years past.

Mr. Chaman Lall: May I know from the Honourable Member whether any tenders were called for from other firms in regard to the bookstalls run by Wheeler and Company, and if not, why not?

Mr. A. A. L. Parsons: I have already replied that no tenders were called for.

Mr. Chaman Lall: May I ask the Honourable Member as to why no tenders were called for?

Mr. A. A. L. Parsons: Again as I have already replied, if the Honourable Member had listened to my answer, because the firm has given satisfaction for many years past.

Mr. Chaman Lall: May I ask if it is the fixed policy of the Government that, if in the opinion of certain members of the Government the firm is supposed to give satisfaction, therefore no tenders should be called for?

Mr. A. A. L. Parsons: The contract is not let by the Government; it is let by the Agent of the North Western Railway.

Mr. Chaman Lall: Do I understand that the Agent of the North Western Railway is not part of the Government?

Mr. A. A. L. Parsons: You may so understand, Sir.

Mr. Chaman Lall: Is he not part and parcel of the Government?

Mr. A. A. L. Parsons: No.

Mr. Rangaswami Iyengar: May I know, Sir, whether, even if Government gets proposals which are certainly more satisfactory than those upon which Messrs. Wheelers are now taking the contract, the Government won't consider them because the present firm have been giving satisfaction?

Mr. A. A. L. Parsons: That is a hypothetical question, Sir.

Mr. Rangaswami Iyengar: I want to know, Sir, whether the Government's policy is, where they think the position is satisfactory, that it must be in perpetuity?

(No answer was given).

Mr. N. M. Joshi: May I ask, Sir, if the Government of India is not responsible for the management of the North Western Railway?

Mr. A. A. L. Parsons: Yes.

Mr. N. M. Joshi: And if they are responsible for the management of the North Western Railway, is not the Agent of the North Western Railway the agent of the Government of India?

Mr. A. A. L. Parsons: Yes, I think so.

Mr. Rangaswami Iyengar: May I ask, Sir, again, whether it is the policy of the Government that no other proposals for this contract will be taken up so long as Wheelers are there?

Mr. A. A. L. Parsons: So far as I am aware, there have been no other proposals for this contract.

Mr. Chaman Lal: May I ask the Honourable Member, Sir, as a matter of public morality, whether he will not consider the proposition of asking for tenders from other firms?

The Honourable Sir Charles Innes: In regard to this matter of asking for tenders, we leave to our Agents' discretion to decide in particular cases whether it is advisable to call for tenders or to place the contract out in the manner they have done so far. This contract has to run for two years, but as I notice there is a good deal of feeling on the subject, I am quite prepared to say that, when the two years have run out, we will consider the matter.

IMPROVEMENTS AT KARACHI, PINDI AND SUKKUR WORKSHOPS ON NORTH WESTERN RAILWAY TO OBIVATE REDUCTION OF STAFF.

106. ***Haji Abdoola Haroon:** (a) Has the attention of Government been drawn to a full-page article appearing on page 11 of the Weekly "Railway Herald", which is the official organ of the North-Western Railway Union (Recognised) Lahore, in its issue of the 24th December 1926, protesting against the reduction of about 8,000 men on the North-Western Railway, and suggesting ways and means whereby such drastic reduction could be avoided?

(b) What were the recommendations of the North-Western Railway Raven Committee in respect of the Locomotive, Carriage and Wagon shops at Karachi, Rawalpindi and Sukkur, and what is the definite line of action being taken by the Railway Board in respect of each of those recommendations?

(c) Have the Railway Board accepted the recommendations of the Raven Committee, *in toto* or only partially, in connection with the Locomotive, Carriage and Wagon shops at Karachi, Rawalpindi and Sukkur?

(d) Are the Railway Board prepared:

(i) to rebuild the existing Locomotive Shop at Sukkur with additional pit accommodation,

(ii) to lay down an up-to-date Carriage Repair Shop at Sukkur, and

(iii) to provide well equipped Wagon Repair Shops at Rawalpindi, Sukkur and Karachi, as recommended by the Raven Committee?

(e) If the replies to part (d) are in the affirmative, when will those suggested improvements be effected, and how many more skilled labourers will be required at each place for each shop, respectively?

IMPROVEMENTS AT KARACHI, PINDI AND SUKKUR WORKSHOPS ON
NORTH-WESTERN RAILWAY TO OBIVATE REDUCTION OF STAFF.

107. *Haji Abdoola Haroon: (a) Will Government be pleased to state the number of all men as it stood on 1st December 1926, working (i) at the Locomotive Shops at Karachi and Rawalpindi respectively, and (ii) at the Carriage Repair Shops at Karachi and Rawalpindi, respectively?

(b) How many of the men working at each of the above shops, respectively, have been or are being discharged under the plea of closing down those shops?

(c) Were the orders for closing down the aforesaid shops issued by the Agent, North-Western Railway, with the consent of the Railway Board and the Government of India?

(d) If the aforesaid shops are being closed down in accordance with the Raven Committee recommendations, why are not the recommendations of the same Committee in respect of opening new shops and extending some of the existing ones also being carried out simultaneously, so as to absorb the men not wanted in one shop in the other?

(e) Why do not the North-Western Railway authorities absorb in other shops the men to be discharged and thus provide them elsewhere, till any surplus of labour is adjusted automatically?

(f) What objection is there to retaining them in service till the extended works, as recommended, are established and their services utilised for those?

IMPROVEMENTS AT KARACHI, PINDI AND SUKKUR WORKSHOPS ON
NORTH-WESTERN RAILWAY TO OBIVATE REDUCTION OF STAFF.

108. *Haji Abdoola Haroon: (a) Will Government be pleased to state whether new appointments of skilled labourers for the North-Western Railway Workshops and Sheds continue to be made on the 1st and 15th of every month?

(b) How many new men have thus been appointed since the day when the Raven Committee Report was published?

The Honourable Sir Charles Innes: I propose, Sir, with your permission to give a single answer to questions Nos. 106, 107 and 108.

2. The Government have seen the article referred to by the Honourable Member and have considered the suggestions made in it as well as the suggestions made by the Honourable Member himself.

3. The position in regard to locomotive shops and carriage and wagon shops respectively is as follows:

- (a) *Locomotive Shops.*—The Raven Committee reported that the existing shops at Rawalpindi, Karachi and Sukkur are old, badly laid out and uneconomical. Also that they are inadequate to deal with the heavier types of engines which it is proposed to use on the North Western Railway. They suggested that all the shops at Karachi and Rawalpindi should be closed down and that the existing shop at Sukkur should be rebuilt on up to date lines with pit accommodation for 40 engines. It has accordingly been decided to close down the locomotive shop at Karachi, but a decision as to the locomotive shop at Rawalpindi has been deferred for the present.

The locomotive shop at Sukkur is to be rebuilt with pit accommodation for 30 engines.

(b) *Carriage and Wagon shops.*—For similar reasons the Committee recommended that the carriage repair shops at Karachi and Rawalpindi should be closed down, that the carriage repair formerly done in these shops should be concentrated in a new and up to date shop at Sukkur, and that well equipped wagon repair shops should be provided at Rawalpindi, Sukkur and Karachi. It has been decided to close down the existing carriage and wagon shops at Karachi and Rawalpindi, and to provide a new carriage repair shop at Sukkur and a new wagon repair shop at Karachi. It is not thought necessary to provide wagon repair shops at Rawalpindi and Sukkur.

4. On December 31st last, 1,275 men were employed in the locomotive shop at Karachi and 1,389 in the shop at Rawalpindi. In the carriage repair shops at Karachi and Rawalpindi 461 and 746 men respectively were employed. The numbers which are being discharged are:

Karachi Locomotive shop	1,047
Karachi Carriage shop	371
Rawalpindi Carriage and Wagon shop	874

5. It is unlikely that the programme of the improved shops will be completed in less than three years. It is impossible to say what additional staff of skilled workmen, if any, will be required in the new Sukkur shops when they are built. In the meantime, owing to the better use now being made of rolling stock, locomotives and vehicles are coming less frequently into the shops for repairs. Secondly, the improved methods and organisation which are being introduced in the shops are resulting in considerable reduction in the time taken to effect repairs. The result of these two factors in combination is that the Administration, though it is absorbing as many of the men thrown out of employment at Karachi and Rawalpindi as possible, is unable economically to find employment for them all. It would not be justifiable to defer the closing of these shops until the new shops are ready, because the work which has to be done can be done without them.

6. The order issued by the Agent of the North Western Railway in the matter were issued in consultation with the Railway Board. The Raven Committee did not recommend that the shops which it is proposed to close down should be kept open until the new shops are ready. Nor, for the reasons already given, could this course be justified. The preparation of designs, the construction of buildings and the installation of machinery in the shops will of necessity take time, but plans are in course of preparation.

7. With reference to the question in question No. 108 (a), the 1st and the 15th of the month are the recognised days on which vacancies are usually filled by recruitment. I do not know how many new men have been appointed since the day when the Raven Committee's report was published, but if the Honourable Member is anxious for the information, I will find out and let him know.

GRIEVANCES OF SUBORDINATE RAILWAY EMPLOYEES.

109. *Haji Abdoola Haroon: (a) Will Government be pleased to state the special reasons on account of which they were not prepared to have an inquiry instituted on the grievances of subordinate Railway employees,

as was demanded in the Resolution of Mr. Acharya, which was passed in this House, as amended by Dr. Datta and Mr. Joshi, on 5th February 1925?

(b) Has the attention of the Government been drawn to the Resolution passed by the International Transport Workers' Federation Congress, held at Paris in the middle of September last, emphatically protesting against such indifference shown by the Government of India in this respect?

The Honourable Sir Charles Innes: (a) The Honourable Member's attention is invited to the answer given to a similar question No. 336 asked by Mr. M. K. Acharya on 1st September, 1925.

(b) The Government have seen the Resolution referred to by the Honourable Member.

HAJ COMMITTEE AT KARACHI.

110. ***Haji Abdoola Haroon:** 1. Will Government be pleased to furnish the following information regarding the Haj Committee at Karachi:

- (a) The names of the present members of the Haj Committee;
- (b) Since when each of the members has been a member of that Committee;
- (c) The rules for appointing members of this Committee and who the appointing authority is; and
- (d) The object in appointing such a Committee and the duties, powers and responsibilities of the members?

2. How many meetings of the Haj Committee have been held between 1st January 1926 and 31st December 1926, and which of the members attended all those meetings?

3. Are the proceedings of the Haj Committee meetings recorded in any register, and have they ever been communicated to the press for public information?

4. What new proposals were made to the Government authorities by the Haj Committee of Karachi during the last year, with a view to further the interests and increase the comforts of and remove the grievances suffered by the pilgrims?

5. When will the term of office of the present members expire?

The Honourable Mr. J. W. Bhor: The information has been called for from the Local Government and will be supplied to the Honourable Member when received.

HARDSHIPS OF HAJ PILGRIMS AT KARACHI.

111. ***Haji Abdoola Haroon:** (a) Has the attention of the Government been drawn to the various complaints regarding hardships and inconveniences suffered by Muslim pilgrims in the Pilgrims' Camp, Karachi, while awaiting the departure of their steamers from Karachi to Jeddah, which complaints were published frequently last year in the "*Zamindar*" and the "*Muslim Outlook*" of Lahore, the "*Al-Wahid*" and other newspapers at Karachi, the "*Hamdard*" of Delhi, the "*Rosnameh Khilafat*" of Bombay and several other newspapers?

(b) Is it a fact that last year for want of adequate accommodation in the Pilgrims' Camp, Karachi, hundreds of pilgrims had to stay out in the open under the burning heat of the sun?

(c) Is it a fact that under such circumstances the workers of the Karachi Khilafat Committee made arrangements for accommodating the pilgrims in private buildings, while the Protector of Pilgrims himself made no suitable arrangements?

(d) What steps have the Government taken to provide more accommodation in the Pilgrims' Camp, Karachi?

(e) Is there any mosque within the premises of the Pilgrims' Camp, Karachi? If not, why has the Protector of Pilgrims not drawn the attention of the Government to its need being keenly felt by the pilgrims?

The Honourable Mr. J. W. Bhow: (a) Government are aware that complaints have appeared in the Press.

(b) It is a fact that last year there was overcrowding in the Pilgrim Camp at Karachi.

(c) Some pilgrims for whom the accommodation in the camp was insufficient lodged in musafir-khanas and jamaat-khanas. Government have received a report that permission was given to the Khilafat Committee to erect sheds in the camp, but it was not availed of.

(d) Government constructed two additional sheds and sanctioned other improvements last year at a cost exceeding Rs. 44,000 and propose to erect one more shed this year.

(e) Government have no information on the subject.

CREDENTIALS OF PROTECTOR OF PILGRIMS, KARACHI.

112. ***Haji Abdoola Haroon:** 1. Will Government be pleased to state:

(a) the name of the Protector of Pilgrims, Karachi;

(b) his educational qualifications;

(c) since when he has been holding that appointment; and

(d) whether he had been in Government service before being posted there?

2. What Government posts, if any, did the present Protector of Pilgrims, Karachi, formerly hold one after another?

3. Has he ever been dismissed from Government service or suspended or otherwise severely dealt with, before his appointment as Protector of Pilgrims?

4. If the reply to part 3 is in the affirmative, what were the special reasons for his appointment to the post of the Protector of Pilgrims, Karachi?

5. What is his present pay, and what different allowances does he get and what amounts?

6. Does he get any conveyance allowance; if so, how much?

7. How many trains did he visit at the Karachi railway stations between 1st January, 1926, and 31st December, 1926, to receive the pilgrims?

8. What is his age, and can he continue in service even though he be over 55 years?

9. Has the attention of Government been drawn to the frequent complaints against the Protector of Pilgrims, which have been appearing from time to time in the Muslim newspapers all over India and specially in the "Al-Wahid", Karachi and other local papers? Do Government propose to inquire into these complaints?

10. Are Government aware that the Protector of Pilgrims last year not only refused to avail himself of the co-operation of the workers of the Karachi Khilafat Committee and other Muslim Associations and individuals but also did not even tolerate their serving the pilgrims? Do Government propose to inquire into the reasons for such action on the part of the Protector?

The Honourable Mr. J. W. Bhoré: 1. (a) Khan Sahib Abdul Qadir Umar Khan.

(b) Matriculation examination of the Bombay University and departmental examination of the Revenue Department of the Bombay Government.

(c) The Government of India have no information.

(d) Yes.

2. Clerk in the office of the Commissioner in Sind, then Mukhtiarkar and Mir Munshi to the Commissioner in Sind.

3 and 4. The Government of India have no information.

5 and 6. Pay Rs. 175 per mensem, personal pay Rs. 50 per mensem and conveyance allowance Rs. 75 per mensem.

7. No record is maintained of the visits paid from time to time. During the pilgrim season either the Protector of Pilgrims himself or one of his staff according as the occasion demands attends the 'Railway Station regularly on the arrival of each train with pilgrims.

8. His age is about 60 years. The appointment is made by the Local Government who are empowered to decide fitness for service.

9. An enquiry has already been made by the Local Government who have found that the complaints were unfounded.

10. An enquiry will be made.

Sir Walter Willson: Will the Government kindly tell us how they know whether a train is a pilgrim train or not?

The Honourable Mr. J. W. Bhoré: I really cannot give my Honourable friend that information, but I should think that the Protector of Pilgrims must have information as to whether a train is bringing in a large influx of pilgrims or not.

GOVERNMENT SUBSIDY TO REUTERS AND OTHER NEWS AGENCIES.

113. ***Haji Abdoola Haroon:** (a) Will Government be pleased to state to what extent they subsidise the Reuters, the Associated Press of India, the Free Press of India and other News Agencies, if any, respectively?

(b) Do the Government of India and any other officers under them subscribe for receiving News telegrams from any of those News Agencies?

(c) If the reply to (b) above be in the affirmative, what is the amount of money paid for the purpose to each of the News Agencies?

(d) Are Government aware that the correspondents of the Associated Press of India almost everywhere are Hindus?

The Honourable Sir Alexander Muddiman: (a) The Government subsidise no news agencies.

(b) Yes.

(c) In 1925-26 the cost of subscription for Indian News Agency telegrams was 28,145 and for Reuters' Agency Rs. 55,200.

(d) Government have no information.

Pandit Nilakantha Das: Can the Government inform the House if there are any laws, rules or regulations preventing non-Hindus from being correspondents to any of these News Agencies?

The Honourable Sir Alexander Muddiman: Judging by my experience Hindus are very largely employed as correspondents to newspapers in India.

GOVERNMENT ACTION AGAINST RISE IN P. AND O. PASSENGER FARES.

114. ***Mr. Harchandrai Vishindas:** (a) Has the attention of Government been drawn to the speech of Lord Inchcape at the 86th annual general meeting of the P. and O. Company in which he refers to the possibility of raising passenger fares at an early date?

(b) If so, will not a rise in the P. and O. fares involve the Government of India and Provincial Governments in larger outlay to provide for free passages for their officers, their wives and children?

(c) Are Government prepared to ask the P. and O. Company not to raise their fares for the passage of Government officers and their families?

(d) In the alternative, are Government prepared to negotiate with another reliable line of steamers to take and bring back their officers to and from England without having to pay the P. and O. Company's enhanced fares?

(e) What exactly will be the extra expenditure involved during next year by such an enhancement in respect of All-India services?

(f) Have Government received any communication on this subject from the P. and O. Company? If so, will Government be pleased to place it on the table?

The Honourable Sir Basil Blackett: (a) and (b). The answer is in the affirmative.

(c) and (d). Government do not propose to take the action suggested.

(e) This question is hypothetical.

(f) No communication has been received.

Colonel J. D. Crawford: Does the Government receive any rebate on account of the passages it secures for Government officials?

The Honourable Sir Basil Blackett: I should like to have notice of that question.

MOVEMENT OF TROOPS TO CHINA IN 1926.

115. ***Mr. Harchandrai Vishindas:** (a) Will Government be pleased to state what was the number of Indian troops, how much cavalry and how much infantry stationed in China till 15th December, 1926?

(b) Are any troops under orders for transfer to China? If so, what is their number?

(c) What was the number of European troops moved from India to China during the year 1926, till December 15th?

Mr. G. M. Young: (a) No Cavalry: One Indian Infantry battalion and a small detachment of a Mule Corps both at Hong Kong.

(b) The information desired by the Honourable Member was published in a press communiqué on the 24th of this month.

(c) None, Sir.

ELIGIBILITY OF FIRMS PAYING INCOME-TAX TO VOTE AT ASSEMBLY ELECTIONS.

116. ***Mr. Harchandrai Vishindas:** (a) Is it true that firms paying income-tax were denied the right to vote at the Assembly election?

(b) Was that because rules do not permit them to vote?

(c) If so, do Government propose to amend the rules so as to remove this disability?

The Honourable Sir Alexander Muddiman: (a) Government presumes that the local electoral authorities observed the rules on the subject.

(b) The rules prescribing the qualifications of electors in Commerce Constituencies in which firms are interested are not uniform. In Bombay and Bengal qualification is based on membership of various industrial or commercial associations. The Madras rule requires that a partnership on whose account a right to vote is claimed shall have been assessed to income-tax in the previous year on an income of not less than Rs. 10,000 derived from business.

(c) No.

117, 118. (Already answered—*vide* page 189 *ante*.)

OPENING OF NEW DELHI BY KING-EMPEROR.

119. ***Mr. Harchandrai Vishindas:** (a) Will Government be pleased to state whether they are in communication with the Secretary of State with a view to inviting His Majesty the King-Emperor to open New Delhi in 1927?

(b) If so, what stage has the correspondence reached and is there any likelihood of His Majesty accepting the invitation?

The Honourable Sir Alexander Muddiman: (a) The answer is in the negative.

(b) Does not arise.

GOVERNMENT'S LIABILITY FOR IMPERIAL CONFERENCE AND MILITARY NAVAL AND AIR PROJECTS.

120. ***Mr. Harchandrai Vishindas:** Will Government be pleased to state whether they have undertaken any financial responsibility for the expenses to be incurred in connection with (a) the Imperial Conference, (b) Singapore Naval Base, (c) increase in the Military, Naval and Air forces of India, and (d) Air services between England, Egypt and India?

The Honourable Sir Alexander Muddiman: (a) The Government of India have undertaken liability for the expenses of India's representatives to the Imperial Conference.

(b) The answer is in the negative.

(c) The Government of India undertake the whole financial responsibility for increases in the Military and Air Forces in India. Their financial liability for the naval defence of India is at present limited to the annual subsidy of £100,000. The Royal Indian Navy, when inaugurated, will replace the "Royal Indian Marine" and will not, for some time at any rate, involve any large addition to the Government of India's marine expenditure.

(d) The air services to be operated between England, Egypt and India comprise an aeroplane service from Cairo to Karachi and airship service

from England to India *via* Egypt. The Government of India are constructing the aerodrome and hangar required at Karachi for the aeroplane service, the estimated cost of these being Rs. 1,20,000, and they are also providing certain special meteorological facilities at a cost of Rs. 12,000 initial and Rs. 28,000 recurring. As regards the airship service, the Government of India have acquired the land for the base at Karachi, and this is being placed rent free at the disposal of the British Government. The expenditure on this account is not expected to exceed Rs. 1½ lakhs. They also have agreed to give a grant-in-aid of Rs. 4 lakhs to this service on the understanding that the ordinary import duties will be paid on all materials imported into India for the work.

ROYAL COMMISSION ON AGRICULTURE TO VISIT SIND.

121. ***Mr. Harchandrai Vishindas:** (a) Will Government be pleased to state whether the Royal Commission on Agriculture is likely to visit Sind in order to study the agricultural problems of that Province which are peculiar and not common with the rest of the Presidency?

(b) If so, when will the Commission visit Sind?

(c) How long will their stay be?

(d) In what place or places will they hold sittings to examine witnesses?

The Honourable Mr. J. W. Shore: (a) Yes.

(b) Next cold weather.

(c) and (d). No detailed programme for next cold weather has yet been prepared.

REDUCTION OF PASSENGER FARES ON STATE RAILWAYS.

122. ***Mr. N. C. Kelkar:** (a) What is the amount of the reduction of fare on the East Indian Railway and the Great Indian Peninsula Railway?

(b) Has this reduction taken place on other State lines?

Mr. A. A. L. Parsons: I lay on the table a statement showing the reduction in passenger fares on the four State-managed railways since 1st April, 1925, with the fares in force on these railways prior to that date. This will I think give the Honourable Member the information he seeks.

Statement of changes in passenger fares over the following State-worked Railways.

1.—*E. I. Railway.*

Class.	Fares in force.			
	Prior to 1st April, 1925.		1st February, 1927.	
	Distance.	Rate per mile.	Distance.	Rate per mile.
I	1—300	24 ples	1—100	24 ples.
	plus		plus	
	301 and over	18 "	101—300	18 "
			plus	
		301 and over	12 "	

1.—E. I. Railway—contd.

Class,	Fares in force.			
	Prior to 1st April, 1925.		1st February, 1927.	
	Distance.	Rate per mile.	Distance.	Rate per mile.
II	1—300 <i>plus</i> 301 and over	12 pies 9 "	1—100 <i>plus</i> 101—300 <i>plus</i> 301 and over	12 pies. 9 " 6 "
Inter— E. I. R. Section— Mail	1—300 <i>plus</i> 301 and over	7 " 5 "	<i>From 1st January, 1926.</i>	
Ordinary	All distances	5 "	1—300 <i>plus</i> 301 and over 1—300 <i>plus</i> 301 and over	7 " 8½ " 5 " 3½ "
O. and R. Section— Mail and Ordinary	Do.	5½ "	As on the E. I. R. Section.	

1½—E. I. Railway—concl'd.

Class,	Fares in force.					
	Prior to 1st April, 1925.		1st January, 1926.		1st February, 1927.	
	Distance.	Rate per mile.	Distance.	Rate per mile.	Distance.	Rate per mile.
III— E. I. R. Section— Mail	1—300 <i>plus</i> 301 and over	5 pies 4½ "	1—300 <i>plus</i> 301—600 <i>plus</i> 601 and over	5 pies 3½ " 3 "	1—50 <i>plus</i> 51—300 <i>plus</i> 301 and over	5 pies. 4 " 2½ "
Ordinary	All distances	3½ "	1—300 <i>plus</i> 301 and over	3½ " 2½ "	1—50 <i>plus</i> 51—300 <i>plus</i> 301 and over	3½ " 8 " 2 "
O. and R. Section— Mail and Ordinary	Do.	3½ "	As on the E. I. Railway section.		As on the E. I. Railway section.	

2.—E. B. Railway.

Class.	Fares in force prior to 1st April, 1925.			
	Distance.	Rate per mile.		
I	1—150	30 pies.	} No change.	
	plus 151 & over	20 "		
II	1—150	15 "		
	plus 151 & over	10 "		
Inter	1—150	6 "		
	plus 151 & over	4½ "		
III	Mall	1—150		5 "
		plus 151 & over		4 "
Ordinary	All distances	3½ "		

3.—Great Indian Peninsula Railway.

Class.	Fares in force.			
	Prior to 1st April, 1925.		1st April, 1926.	
	Distance.	Rate per mile.	Distance.	Rate per mile.
I	1—300	24 pies	} All distances	18 pies.
	plus 301 and over	18 "		
II	1—300	12 "	} " "	9 "
	plus 301 and over	9 "		
Inter	Mall	1—300	} No change.	
		plus 301 and over			6 "
Express	As above	As above	All distances	6 pies.
III	Mall	1—300	} No change.	
		plus 301 and over			4½ "
Ordinary		1—300	1—150	4 pies.
		plus 301 and over	4 "	151—300	3½ "
			plus 301 and over	8 "

4.—N. W. Railway.

Class.	Fares in force.					
	Prior to 1st April, 1925.		From 1st April, 1926.		1st February, 1927	
	Distance.	Rate per mile.	Distance.	Rate per mile.	Distance.	Rate per mile.
I	1—300	24 pies	All distances.	18 pies	1—300	18 pies
	plus 301 & over	18 "			plus 301 & over	12 "
II	1—300	12 "	Do.	9 "	1—300	9 "
	plus 301 & over	9 "			plus 301 & over	6 "
Inter	All distances.	5 "	1—50 plus 51 and over	5 " 4½ "	No change.	
III	Do.	3½ "	1—50	3½ "	1—50	3½ pies.
			plus 51 and over	3 "	plus 51—300	3 "
					plus 301 & over	2 "

RAILWAY RESERVE FUND AND REDUCTION OF FARES.

123. *Mr. N. C. Kelkar: (a) Will Government be pleased to state the amount kept in the Railway Reserve Fund created under the scheme of separation of finance?

(b) Has any amount been spent out of this, or do Government propose to spend any amount in the near future, and for what purpose?

(c) Does the reduction of fares on the East Indian Railway and the Great Indian Peninsula Railway come out of this reserve?

Mr. A. A. L. Parsons: (a) Rs. 979 lakhs on the 31st March, 1926.

(b) In 1924-25 an amount of Rs. 38 lakhs was appropriated from Reserve for writing down the value of stores. Government's intentions as to the future will be explained when the Railway Budget is presented to the Assembly.

(c) No; but the Reserves are indirectly affected inasmuch as the balance available for appropriation to the Reserve Fund would be greater but for the falling off in earnings caused by the reduction in fares.

PUBLICATION OF RAILWAY BOARD'S EVIDENCE BEFORE TARIFF BOARD.

124. *Mr. N. C. Kelkar: (a) Will Government be pleased to state whether the Tariff Board is a public body and makes its inquiries in public?

(b) If so, will Government be pleased to state why any portion of the evidence given by the Railway Board before the Tariff Board should be kept confidential?

(c) Are Government prepared to publish this portion of evidence also?

(d) If not, will Government state their reasons?

The Honourable Sir Charles Innes: (a) The Tariff Board has consistently adhered to the recommendation of the Fiscal Commission that its enquiries should be conducted with the utmost publicity. The Commission itself recognized, however, that it might not always be possible that the whole of its investigations should be held in public, and the Board have sometimes found it necessary to admit evidence which is treated as confidential. It rests with the witness in every case to decide whether he will give evidence in public, and if he desires that his evidence should not be published, it rests with the Board to decide whether they will admit it on that basis.

(b) The immediate publication of the evidence given by the Chief Commissioner and Financial Commissioner of Railways on the subject of wagons would have been prejudicial to the interests of certain firms, and for this reason it was necessary that it should be kept confidential for a time.

(c) and (d). Yes. The Government of India propose to authorise the Tariff Board now to publish this portion of the evidence.

REDUCTION IN FREIGHT ON STATE RAILWAYS.

125. ***Mr. N. O. Kelkar:** (a) Will Government state whether any reduction has taken place in the rates of freight charged on any items other than coal during the last three years on the State Railways?

(b) What are the reasons preventing a reduction of these rates?

Mr. A. A. L. Parsons: (a) There have been no material reductions in goods rates during the last three years on State-worked railways, except for coal.

(b) In addition to the reduction in coal freights we have made considerable reductions in passenger fares on most railways during the last three years, thereby facing as large a decrease in our earnings as was consistent with financial prudence.

PUBLICATION OF RAILWAY ADMINISTRATION REPORT FOR 1925-26.

126. ***Mr. N. O. Kelkar:** (a) Will Government be pleased to state the dates on which the Railway Administration Report has been published for the last five years including the date of the publication of the report of the working of railways for the year 1925-26?

(b) Will Government be pleased to state why there should be all this delay in this publication?

Mr. A. A. L. Parsons: (a) I lay on the table a statement showing the dates on which the report by the Railway Board on Indian Railways was published in each of the last five years.

(b) Volume I of the report cannot be issued until the final figures of receipts and expenditure to be incorporated in it are received from the Accountant-General, Railways. They were not received this year in their final form until the 9th December, while volume I of the report was issued

on January the 7th—volume II had been issued in the previous November—so the Honourable Member will see that there was no avoidable delay. The Railway Board are themselves very anxious to get out the report as quickly as possible, and are discussing with the Auditor-General the question whether it is not possible to close the accounts finally at an earlier date. I would like to mention that the Preliminary Abstract of Statistics for 1925-26 was issued on September 9th, 1926, a month earlier than in 1924-25.

Statement showing the date of issue of (I) Preliminary Abstract of Statistics of Indian Railways and (II) Annual Report by the Railway Board on Indian Railways for the last five years.

Year.	* Preliminary • Abstract of Statistics of Indian Railways.	Volume I.	Volume II.	Remarks.
1921-22	...	11-1-1923	11-1-1923	* The Preliminary Abstract of Statistics of Indian Railways was issued first from the financial year 1923-24.
1922-23	...	5-2-1924	18-1-1924	
1923-24	17-9-1924	9-1-1925	25-10-1924	
1924-25	8-10-1925	31-12-1925	5-12-1925	
1925-26	9-9-1926	7-1-1927	12-11-1926	

DISMISSAL OF MR. WELLS, CHIEF CONTROLLER OF STORES, E. I. R.

127. ***Mr. N. C. Kelkar:** (a) Is it true that Mr. Wells, Chief Controller of Stores of the East Indian Railway, has been dismissed from service?

(b) If so, will Government be pleased to state whether there was any inquiry held and what the personnel of the tribunal was that made the inquiry?

(c) Have any charges of corruption or dishonesty been brought home to him?

(d) If so, why is he not being prosecuted?

Mr. A. A. L. Parsons: (a) Yes.

(b) The Agent of the East Indian Railway held the departmental enquiry which resulted in his dismissal.

(c) and (d). We were advised that criminal proceedings could not be instituted with such a reasonable prospect of success as would justify their institution.

REASONS FOR SURPLUS OF 30,000 WAGONS.

128. ***Mr. N. C. Kelkar:** Will Government be pleased to explain how they came to have a surplus of thirty thousand wagons as mentioned by

Sir Clement Hindley in his evidence before the Royal Commission on Agriculture?

Mr. A. A. L. Parsons: The information given by Sir Clement Hindley to the Royal Commission in October, 1926, was that there was no foundation for a complaint of shortage of wagons inasmuch as owing to improved methods of working there had been something like 30,000 wagons more than the number required for working the traffic for the previous three months. The number of course fluctuates from day to day, and it was not suggested that there will always be this number of wagons in excess of daily requirements. Apart from a falling off in traffic, the surplus is due to improvements made in the working of railways and also to additional facilities provided during the past few years. The main factors which have contributed to the surplus are:

- (1) Reduction in the time occupied in repairing wagons with a consequential reduction in the percentage under repair and increase in the number available for traffic.
- (2) Strengthening of track and bridges enabling the carrying capacity of vehicles to be increased.
- (3) Improved marshalling yards and terminal facilities and better working in marshalling yards resulting in a reduction in idle hours of wagons.
- (4) Reduction of train mileage by doubling tracks or adopting new routes thereby decreasing the number of wagons required.
- (5) Extension of the use of telephone train control thereby increasing the capacity of sections.
- (6) Increased speed of trains owing to the extended use of vacuum brakes.
- (7) Gradual elimination of low capacity wagons, an increase in the tractive effort of locomotives and an increase in the gross weight of trains.
- (8) The system of pooling railway wagons.

In addition to the above, there are many other contributory causes of lesser importance which have operated beneficially to enable railways to carry traffic with a lesser number of wagons.

NUMBER AND PRICE OF WAGONS ORDERED SINCE 1919 ON ALL RAILWAYS.

129. ***Mr. N. O. Kelkar:** (a) Will Government be pleased to state the total number of wagons ordered since 1919 for the State and Company Railways?

(b) What was the average price at which these wagons were ordered?

Mr. A. A. L. Parsons: (a) The approximate number of broad and metre gauge wagons placed on the line during the period 1919-20 to 30th of September 1926, is 61,976.

(b) We have not the prices for Company-managed railways but the average cost of wagons purchased for State-managed railways was about Rs. 5,170 per wagon.

Kumar Ganaganand Sinha: Were the orders for wagons placed in India or in England?

Mr. A. A. L. Parsons: I must ask for notice. I cannot remember complete details for so long a period back.

DEFICIENT EARNINGS ON CAPITAL EXPENDITURE ON STATE RAILWAYS.

180. ***Mr. N. C. Kelkar:** (a) Will Government be pleased to state the total amount of capital expenditure incurred in connection with State Railways since 1919 including that sanctioned for the current year?

(b) Is it true that expenditure is sanctioned on the assurance of the Agent that such capital expenditure will add to the earnings?

(c) Is it true that some railways, on which such an expenditure has taken place, have not only failed to earn on the extensions but have failed to pay interest on the old capital at charge?

(d) What action do Government take in such cases?

(e) What is the total additional annual interest charge in connection with capital expenditure incurred since 1919?

Mr. A. A. L. Parsons: (a) and (e). The capital at charge of State Railways increased from 1919-20 to 1926-27 by 142½ crores. The interest payable in 1927-28 is 744 lakhs more than that paid in 1920-21.

(b) Proposals for capital expenditure on open lines are considered with reference to the considerations stated in para. 7 of the memorandum on the subject of "the programme of capital expenditure and expenditure from the Depreciation Fund" placed before the Standing Finance Committee for Railways in November 1925—*vide* Vol. II, No. 4, of the Proceedings of that Committee.

Proposals for expenditure on new construction are sanctioned after very careful scrutiny of the financial results of the expenditure along with other considerations. The scrutiny is, of course, based on the estimates of capital expenditure, the traffic earnings likely to be expected, and the working expenses involved which are furnished by the Agent and checked by the Railway Board in the light of previous experience.

But estimates both for new lines and open line works are after all only estimates and expectations are sometimes insufficiently realised.

(c) and (d). The only main railway systems which are at present working at a loss are the Bengal Nagpur and Assam Bengal. For such railways as well as for all railways, everything possible is done by Government to improve the financial results of working, and the financial position of the Assam Bengal Railway is now much better than for some time past.

TENDERS FOR ELECTRICAL EQUIPMENT TO BE CALLED IN INDIAN RUPEES.

181. ***Mr. N. C. Kelkar:** (a) Are Government aware that most of the largest producers of electrical equipment are represented in India?

(b) Are they aware that the Indian Stores Department has been purchasing through these agents a large amount of electrical equipment every year?

(c) Will Government be pleased to state why tenders for the electrical plant required in connection with the new power station at Kalyan are not being called in India in rupees, but are being placed in the United Kingdom through the High Commissioner?

The Honourable Sir Bhupendra Nath Mitra: (a) and (b). Yes.

(c) The Honourable Member presumably refers to the plant and equipment for the Electrical Power Station which is being constructed at Kalyan as part of the scheme for the electrification of the Great Indian Peninsula.

Railway. In conformity with the Rules for the supply of articles for the public service, indents for this plant and equipment have been placed upon the Stores Department, London, and no tenders have been invited in India.

PROCEDURE AS TO PLACING OF CONTRACTS FOR HANDLING GOODS ON STATE RAILWAYS AND AMOUNTS PAID DURING 1925-26.

132. ***Mr. N. O. Kelkar:** (a) Will Government be pleased to state what the system observed is when new lines are thrown open to traffic in placing contracts for the handling and transport of goods?

(b) Are Government aware that the rates for the handling and transport of goods given on different lines of railways in India differ considerably and that they are fixed not with any regard to market conditions, but are fixed arbitrarily by the Traffic Department?

(c) Are Government aware that on Company managed railways the system exists of giving out these contracts by open tender to contractors?

(d) If Government have no information, will they be pleased to call for the same and lay it on the table?

(e) Is it true that contracts are being given to various firms year after year without any inquiry and that adjustments of rates are made only in favour of the contractor and not otherwise?

PROCEDURE AS TO PLACING OF CONTRACTS FOR HANDLING GOODS ON STATE RAILWAYS AND AMOUNTS PAID DURING 1925-26.

133. ***Mr. N. O. Kelkar:** (a) Will Government state the amount of money, paid during the last official year for which complete accounts are available, for each of the railway systems under State management for the handling and transport of goods with contractors?

(b) Will Government state whether these contracts are renewed every year or not?

(c) Are these contracts given by open tender, or are they given at the discretion of the Traffic Department?

Mr. A. A. L. Parsons: I propose to answer questions Nos. 132 and 133 together.

The general procedure as regards placing of contracts for the handling of goods on State-managed railways, whether the lines are new or old, is to call for tenders from time to time. These tenders are taken into consideration when a decision as to the giving of a contract is made, but experience has shown that the lowest tender cannot always be accepted and that these contracts can only be carried out by firms of considerable substance and standing. The contracts are generally given for periods of three to five years to enable contractors to develop the necessary organization for carrying them out, and provided satisfactory work is done and the rates are reasonable, contracts are sometimes renewed, as in the interests of trade it is essential that there shall be no failure on the contractors' part. The actual granting of the contracts rests with the Agent of the Railway. I lay on the table a statement showing the amount paid for the handling, collection and delivery of goods on the four State-managed Railways during 1925-26.

Statement showing the amount paid for handling, collection and delivery of goods on the State-managed Railways during 1925-26.

Railway.	Amount.
	Rs.
Eastern Bengal	8,15,947
East Indian	19,68,911
Great Indian Peninsula	8,93,537
North Western	13,52,334
Total .	50,30,729

CIRCUMSTANCES OF ALLEGED FRAUD IN STORES DEPARTMENT, E. I. R.

134. ***Mr. Gaya Prasad Singh:** (a) With reference to the reply of Government to my starred question No. 22 of the 21st January 1926, regarding the alleged fraud in the Stores Department of the East Indian Railway, will the Government kindly state the nature of the "transactions" referred to therein, and the names of the two senior officials of the Stores Department, who were dismissed from service, and the grounds of their dismissal, together with the reasons as to why they were not prosecuted?

(b) Is it a fact that the Guarantee Fund money was utilized to meet the loss in the store swindling; and if so, to what extent? Will the Government be pleased to lay on the table an account of the Guarantee Fund for the last three years?

(c) Is it not a fact that according to the Handbook rules of the East Indian Railway Company, the entire Guarantee Fund belongs to the employees, the subscribers of the fund, and were the subscribers consulted before their money was utilized in this way?

(d) Were the facts placed before a Court of law for decision before action was taken in this matter? If not, why not?

The Honourable Sir Charles Innes: (a) and (d). The two senior officials, whose names I will give the Honourable Member if he so desires, were shown as the result of a departmental enquiry to be implicated in an attempt to accept iron of an inferior and much cheaper quality instead of best Yorkshire iron, of which 1,046 cwts. were being purchased. They were not prosecuted because Government was advised that criminal proceedings could not be instituted with such a reasonable prospect of success as would justify their institution.

(b) and (c). There was no loss, and no question therefore arose of using the guarantee fund to meet it.

Mr. Gaya Prasad Singh: Will the Honourable Member give the names of the two officials?

The Honourable Sir Charles Innes: The name of one has already been given—Mr. Wells. I am quite prepared to give the other name to the Honourable Member outside.

DEPRIVATION OF INDIAN EMPLOYEES OF E. I. R. OF STATE RAILWAY PRIVILEGES BY UNFAIR AGREEMENT.

135. ***Mr. Gaya Prasad Singh:** (a) Has the attention of the Government been drawn to a petition submitted to the Railway Board by the Indian employees of the East Indian Railway Company, and published in the *Weekly Muzdoor* of Lucknow, dated the 25th February, 1926, in which it is stated that they have been "practically compelled to sign" a fresh service agreement bond, "under moral pressure and hidden threats", sometime before the Railway was taken over by Government?

(b) Is it a fact that all State Railway privileges have been denied to those employees of the East Indian Railway Company, whose services were retained, in terms of the said agreement? Do the Government propose to extend the privileges of State Railways to the employees of the East Indian Railway?

(c) Were similar service agreement bonds taken from the European employees also?

The Honourable Sir Charles Innes: (a) Government received the petition referred to and have replied to it. They are, however, not aware that the employes were made to execute the agreement under any threat or pressure.

(b) It is not understood which State Railway privileges are referred to by the Honourable Member. In the petition referred to the main grievance which was alleged by the petitioners was the non-extension to them of State Railway Leave rules. The men were allowed to continue under the old East Indian Railway leave rules as the leave rules applicable to State Railway employes are, at present, under consideration, and when the rules are revised it is the intention of Government to give those of the late East Indian Railway Coy. employes who fulfil certain conditions the option of coming under the new rules.

(c) All employes, irrespective of their nationality, executed the agreement.

FIRST DAY PAYMENT FOR EMPLOYEES OF E. I. R. AND FURLOUGH FIGURES.

136. ***Mr. Gaya Prasad Singh:** (a) Is it a fact that the employees on the East Indian Railway get their pay in the middle of the month, and not on the first day of the month as in other Government offices? If so, why?

(b) Will the Government be pleased to state if the Civil Service Regulations and Fundamental Rules of the Government of India are applicable to the East Indian Railway servants? Will Government be pleased to state how many Indians and how many Europeans have got furlough leave during the last three years?

Mr. A. A. L. Parsons: (a) Yes. The pay clerks who travel over the line making payments cannot complete their rounds before the middle of a month.

(b) The Civil Service Regulations and Fundamental Rules are not applicable to the East Indian Railway Company's servants who were taken into Government service. No statistics are available as to the number of Indians and Europeans who took furlough on the East Indian Railway during the last three years.

Lieutenant-Colonel H. A. J. Gidney: Will the Honourable Member please state whether the delay in giving salaries to the employees of this

railway is the cause of so many of them being in debt to the Kabuli money lenders and others?

Mr. A. A. L. Parsons: Not so far as I am aware.

BOOKING FACILITIES FOR THIRD CLASS PASSENGERS.

137. ***Mr. Gaya Prasad Singh:** (a) Are Government aware that the following notice, dated the 28rd July 1926, has been issued by the Chief Operating Superintendent, East Indian Railway, Calcutta?

"The public are hereby informed that the authority given to guards to issue certificates to passengers to travel without having first purchased tickets for want of time as laid down in bye-law 5 (b) at page LXIV a of the current Time and Fare Table is cancelled. No passenger will henceforth be allowed to entrain without a ticket. Intending passengers are therefore requested to come to the platform at least 20 minutes before the starting time of trains, and purchase tickets as laid down in Clause 74-P. L. of the same Guide."

(b) Are Government aware that booking offices, specially for Third class passengers at most of the stations, are not open sufficiently early to allow passengers to purchase their tickets in time to come to the platform at least 20 minutes before the starting time of trains; and if so, what arrangements have been made to remedy this state of affairs?

Mr. A. A. L. Parsons: (a) Yes. I would invite the Honourable Member's attention to the reply which I gave to question No. 138 on the 19th August, 1926.

(b) Government have received no representations to this effect. Under rules booking offices which have not got continuous booking are required to open not less than half an hour before the arrival of trains, but the Railway Board recognise that the enforcement of the system under which no passenger is permitted to entrain without a ticket makes a strict observance of this rule imperative. They have therefore asked the Agent of the East Indian Railway to take special steps to see that the rule is strictly observed.

EXAMINATION OF SYSTEM OF COMMUNAL REPRESENTATION.

138. ***Mr. Gaya Prasad Singh:** (a) Has the attention of the Government been drawn to the speech of Lord Birkenhead in the House of Lords in July 1926, in which he said that "the system of communal representation tends to stereotype cleavage"?

(b) Is it in contemplation to examine this system of communal representation with a view to find out as to how far it is responsible for the present tension of feeling prevailing in India?

The Honourable Sir Alexander Muddiman: (a) Yes. The quotation made by the Honourable Member, however, is not quite accurate.

(b) No such action is contemplated.

COST OF LEGATION AT KABUL.

139. ***Mr. Gaya Prasad Singh:** With reference to the reply of Government to my starred question No. 42 of the 25th August, 1925, to the effect that the Legation at Kabul represents the British Government, and the Government of India, "in fact the whole Empire", will the Government kindly state why the cost of its maintenance is not shared by the British Government, or the "whole Empire"?

Mr. E. B. Howell: I have nothing to add to the answer given on that occasion by Sir Denys Bray.

DETAILS OF STAFF AT KABUL LEGATION.

140. ***Mr. Gaya Prasad Singh:** Will Government be pleased to state how many European officers and how many Indian officers have been given appointments in the Legation at Kabul, and what is the annual amount of their respective salaries and allowances?

Mr. E. B. Howell: Apart from the Military Attaché and the Legation Surgeon and the two Consuls at Jalalabad and Kandahar the Minister's staff consists of one Counsellor and two Secretaries, of whom one is an Indian.

The total emoluments received by these officers are approximately equal to those of which H. M.'s diplomatic representatives and their staffs of corresponding status in other foreign countries are in receipt.

PROJECTED LINE FROM RISHIKESH TO KARANPRAYAG.

141. ***Mr. Gaya Prasad Singh:** With reference to my starred question No. 28 of the 1st February, 1924, and the reply of the Government that "a project for a Railway line from Rishikesh Road to Karan Prayag on the way to Badri Nath is at present under consideration", will the Government be pleased to state if they have sanctioned a railway survey to be made of the line in question? If so, by what time is the survey likely to be completed?

Mr. A. A. L. Parsons: Yes. The survey of the projected line from Rishikesh to Karanprayag on the way to Badri Nath has been sanctioned and it is expected that it will take about nine months to complete it.

PREVENTION OF IMPORTATION OF COCAINE.

142. ***Mr. Gaya Prasad Singh:** (a) Has the attention of the Government been drawn to the following passage in the "Report of the administration of the Excise Department" of Behar and Orissa for 1924-25 (page 19):

"Cocaine cases show a remarkable increase from 52 in 1923-24 to 98 in the year under review. There had been a very substantial check on the use of this deleterious drug during the war, and for some time after it; but increased quantities of the drug are again apparently coming into the country through the ports, and the vice is again on the increase."

(b) Are Government aware that in reply to a question on this subject in the Behar and Orissa Legislative Council on the 18th August, 1926, the local Government stated that "the only effective means of checking the traffic is to prevent the import of the drug. That is a matter which is under the consideration of the Government of India"?

(c) What action have the Government taken in this connection; and will the Government be pleased to lay on the table the latest communication of the Behar and Orissa Government on this subject?

The Honourable Sir Basil Blackett: (a) The Government have received and read the Report.

(b) Yes.

(c) The Government have not received any communications from the Government of Bihar and Orissa on this subject, except in regard to technical details arising out of the Geneva Convention.

The importation of cocaine is and has for many years been subject to rigid restrictions and every effort is made by the Customs Department to render those restrictions effective. A copy of the latest Notification on the subject is laid on the table. [Finance Department (Central Revenues) Notification No. 55, dated the 20th November, 1926.]

FINANCE DEPARTMENT (CENTRAL REVENUES).

NOTIFICATION.

CUSTOMS.

Delhi, the 20th November 1926.

No. 55.—In exercise of the power conferred by section 19 of the Sea Customs Act, 1878 (VIII of 1878), and in supersession of the notification of the Government of India in the Department of Commerce and Industry No. 720-79, dated the 4th February 1911, the Governor General in Council is pleased to prohibit the bringing by sea or land into British India of any of the articles named in the first column of the Schedule to this notification from any place named in the second column of the Schedule except when covered by one of the exceptions specified in the third column of the Schedule.

Schedule.

Articles.	From	Exception
1	2	3
1. (a) Raw opium	Any Indian State or Foreign Settlement in India.	Raw opium imported otherwise than by post, (a) on behalf of the Government of India, (b) under an import authorisation granted by the Government of India, or (c) in accordance with any rule framed under section 5 of the Opium Act, I of 1878.
(b) Ditto	Any other place outside British India.	Raw opium imported, otherwise than by post, under an import authorisation granted by the Government of India.
2. Prepared opium, as defined in the Hague Opium Convention of 1912.	Any place outside British India.	No exception.
3. Coca leaves	Ditto	Importations, otherwise than by post, covered by an import authorisation granted by the local Government within whose jurisdiction the importer resides or has his place of business, or by an officer empowered in this behalf by such local Government.
4. (a) Medicinal opium (b) Crude cocaine and ecgonine; (c) Morphine, diacetylmorphine, cocaine and their respective salts;	Ditto	Importations, otherwise than by post covered by an import authorisation granted by the local Government within whose jurisdiction the importer resides or has his place of business, or by an officer empowered in this behalf by such local Government.

Articles. 1	From 2	Exception. 3
<p>(d) All preparations, official and non-official (including the so-called anti-opium remedies) containing more than 0·2 per cent. of morphine or more than 0·1 per cent. of cocaine ;</p> <p>(e) All preparations containing diacetylmorphine ;</p> <p>(f) Galenical preparations (extract and tincture) of Indian hemp.</p>	<p>Any place outside British India.</p>	<p>Importations, otherwise than by post, in transit to a place outside British India, covered by an import authorisation granted by or under the orders of the local Government within whose jurisdiction the port or place of importation is situated, such authorisations being marked "In transit".</p>
<p>5. Indian hemp and bhang</p>	<p>Ditto</p>	<p>Importation, otherwise than by post,</p> <p>(a) on behalf of any local Government,</p> <p>(b) under an import authorisation granted by the local Government within whose jurisdiction the importer resides or has his place of business, or by an officer empowered in this behalf by such local Government, and</p> <p>(c) in accordance with any rule framed under any local Excise Act.</p>

NOTE.—All the entries in the first column of the above Schedule except "prepared opium" and "bhang" shall be interpreted in accordance with the definitions contained in Article 1 of the Geneva Dangerous Drugs Convention of 1925. The words "National pharmacopœia" in that Article shall be interpreted to mean "British pharmacopœia".

A. TOTTENHAM,
Joint Secy. to the Govt. of India.

C. No. 55—77-E.O./25.

Copy forwarded to—

The Hon'ble the Agent to the Governor General in Central India and Rajputana, the Hon'ble the Residents in Mysore and Hyderabad, the Residents at Baroda, in Kashmir and at Gwalior and the Agents to the Governor General, Punjab States, Madras States and the States of Western India, for information and necessary action.

All Collectors of Customs, the Collector of Salt Revenue, Bombay, the Commerce Department, the Opium Agent, Ghazipur, the Director General, Posts and Telegraphs, the Indian Trade Commissioner in London, the British Trade Commissioners in India, Calcutta and Bombay, and the Director, Federation of British Industries, London, for information.

The Director General of Commercial Intelligence for publication in the Indian Trade Journal.

(Sd.) T. D. AHMAD,
for Under Secy. to the Govt. of India.

LOCATION OF IMPERIAL LIBRARY.

143. ***Mr. Gaya Prasad Singh:** Will Government kindly state what decision, if any, they have arrived at, regarding the location of the Imperial Library of Calcutta?

The Honourable Mr. J. W. Bhor: A committee consisting of the Educational Commissioner with the Government of India, the Education Secretary to the Government of Bengal, a representative of the Library Council, and a senior officer of the Finance Department sat in Calcutta in December to consider the present condition and future of the Imperial Library, and to make recommendations. The report of the Committee has been received and is at present under consideration.

PASSPORT TO SWAMY SATYA DEVA TO VISIT EUROPE.

144. ***Mr. Gaya Prasad Singh:** Will Government kindly state if there has been any communication between them and any local Government, regarding the grant of a passport to Swamy Satya Deva to visit Europe for medical treatment of the eyes? If so, are Government prepared to place the correspondence on the table, and also state if the passport has been refused; and if so, why?

The Honourable Sir Alexander Muddiman: The application from Swami Satya Deva for the issue of a passport was refused by the Government of the Punjab who reported the fact for the information of the Government of India. Government are not prepared to lay the local Government's letter on the table.

STRENGTH OF VARIOUS COMMUNITIES IN PROVINCIAL LEGISLATIVE COUNCILS.

145. ***Mr. M. A. Jinnah:** (a) Will the Government be pleased to state what the exact number of Moslem representatives is in the various provincial Councils and how many of them are elected; and how many nominated?

(b) Will the Government be pleased to furnish similar information as regards the members of the other communities?

The Honourable Sir Alexander Muddiman: The information is being called for from the various Local Governments and will be supplied to the Honourable Member in due course.

MUSSALMANS ELECTED BY SPECIAL OR MIXED ELECTORATES.

146. ***Mr. M. A. Jinnah:** 1. Will the Government be pleased to state whether any Musulman has been elected by any special interest electorates or mixed electorate for which a Musulman is eligible for election under the Government of India Act, 1919, since it came into operation.

(a) To any of the Provincial Councils; if yes, which, when and how many?

(b) To the Legislative Assembly; if so, when, and how many?

(c) To the Council of State; if so, when, and how many?

2. Will Government be pleased to state how many such special interest electorates or mixed electorates exist under the present constitution?

The Honourable Sir Alexander Muddiman: 1. A statement containing the information so far as it is available has been laid on the table.

2. Provincial Councils	...	...	...	71
Legislative Assembly	...	...	...	16
Council of State	...	...	...	8

Statement showing the number of Muhammadans returned by special or mixed electorates.

Name of Legislature.	Name of Constituency.	No. of Members returnable.	No of Muham-madans returned.	Year.
Bombay Legislative Council.	Sind Jagirdars and Zamindars.	1	1	1920. General Elections.
United Provinces Legislative Council.	Taluqdars . . .	4	1	Ditto.
Legislative Assembly .	Bombay Mill Owners Association.	1	1	Ditto.
Ditto .	Delhi constituency .	1	1	Ditto.
Council of State .	.....	<i>Nil.</i>	<i>Nil.</i>	
Burma Legislative Council.	Indian Urban . . .	8	4	1922. Elections to Burma Council.
Bombay Legislative Council.	Jagirdars and Zamindars (Sind Landholders).	1	1	1923. General Elections.
Bengal Legislative Council.	Dacca University .	1	1	Ditto.
United Provinces Legislative Council.	Taluqdars (Landholders).	4	1	Ditto.
Legislative Assembly .	.....	<i>Nil.</i>	<i>Nil.</i>	
Burma Legislative Council.	Indian Urban . . .	8	8	1926. Elections to the Burma Legislative Council.
Council of State .	.....	<i>Nil.</i>	<i>Nil.</i>	

Information regarding the last general elections is not available.

Pandit Nilakantha Das: Will the Government also give the information as to in how many constituencies there were Muhammadan candidates, how many Muhammadan votes were recorded in those constituencies and how many votes were recorded in all in favour of each Muhammadan candidate?

The Honourable Sir Alexander Muddiman: Curiously enough, Sir, the information is not within my immediate knowledge. If the Honourable Member will put a question down I will be delighted to attempt to supply him with the information.

BENGAL DETENUS.

147. ***Mr. M. A. Jinnah:** (a) Will the Government be pleased to state how many detenues from Bengal are still incarcerated, and under what statute or regulations and laws respectively?

(b) Will the Government state the period during which each of them has already undergone imprisonment?

(c) Will the Government state how long further the Government propose to keep them in prison before they are released or tried by a proper tribunal?

The Honourable Sir Alexander Muddiman: (a) and (b). The number of persons at present detained in jails in connection with the Bengal revolutionary conspiracy is 16 under Regulation III and 72 under the Bengal Criminal Law Amendment Act. A statement is laid on the table showing the period of detention undergone by those who have been dealt with under Regulation III. The Government of India are not in possession of similar information regarding those dealt with by the Government of Bengal under the Bengal Criminal Law Amendment Act.

(c) With regard to the release of these persons I would refer the Honourable Member to the answer that I should have given to-day to Raja Raghunandan Prasad Singh's question on the same subject had he put it:

"The policy of Government in regard to the release of detenues under the Bengal Criminal Law Amendment Act and Regulation III of 1818 is to release them as and when considerations of the public safety permit. As stated recently by His Excellency the Viceroy in his address to the Members of this House, Government are prepared to release individuals as soon as they are satisfied that their release would not defeat the object for which they have been put under restraint, namely, the prevention of terrorist outrages."

List of persons in detention under Regulation III of 1818.

Name.	Date from which detained.
Jadu Gopal Mukherjee	25th September, 1923.
Satish Chandra Bhattacharji <i>alias</i> Pakrashi	25th September, 1923.
Bhupendra Kumar Dutta	25th September, 1923.
Jyotish Chandra Ghosh	25th September, 1923.
Monaranjan Das Gupta	25th September, 1923.
Bhupati Mazumdar	25th September, 1923.
Amrita Lal Sarkar	25th September, 1923.
Rabindra Nath Sen Gupta	25th September, 1923.
Kali Prasad Banerjee	27th September, 1923.
Jiban Lal Chatterji	4th October, 1923.
Satish Chandra Chakravarti	23rd January, 1924.
Arun Chandra Guha	25th January, 1924.
Kiran Chandra Mukerji	25th January, 1924.
Purna Chandra Das	8th March, 1924.
Bepin Behari Ganguli	9th March, 1924.
Pratul Ganguli	22nd August, 1924.

Mr. M. A. Jinnah: Sir, I want to know whether the Honourable Member will be able to give us the figures of those who are under detention under the Bengal Criminal Law Amendment Act.

The Honourable Sir Alexander Muddiman: I think I have given you the figures. I have not the periods of their detention.

Mr. M. A. Jinnah: Will the Honourable Member be able to give the periods of their detention later on?

The Honourable Sir Alexander Muddiman: The information is not here. I will endeavour to obtain it.

Mr. M. A. Jinnah: Will the Honourable Member assure us that he will get the information and place it before the House?

The Honourable Sir Alexander Muddiman: I have no objection.

Mr. A. Rangaswami Iyengar: Will the Honourable Member in giving the information give the periods of detention not only under this Act but the amount of imprisonment each of them has undergone in their life?

The Honourable Sir Alexander Muddiman: That, Sir, is very difficult. Probably the Honourable Member may know better than I do the previous history of these persons.

148 and 149. (Not put.)

ECONOMIC INQUIRY COMMITTEE, 1925.

150. ***Kumar Ganganand Sinha:** Have Government considered or are they considering the report of the Economic Inquiry Committee, 1925? If so, when will they announce their decision regarding taking action on the Committee's recommendations? If not, why?

The Honourable Sir Basil Blackett: The attention of the Honourable Member is invited to my reply to Starred Question No. 105 in the Legislative Assembly Debates dated the 19th August, 1926. The Government have not yet received the replies from all Provincial Governments.

EXTERNAL CAPITAL COMMITTEE, 1925.

151. ***Kumar Ganganand Sinha:** Have the Government considered or are they considering the report of the External Capital Committee, 1925? If so, when will they announce their decision regarding taking action on the Committee's recommendations? If not, why?

The Honourable Sir Basil Blackett: The Government are considering the Report of the External Capital Committee and the copies of the correspondence with Local Governments, etc., which are placed on the table, will show the action they are taking on the recommendations of the Committee. As I said in reply to Starred Question No. 59 in the Legislative Assembly Debates of the 18th August, 1926, the recommendations have in some cases to be considered in connection with the Report of the Currency Commission in respect of which the Government have already announced their decisions and introduced the necessary legislation.

Serial No. 1.—LETTER TO THE MANAGING GOVERNORS OF THE IMPERIAL BANK, No. D. 5121-F., DATED THE 22ND DECEMBER, 1925.

I am desired to forward for the information of the Imperial Bank two copies of the Report of the External Capital Committee, 1925, and of an address recently delivered by the Hon'ble Finance Member on Indian Banking and Monetary progress.

2. It will be observed that the External Capital Committee attach the greatest importance to the development of the vast store of dormant capital in India and to the increase and extension, with this object in view, of banking facilities. They emphasize the importance of a co-ordinated survey being undertaken at the earliest opportunity of the whole field of banking in India to be followed by a detailed examination by an expert Committee or Committees of the lines along which progress should be effected. The address of the Hon'ble Finance Member attempts a brief survey of the existing position, emphasising the points on which existing information is defective and endeavouring to point out certain aspects of the question regarding which further detailed consideration is desirable. The Government of India are consulting the local Governments with the object of filling in, so far as possible, the gaps in their information and of obtaining the local Governments' views as to the best method of further enquiry. There are, however, as is natural, a large number of questions on which the Imperial Bank will be able to supplement the information in the possession of Government and to offer useful advice. The matters dealt with in the following paragraphs are of this nature. They are not intended to be exhaustive and the Government of India would welcome any suggestions and advice both on these and other points which the Imperial Bank may be in a position to give.

3. One question, which is referred to in paragraph 10 of the Report of the External Capital Committee is the extension of the activities of existing banks and the creation of new branches of the Imperial Bank with the object of increasing the facilities for deposit and investment. The Committee recognize that in view of the recent rapid extension of the Imperial Bank the ground acquired will have to be consolidated before a further advance becomes possible, but they suggest that a comprehensive enquiry might be instituted to ascertain the localities in which such extensions will offer prospects of success. The Imperial Bank has, no doubt, already made a careful examination of this question, and the Government of India would welcome their views as to the desirability and possibility of a further extension of their branches. In this connection two important questions arise. First, the desirability of avoiding undue competition with existing Joint Stock Banks and second, the possibility of co-ordination with the indigenous banking system of the country. The question of competition with existing banks leads up to the question of increasing the facilities for transfer of funds. The Government of India recognize that the Imperial Bank has recently improved the facilities which it offers by reducing the charges made to banks for transfer of funds wherever there is a head-quarter treasury. The Government of India would be glad to learn the results of this change and the possibility of any further extension of the facilities for transfer of funds through the agency of the Imperial Bank for banks or for the public. In this connection suggestions for improvement of the system of remittance through supply bills remittance transfer receipts, bank post bills and telegraphic transfers through currency might be considered. It is understood that the Imperial Bank is already considering the possibility of certain modifications in procedure under some of these heads. In the same paragraph of the External Capital Committee's Report they suggest an enquiry into the possibility of creating new clearing houses. On this point the Government of India would welcome the views of the Imperial Bank and also on the question whether in up-country markets, where indigenous banks are of greater importance than in the Presidency towns, it might be possible to extend the privileges of the clearing houses to private banks of suitable status. It is not known what facilities exist at present for clearing the cheques of private firms up-country, and on this point the Imperial Bank will be able to elucidate the position. It might also be worth considering whether a scheme could be devised for the clearing of cheques between the various clearing houses.

4. Another important aspect of the question is that of improving the transferability and marketability of Government securities. Under this head the Government of India would welcome any suggestions whether in the direction of improving the legal characteristics of Government securities, particularly promissory notes, or of

improving the machinery for the transfer of securities from one local head office of the Bank to another, or of modifying the system of accounts in the Public Debt Offices, so as to facilitate the opening of fresh Public Debt Offices in addition to those at Calcutta, Madras and Bombay, should this be considered desirable. The object of the last suggestion is, of course, the creation of local markets for Government securities and the development of local stock broking which might lead to the development of stock exchanges dealing also in industrial securities. The Government of India would also welcome any suggestions of the Imperial Bank for the development of investment through such agencies as Savings Banks and Post Office Cash Certificates.

5. I am also to refer to paragraph 15 of the Report of the External Capital Committee, which deals with the development of the use of negotiable instruments. On this subject the assistance of the Imperial Bank will be most valuable, and their attention is specially invited to the suggestions made in paragraph 28 of the Hon'ble Finance Member's address. As stated in paragraph 26 of that address, the position created by a recent decision of the Bombay High Court regarding Hundis is already under the consideration of Government.

6. Finally, there is the important question of banking education in India. The Government of India are aware that the Imperial Bank have under consideration the possibility of forming an Institute of Indian Bankers and its co-ordination with similar authorities in England. They would be glad to be kept in touch with any development in this connection.

Serial No. 2.—LETTER TO ALL LOCAL GOVERNMENTS, No. D-5121-F., DATED THE 22ND DECEMBER, 1925.

I am directed to forward for the information of the Government of Madras, etc., two copies of the Report of the External Capital Committee, 1925, and of an address recently delivered by the Hon'ble Finance Member on Indian Banking and Monetary Progress. I am also to enclose copy of a letter which has been addressed to the Managing Governors of the Imperial Bank of India. As stated in that letter, the Government of India are anxious, in the first place, to supplement their information on the various subjects connected with the development of banking, so as to provide material for a survey of the whole field as suggested by the External Capital Committee. The Government of India will welcome any information or suggestions which the local Government is in a position to offer with regard to the preparation of this survey. Their views are further invited on the question of the best method of subsequent procedure, whether by the appointment of a Committee, or Committees to deal with special problems, or otherwise in order to carry out, so far as possible, the recommendations of the External Capital Committee.

Serial No. 3.—LETTER FROM THE MANAGING GOVERNORS OF THE IMPERIAL BANK OF INDIA, DATED THE 8TH JANUARY, 1926.

We have to acknowledge receipt of your letter No. D-5121-F., of 22nd ultimo forwarding two copies of the Report of the External Capital Committee, 1925, and of an address recently delivered by the Hon'ble Finance Member on Indian Banking and Monetary Progress, for which we thank you.

The subject is one which is naturally of great interest to us and we shall be pleased to do everything we can with the machinery at our disposal to further the enquiries which are being made and to assist any Committee or Committees which may be formed.

The various questions raised in your letter under acknowledgment are being examined and a detailed reply thereto will be sent to you in due course.

Serial No. 4.—LETTER FROM G. T. BOAG, Esq., I.C.S., SECRETARY TO THE GOVERNMENT OF MADRAS, FINANCE DEPARTMENT, No. 165, DATED THE 22ND FEBRUARY, 1926.

Development of Banking in India.

Reference, letter from the Government of India, Finance Department, No. D-5121-F., dated the 22nd December, 1925.

In their letter referred to above, the Government of India ask :—

- (1) for any information or suggestions, which this Government are in a position to offer with regard to the preparation of a survey of the whole field of Banking in India; and
- (2) for suggestions, as to the best method of subsequent procedure, whether by the appointment of a Committee or Committees to deal with special problems, or otherwise, in order to carry out, so far as possible, the recommendations of the External Capital Committee.

2. I am directed to state in reply that the Government of Madras would assure the Government of India that they fully recognise the importance of the subject mentioned in the letter and are prepared to give every assistance in their power to the suggested enquiry.

3. I am also to state that in the opinion of this Government the most satisfactory method of exploring the question would be by appointing a strong practical committee composed of banking and business experts, which should deal with special conditions in particular provinces by co-opting for each province, as it is visited, members with special knowledge of the conditions and problems existing there, and that any points which seem to require separate scrutiny should be examined by sub-committees which should also have the power of co-option. When this committee has framed a detailed questionnaire, this Government will afford it every help by placing it in touch with individuals or bodies capable of assisting it. This Government would point out that in this Presidency they are not officially brought into direct contact with the technical side of banking organisations, although they are naturally concerned with the general question as affecting the economic life of the people.

4. As regards question (1) in the Government of India's letter, the Government of Madras regret that they have no special information at their disposal outside the usual channels, such as the annual reports in the case of the European and larger Indian Bankers. Even this information is lacking in respect of the elaborate and extensive banking operations carried on by such agencies as Marwaries and Nattukkottai Chetties. As regards these indigenous banking systems, the Income-tax department is no doubt in a position to furnish a great deal of valuable information as to their methods and the extent to which they assist in the financing of the trade, commerce and agriculture of the country. The Local Government are, however, no longer in administrative control of the Income-tax department, and the Government of India can with more propriety obtain directly from their own officers such information as can be made available.

5. This Government fully recognise the importance to this country of diverting its hoarded wealth into profitable channels of investment, and would welcome any enquiry which had this object in view.

LETTER FROM V. S. SUNDARAM, ESQ., UNDER SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, (CENTRAL REVENUES), TO ALL PROVINCIAL GOVERNMENTS, C. No. 24-STAMPS/26, DATED THE 13TH MARCH, 1926.

Proposal to reduce the one anna stamp duty on cheques.

I am directed to refer to Mr. McWatters' letter No. D-5121-F., dated the 22nd December, 1925, regarding the report of the External Capital Committee. The question of reducing the stamp duty on cheques was not definitely referred to in that letter, but the question has now been raised in the Council of State by the Hon'ble Mr. P. C. Sethna and in reply to his question on the subject it was stated that the Government of India would consider the matter in connection with the report of the External Capital Committee. The Hon'ble Mr. Sethna also gave notice of a Resolution in the Council of State recommending a reduction in the rate of stamp duty from one anna to half an anna, but owing to the Hon'ble Member's absence the Resolution will not now be moved.

2. From figures which have been obtained by the Government of India from the local Governments, the amount of the stamp duty obtained from embossed stamps

on cheques has been ascertained to be in the neighbourhood of 7 lakhs a year. The details supplied by the various Provinces are given below:—

Provinces.	Stamp duty on cheques.	Stamp duty on cheques.
	1923-24	1924-25
	Rs.	Rs.
Madras	77,048	69,252
Bombay	2,41,000	2,50,000
Bengal	2,60,614	2,28,017
United Provinces	48,045	43,477
Punjab and North-West Frontier Province	35,354	35,595
Burma	45,000	46,000
Bihar and Orissa	981	4,526
Central Provinces	7,336	6,100
Assam	1,078	1,081
Total	7,16,451	6,83,998

There is good reason to believe that the number of cheques stamped with unified stamps is negligible. The above quoted figures indicate that the use of cheques in India is still on a relatively small scale, and it appears to the Government of India a matter for serious consideration whether the rate of duty should not be reduced as suggested by the Hon'ble Mr. Sethna with the object of popularising their use and extending banking habits. It is true that in England in 1918 the stamp duty on cheques was raised from one penny to two pence, but a perusal of the report of the debate in the House of Commons on that occasion shows that this proposal met with more active opposition than perhaps any other in the Budget of that year, and Mr. Bonar Law in defending it definitely stated that his reason for going on with the proposal was that the use of cheques had become so established in England and their convenience was so generally recognised, that it was unlikely that the increased duty would have any effect in reducing the number of cheques used. He added that if he had any fear that their number would be reduced, he would not proceed with the proposal. The position in India is entirely different, where the advantages and convenience of the use of cheques are still imperfectly recognised.

3. The Government of India would call attention to the fact that in 1921 the question of increasing the stamp duty on cheques in India was raised both by the Committee appointed by the Government of Bengal and by the Bombay Government, but that on further consideration the proposal was dropped with the agreement of all Provincial Governments, since it was felt that it would constitute an interference with the development of banking. The question, however, of reducing the existing rate has not hitherto been considered.

4. The view of the Government of India is that the proposal to reduce the rate of stamp duty on cheques is one which deserves careful consideration. They have not sufficient data to decide whether the existing rate of stamp duty actually constitutes an obstacle to the development of banking habits, but if it does so, they consider that this is undesirable in the best interests of India and think that a reduction to 1 anna might be a valuable step forward as well as a valuable proof of the Government's earnestness in desiring to encourage the banking habit. If the reduction of the duty were to result in popularisation of the cheque system, it is possible that reduction in the rate of duty would not in the long run lead to a loss of revenue to

Provincial Governments, to whom this revenue of course belongs. The Government of India, however, would not be in favour of any suggestion to abolish the duty altogether, as was originally suggested by the Hon'ble Mr. Sethna. It is true that in the United States of America there is no stamp duty on cheques, but it is believed that banks in that country find means to protect themselves against the excessive use of cheques for petty sums, which naturally would throw considerable extra work on the banks and would tend to clog the machinery of the Clearing Houses. The Government of India would deprecate the introduction into India of any such vexatious restrictions.

5. I am therefore to request that the Government of India may be favoured with the views of His Excellency the Governor in Council on this question.

Serial No. 5.

Copy forwarded to the Finance Department, for information.

Serial No. 6.—LETTER FROM MILES IRVING, Esq., O.B.E., I.C.S., SECRETARY TO GOVERNMENT, PUNJAB, FINANCE DEPARTMENT, No. 11240-F., DATED THE 6TH APRIL, 1926.

I am directed to reply to your letter No. D-5121-F., dated the 22nd December, 1925, and to say that the Governor in Council agrees with the view expressed by the External Capital Committee, that an early examination of the various subjects connected with the development of banking is most desirable.

2. With regard to the question of procedure, the Governor in Council would suggest to the Government of India the desirability of convening a meeting of bankers composed of representatives of the Imperial Bank, Joint, Stock, Exchange and Indigenous Banks and of the Co-operative Organisation, and of ascertaining their views regarding the necessity and scope of the preliminary survey. If the members were not in a position, from their own knowledge, to make specific recommendations, they would be able to make definite suggestions—preferably in the form of a questionnaire—as to what further information was required in order to provide material for a comprehensive survey if they considered such a survey to be necessary. Local Governments might be then addressed with a view to applying the information suggested by the questionnaire. The Governor in Council, however, is inclined to the view that the information which the members themselves could supply would obviate the necessity of the preliminary survey, and would enable the Government of India after obtaining the views of Local Governments if this were considered necessary to decide the form which the detailed enquiry or enquiries should take.

Serial No. 7.—LETTER FROM K. M. PURKAYASTHA, Esq., M.A., SECRETARY, INDIAN CHAMBER OF COMMERCE, No. F-5/26, DATED THE 31ST MARCH, 1926.

I am directed by the Committee of the Indian Chamber of Commerce to refer to paragraphs 9 to 16 of the report of the External Capital Committee published in October last year, in which after briefly indicating several directions in which Indian banking and credit organisation are in need of advance and development, the Committee record a general recommendation "that the first step required is the collection of accurate and up-to-date information of the progress so far made and a comprehensive survey of the whole field which we suggest should be undertaken by Government without delay", and that such general survey should be followed by a Commission composed of experts. The subject was referred to in course of a debate in the Council of State on the 10th March and it appears that an enquiry is being conducted through official agency and that the question of the appointment of a Commission for undertaking a comprehensive investigation will be considered when the recommendation of the Currency Commission and the Agricultural Commission in regard to the banking issues arising in the course of their investigations become available. But the Indian banking problem is of so important a character and of such far-reaching significance and the issues involved are of so technical a nature that a mere departmental enquiry could hardly lead to fruitful results. The problem requires for its solution a wide study and critical appreciation, both of the facts of the Indian industrial and economic life as also of the history of banking development in other countries and it is the considered opinion of the Committee of the Indian Chamber that a Commission of experts should be appointed forthwith and that the compilation of such data as are being made departmentally at present should be left to the Commission itself or at any rate should be undertaken under the direction and supervision of the Commission.

2. The record of banking progress in this country is a pitiable one. The existing banking facilities are inadequate, unsatisfactory, inelastic and altogether unsuited to the country's needs and requirements. The only branch of banking in which any progress worth mentioning has been made is commercial banking. All other aspects of banking have either been neglected or proved failures or achieved meagre results. Exchange banking is entirely in the hands of banks of foreign origin. Industrial banking ended abortive. Experiments on a very restricted scale are being conducted in Madras and Burma in regard to land mortgage banking. Banking facilities for agriculturalists through any property organised agricultural bank are unknown except for such relief as the co-operative banks have been able to afford on a modest scale; and even the progress achieved by the latter has been both slow and chequered. Lastly the problem of a State or Central Bank remains unsolved to this day, as the Imperial Bank of India is but a poor substitute-handicapped by its very constitution and the manner of its growth in discharging the functions of a banker's bank. In fact, it has been growing day by day into a powerful menace to the welfare and growth of the Indian Joint Stock Banks.

3. The most vital progress required in Indian banking is the enlargement of working capital. On the 31st March, 1925, the deposit of the Imperial Bank both on public and other account was 102 crores of rupees; the deposit of the same date of the four principal Indian banks was 41 crores of rupees and of the five Anglo-Indian Exchange banks £103 millions. A large part of the working capital of the Exchange banks is located outside India; on the other hand there are a number of small banks whose deposits even though small have been neglected in this computation. In any case, it would probably be safe to estimate that the working capital employed by the Indian banks including the Government balance would not exceed 250 crores of rupees. The figure arrived at is entirely a rough one but would nevertheless provide an instructive data for comparison with the corresponding figures of other countries. The total deposit of Japanese banks at the end of 1924 was 72,000 million yens, the total deposit of Canadian banks on 31st July, 1925 was 2,227 million pounds and the deposit of the Australian and New Zealand Banks on 31st March, 1925 was 339 million pounds. The Committee of the Chamber do not desire to examine further these figures in the light of population statistics; as they feel the inference can be obviously drawn on the basis of these data alone that at present in India only a small part of the current income of the community flows into the banks. To stimulate a habit of deposit in the people, to inspire confidence in the banking system, to multiply the number of banking organisations and thus on a basis of enlarged cash resources, to build up a superstructure of sound and elastic credit—that is the first problem of Indian banking.

4. After a careful study of the facts, special legislation will have to be undertaken to protect and strengthen the credit of the banking institutions. The question will also require an examination as to how far it is necessary to provide for a grant of special charters to particular institution or how far it may be necessary to inaugurate a system of national or provincial banking with the share capital either fully or partially provided or guaranteed by the Government. The working of the Imperial Bank will have to be carefully investigated to ascertain how far it is likely to meet the needs of a Central Bank under a reformed banking system and in its default, proposals will have to be adumbrated for the inauguration of a federal reserve banking system which, with the privilege of a note-issuing monopoly, shall lend elasticity to the monetary system and as depository of the ultimate reserve of the entire banking system shall co-ordinate and pool the resources of the whole community. It will also have to be ascertained what changes would be required in the privileges now enjoyed by the foreign exchange banks in this country so as to ensure proper safe-guarding of Indian business interests and Indian co-operation in working, how far and in what directions the co-operative banks may be strengthened, on what basis agricultural banks and land mortgage banks ought to be inaugurated, so as to bring banking facilities to the door of the rural population as also of the middle-classes in up-country urban areas and how the inauguration of industrial banks which will not brook of any delay is to be effected. The Committee do not wish to anticipate how far the developments herein indicated might involve beginning with a clean slate but even recognising the limitation under which a too sharp reform of the banking system is practicable, there are measures which can be adopted as temporary expedients without any violent changes in the existing system. In the first place, the competition of the Imperial Bank with the Joint Stock Indian banks which is being experienced in many respects must be reduced. It may be possible to strengthen the position of Joint-stock banks by placing on deposit a certain part of the Government Balance with these banks. Similarly steps may be taken to recognise the branches of the Joint-stock banks as Government Treasurers in places where the Imperial Bank has no branches. Lastly,

the Imperial Bank may adopt a policy of encouraging dealings with the public through the agency of the Joint-stock banks. Such a policy will serve a double useful purpose; it will better safeguard the Imperial Bank against its risk of investment and secondly, the Joint-stock banks through whose agency the business is transacted acquire a position of increasing credit in public estimation.

5. If the Imperial Bank has thus to strengthen the hands of the Indian Joint-stock banks, the latter will have to strengthen the hands of the shroffs or indigenous bankers. A fact which handicaps the mobility of banking capital from one place to another and which may be referred to in this connection is the high commission charged by the banks in collecting cheques drawn on other stations. The commission charged by the Imperial Bank is heavy and that by other banks is only trifling less heavy but this is comparatively a minor aspect of the question. In Great Britain and United States of America the creation of an open money market lends particular mobility to the monetary resources. This market consists in discounting the self-liquidating trade bills brought to the commercial banks by the innumerable bill brokers and discounting houses. In India except in respect of foreign trade the corresponding facilities offered by the open money market in England and America particularly with regard to the financing of internal trade are almost entirely absent. A very necessary development of the Indian banking system lies through its evolution of such an open money market so that the merchants may be financially relieved by an extended use of the credit instruments. It is no doubt true that trade bills are discounted to a limited extent by commercial banks but in the absence of re-discounting facilities from the central banking institution as there exist in Great Britain or United States of America, such discounting business is on a very much restricted scale. Signal service was in this direction hitherto being rendered by the shroffs and other indigenous bankers who grant accommodation to the merchants against hundis. But even this extremely useful and resourceful activity of the indigenous bankers has a tendency to be materially curtailed in recent years. The Exchange banks which used to borrow money from abroad to finance the foreign trade in the country have now been relying more and more on the local market; with the result that the resources which until recent years were available to finance the movement of internal trade are now being exploited to benefit foreign trade entirely. The Committee of the Indian Chamber cannot stress too much on the necessity of developing the indigenous banking system, as a part and parcel of the open money market as it exists in Great Britain or in U. S. A. Under the present system the shroffs grant accommodation to merchants on hundis which in a very large number of instances are substitutes of the internal trade bills, the accommodation required being for financing actual commercial transactions. These hundies resemble in a very large measure the single-name American "Commercial papers" which are freely discounted by the American Commercial banks. In the absence of such adequate facilities for discounting, accommodation available in this country for merchants from indigenous bankers is naturally restricted. If, however, under a developed system of Indian banking the commercial banks were to freely discount the internal trade bills or advance money to the indigenous discounting houses to finance their operations much of the existing financial strain on the merchants would have been relieved. Besides, the great service rendered to the domestic trade, the creation of an open money market will have the additional merit of stabilising the money rates and lending liquidity to the resources of the commercial banks.

6. The question of agricultural credit has been receiving great attention in recent years in New Zealand and in Great Britain and in the latter country only recently the report of Mr. R. R. Enfield published by the Ministry of Agriculture formulates important proposals. With regard to the establishment of a Central Loan Bank based on the American and German model as also the liberal grant on the part of the commercial bank of overdrafts for agricultural purposes. The weakness of the British banking in its total absence of facilities for long term investments is also inherent in the Indian system. In Japan and Germany a special type of Credit Institution had been evolved which advance money for long periods to industrial undertaking on hypothecation of capitalised assets, stock-in-trade and sometimes without any security collateral or otherwise. The Hypothetic Bank of Japan which was established in 1897 is now at the head of 27 industrial and agricultural banks of Japan carrying on business in different prefectures. The total advance of these institutions of the Hypothetic Bank at the end of 1924 was over 1,000 million yens or exchanged at the rate of mint per over 125 crores of rupees. The whole of this amount represents a long term industrial and agricultural investment.

7. These are some of the salient features of the Indian banking problems which the Committee of the Indian Chamber have thought fit to bring to the notice of the Government of India, their object being to bring out the vastness of the issues

involved in any examination of the problems. They suggest therefore that, instead of a departmental enquiry as is being carried on at present, a Commission to enquire into the whole question of banking development and organisation of credit facilities be appointed at an early date with the widest terms of reference. The importance of such an investigation cannot be overstated having regard to the fact that an enquiry into the banking problems has long been overdue. No further time should not be lost in opening the suggested Commission of enquiry. The compilation of such data as are being departmentally made at present could be left to the Commission itself or at any rate could be undertaken under the discretion of the Commission after it has been appointed. The Committee of the Chamber strongly disapprove the suggestion that an enquiry into the banking problem should be deferred till the Royal Commission on Indian Currency or the forthcoming Royal Commission on Agriculture have completed their labours. The primary subjects of investigation to be carried out by these Commissions are entirely different and they might at best touch a fringe of the issues which are likely to be raised by the proposed Commission to investigate banking problem. Besides, a problem like the note issue which is being examined by the Currency Commission with a view to find out whether, and if so, on what conditions the note issue is to be handed over to the Imperial Bank can be settled in a definite and final manner only when such defects as exist in the present constitution of the Imperial Bank have been removed. Once the Imperial Bank has been placed on a satisfactory footing and on a basis acceptable to public opinion and useful for the purpose for which it is intended, there will be time enough to consider if and how the note issue is to be managed by it. The present attitude of the Government may well be described as putting the cart before the horse. In the same way no definite recommendations regarding co-operative banks, land mortgage banks and agricultural banks which the Agricultural Commission can make will have any meaning or significance until and unless the main banking problem of the country has been understood and a solution found. The general outline has to be fixed up before details can or need be filled in. For these reasons, and for the additional but emphatic reason that the country is passing through terrible upheaval and industrial stagnation which requires urgent and immediate relief through a well developed system of banking amenities, the Committee urge the appointment at the earliest possible moment of a Royal Banking Commission and trust that in regard to the *personnel* of such a Commission, the Government will see to it that there is a majority of Indian Members under the Chairmanship of an Indian business man.

(Acknowledge.)

Serial No. 8.—LETTER FROM G. P. HOGG, ESQ., I.C.S., SECRETARY TO THE GOVERNMENT OF BENGAL, No. 4-T.A.I., DATED THE 16TH APRIL, 1926.

I am directed to submit herewith for the information of the Government of India an extract from the proceedings of a meeting of the Advisory Board of Industries, Bengal, held on 5th January, 1926 on the subject of a recommendation made by the External Capital Committee, 1925, to the effect that a comprehensive co-ordinate survey of the whole field of banking should be undertaken at the earliest opportunity.

Proceedings of the 9th meeting of the Advisory Board of Industries, Bengal, held at No. 40/1.A., Free School Street, Calcutta, at 11 a. m. on Tuesday the 5th January, 1926.

PRESENT :

- Dr. D. B. Meek, M.A., D.Sc., O.B.E., Director of Industries, Bengal, *Chairman*.
- The Hon'ble Sir William Currie, Kt., M.L.A.
- D. P. Khaitan, Esq., M.L.C.
- P. N. Banerji, Esq.
- Rai Jamini Mohon Mitra Bahadur, *Registrar of Co-operative Societies*, Bengal.
- A. T. Weston, Esq., M.Sc., M.I.C.E., M.I.E., (Ind.), Deputy Director of Industries, Bengal, *Secretary*.

5. Mr. Khaitan moved that the Board should urge for early action on the recommendation of the External Capital Committee to the effect that a comprehensive co-ordinated survey of the whole field of banking should be undertaken. The Board attached great importance to this recommendation and desired that Government should be pressed to take early steps in the matter.

Serial No. 9.—LETTER FROM THE MANAGING GOVERNORS OF THE IMPERIAL BANK OF INDIA, No. 1432, DATED THE 27TH APRIL 1926.

In reply to your letter No. D-5121-F. of the 22nd December last we have the honour to advise you as follows :—

1. *Extension of Banking Facilities in India.*

(a) *The desirability and possibility of a further extension of Branches of the Imperial Bank of India.*—During the past five years the possibilities of practically every place of any size or importance in India and Burma have been explored with a view to establishing a Branch of the Bank in such place; and to complete the tale of 100 New Branches we have had to open in a number of towns where the prospects of the Branch ever paying its way are remote. It is doubtful if it will be possible, in the near future, to increase the number of such branches to any appreciable extent and any extension for the present must therefore come through an increase in the number of Pay Offices and Outstations: such Offices can be run at a small cost as there are no Currency Chests, with their large cash balances, to be responsible for and a less expensive staff can be employed. The working of these Pay Offices and Outstations will furnish us with valuable data upon which to work when the time for a further advance in Branch development arises.

(b) *The desirability of avoiding undue Competition with existing Joint Stock Banks.*—There are now very few places where a Joint Stock Bank is established and the Imperial Bank of India is not represented: our development has therefore undoubtedly restricted the immediate field of development open to joint stock Banks. This is a matter for regret but the withdrawal of the banking facilities now provided by us with no certainty of Joint Stock banking development on a more rapid scale than has occurred in the past, would be even more regrettable. The result of our opening Branches at places where Joint Stock Banks were already established has generally been an all-round drop in rates to a more reasonable level and to that extent the Joint Stock Banks have suffered by our competition but it is not, nor ever has been, the Bank's policy to drive out such Banks by reducing rates below a fair and reasonable level. The Joint Stock Banks are free from the restrictions which the Imperial Bank of India Act puts on the business the Bank can undertake and this, in itself, is of considerable advantage to them when competing with us for business.

(c) *Transfer of Funds.*—Towards the end of 1924 the charge to Banks for the transfer of funds wherever there is a headquarters treasury was fixed at 1/32 per cent. The total transfers taken by Banks for the years 1923 to 1925 inclusive were as follows :—

	Rs.
1923	26.40 lacs.
1924	31.42 "
1925	62.00 "

from these figures it is clear that the arrangement has greatly facilitated the transfer of funds by banks.

We have no suggestions to make for improvement of the system of remittance through supply bills, etc., the present arrangement under which the Bank issues telegraphic transfers and demand drafts at low rates, coupled with the Government supply bill system and the ordinary bazar demand hundi, would appear to fill the Country's requirements for remittance facilities and we are not aware of any pronounced demand for improvements in such facilities as are available.

(d) *The possibility of Co-ordination with the indigenous Banking System of the Country.*—The indigenous banking system of the Country is carried on by the Shroffs, Sowcars and Chettians and, from the Western point of view, is more in the nature of

money-lending than banking. The mainstay of Western Banking, the current account with cheques freely drawn thereon, is almost entirely absent and although deposits are taken the proportion they bear to the firm's total assets are usually small as compared with those of a Bank working on Western lines. At present our relations with the indigenous Banker are confined to granting facilities for remittance and financing him by discounting or rediscounting his bills and granting him advances in other ways. The business we carry on with these indigenous Bankers and Money-Lenders is very considerable and it is a business which it is our policy to encourage and develop.

2. Clearing Houses.

(a) *The creation of new Clearing Houses.*—The Bank is desirous of encouraging wherever possible the establishment of Clearing Houses and this question is one which we have constantly before us.

Clearing Houses are established in Calcutta, Bombay, Madras, Rangoon, Cawnpore, Delhi, Lahore, Simla, Karachi, Colombo and Ahmedabad and we have in view the establishment of Clearing Houses at Amritsar, Rawalpindi and Peshawar as soon as the volume of business at these places will justify this step being taken.

A Clearing House is an arrangement between Banks for mutual convenience in dealing with cheques and other negotiable instruments and the advantages to every Member of a Clearing House are so considerable that it may be accepted that wherever local conditions make it desirable and possible a Clearing House is already in existence.

It may therefore be granted that Clearing Houses are established more or less automatically whenever the volume of cheques dealt with assumes proportions which justify their formations but it must not be forgotten in this connection that Clearing Houses are brought into existence as the result of the growth of the banking habit and the use by the Public of Cheques and that they do not in themselves foster the Banking habit nor does their establishment tend to increase the number of cheques used by the Public.

At many places where no Clearing House is established a system of Clearing exists by means of cheques on the Imperial Bank being given in place of actual cash in payment of the balance due between Banks established in the place.

(b) *The possibility of extending the privilege of the Clearing House to Private Banks of suitable status.*—By "private" Banks any concern doing Banking business other than the Imperial Bank is presumably meant. So far as the Joint Stock Banks are concerned it may be said that every Bank of Suitable status is already a Member of any Clearing House established at the place at which it transacts business. Membership of a Clearing House has always been regarded amongst Banks as a very valued privilege and has almost invariably been restricted to Banking Houses of the highest integrity and financial standing: because the Members of the House exchange their holdings for settlement at a future time and if any Member were to default before settlement the other Members would stand to lose their differences but in their own interests Members desire that all eligible Banks of the proper standing should join the Clearing House. As regards shroffee firms and business houses doing a Banking business it is the fact that the volume of the cheques which passes through their hands does not justify a claim to join the Bankers' Clearing House: they are seldom drawn upon by cheque and rarely keep large enough cash balances to meet demands upon them with the promptness which is a prime essential in the Clearing House. Such parties may desire to belong to the Clearing House in order to enjoy the prestige such membership confers, but we would mention that there are many Banks of the highest standing in London who are not members of the Clearing House.

(d) *Facilities for Clearing cheques on private firms upcountry.*

The number of such cheques is almost negligible. If, as is usually the case, there is a Branch of the Imperial Bank or a Joint Stock Bank at the place on which they are drawn they are collected through such Bank: otherwise they are sent direct to the drawees who remit by their own cheque on a Clearing Bank or by cash.

(e) *Clearing of Cheques between the various Clearing Houses.*—Cheques drawn on towns at which Clearing Houses are established and paid in to Banks situated in other towns in which Clearing Houses are also established are not as a rule cleared through the Clearing House at the latter place but are sent direct to the receiving Bank's Office or Agents in the Towns at which they are payable and cleared by such Office or Agent: this is the most expeditious method of dealing with such cheques.

The transferability and Marketability of Government Securities.

(a) *Improved Legal Characteristics.*—The chief legal characteristic of a Government Promissory Note which concerns the Public is that of endorsement: endorsements on Government Promissory Notes are governed by the Negotiable Instruments Act and therefore a forged endorsement conveys no title to subsequent holders, though they may be holders in good faith and for value. This characteristic must obviously operate as a check on the ready marketability of Government Promissory Notes but at the same time it affords a considerable measure of protection to holders against loss through theft. If investors want absolute security from theft they can hold their investments in the form of Stock Certificates or if they require ready marketability they can hold them in the form of Bearer Bonds: the fact that both these forms are comparatively neglected goes to prove that what the investing public require is ready marketability so far as this is compatible with protection against loss: this the Government Promissory Note in its present form provides and we do not advocate any change therein.

There are, at present, restrictions on the form in which certain endorsements may be accepted by the Public Debt Offices; it is, of course, desirable to simplify the rules regulating endorsements, as laid down in Chapter V of the Government Securities Manual, so far as this can safely be done and as there appears to be scope for further improvement in this direction we propose to take the matter up with the Controller of the Currency in due course.

(b) *Improving the Machinery for the transfer of Securities from one Public Debt Office to another.*—There appears to be room for improvement in this matter also and the Superintendents of the Public Debt Offices are being instructed to submit proposals, which will be duly discussed with the Controller of the Currency.

(c) *Establishment of New Public Debt Offices.*—The establishment of additional Public Debt Offices is, in our opinion, desirable from many points of view: business in Government paper of all sorts would be facilitated and work in the existing Public Debt Offices decentralized. We consider that there should be one each in Rangoon, Karachi, the Punjab and the United Provinces or, as a compromise, a Public Debt Office in Delhi, working in conjunction with the Deputy Controller of the Currency, Northern India, to serve both the latter Provinces. Any New Public Debt Office opened should not have full powers from the beginning, but its initial duties should be confined to the following business:—

1. Payment of Interest.
2. Enfacement and re-enfacement.
3. Renewal, sub-division and consolidation of Government Paper.
4. Management of Provincial Loans; it is distinctly anomalous that the Public Debt Office for the Punjab and United Provinces Governments should be in Calcutta.

The above business meets most of the Public requirements; issue of Stock certificates and New loan work might be given at a later date. The opening of new Public Debt Offices on the above lines would not, we understand, necessitate any modification in the present system of accounts.

(d) *Establishment of New Stock Exchanges.*—The only two important Stock Exchanges in India are Bombay and Calcutta and business flows to these two markets even from centres which have exchanges of their own; in fact experience shows that it is easier to deal in good Rangoon and Madras securities in Bombay and Calcutta than it is in their local markets.

Operators go where they are most likely to find what they want and will continue to do so until the natural growth of their local exchanges provides them with an active market at their door. As the investment habit grows it will become possible to establish new exchanges and it will be our policy to give their creation every encouragement but we are unable to suggest any centre at which an exchange could with any prospects of success be established at present. We understand that a recent attempt to create a stock exchange at Lahore was a failure.

(e) *Improving the Popularity of Government Loans.*—A factor which adversely affects the popularity of Government Loans in the country is the difficulty and delay in obtaining payment of interest at Government Treasuries and we are of opinion that the Bank's Branches would do the business much more efficiently and with great benefit to holders and a corresponding increase in the popularity of the paper.

We have also in view a step which should tend to popularize upcountry Government Loans as investments; at present purchase and sale orders have to be sent to one or other of the Local Head Offices for disposal but we now propose to keep a stock of clean paper at some of our larger branches and to authorise the respective Agents to deal in Government Securities to a limited extent.

The Development of Investment through such Agencies as Savings Bank and Post Office Cash Certificates.—In this connection we are of opinion that the existing facilities are sufficient and we have no suggestion to make regarding their improvement.

Banking Education in India.—The formation of an Indian Institute of Bankers is at present under consideration and Sir Norcot Warren is taking advantage of his visit to England with the Royal Commission on Indian Finance and Currency to discuss certain matters with the authorities of the English institute. One of the avowed objects of the new Institute will be the spread of banking education amongst its Members. We are ourselves providing education in practical banking under our scheme for training Probationary Assistants with a view to their eventually qualifying for the higher appointments in the Bank.

The Development of the use of Negotiable Instruments.—This is a matter which requires serious consideration and on which we will address you separately at a later date.

Serial No. 10.—LETTER FROM M. C. MCALPIN, Esq., C.I.E., I.C.S., OFFG, SECRETARY TO THE GOVERNMENT OF BENGAL, FINANCE DEPARTMENT, NO. 343-T. F., DATED THE 15TH MAY 1926.

SUBJECT:—*Survey of the field of banking in India and measures for its development.*

I am directed to refer to Mr. McWatters' letter No. D-5121-F., dated the 22nd December 1925, on the above subject and in reply to make the following observations:—

2. The Governor in Council is of opinion that the survey of the field of banking should be conducted on the ordinary lines where the object is to acquire information, that is, by the appointment of an All-India Special Office with the necessary assistants, the formulation of a questionnaire in the shape of an exhaustive list of questions, and the collection and collation of the replies to this questionnaire by the Special Officer and his assistants. They would probably deal direct with the exchange banks, etc. This Government, however, would be prepared to render as much assistance to the Government of India as possible in the way of requesting officers of the Co-operative Department, District Collectors as far as they are concerned technical questions with which they are not concerned might be starred. University professors, private individuals interested, etc., to supply replies to the questionnaire and generally to help in the enquiry. It is presumed, however, that the assembling of the results would be done by the All-India staff.

3. The Governor in Council deems it expedient to lay down the condition that no inquisitorial enquiries should be made where such would be expected to be unwelcome. Also the Government of India may consider it necessary to ask the Income-tax Department to supply them with information on the subject. In that case no enquiry should be directly made by the officers of that department as it may give rise to the impression that such enquiries are being made with the intention of assessment of income-tax.

4. As regards the information asked for by the Government of India, I am to forward a copy of a note recorded by the Registrar, Co-operative Societies, Bengal, on this subject and to suggest that the following particular points should be enquired into—

- (1) the methods now employed for exchange of funds;
- (2) the extent to which money flows from the European market to the native market and *vice-versa* and how far one is dependent on the other for the supply of funds; and
- (3) to what extent the money utilised in agriculture goes to assist trade and commerce and *vice-versa*, and how far it will be possible to establish direct relationship between the financing of trade and commerce and the financing of agriculture.

5. Lastly, I am to say that this Government have no comments to offer at present on the question whether the subsequent procedure for carrying out the recommendations of the External Capital Committee should be conducted through the medium of a Committee or Committees to deal with special problems. It should, in the opinion of this Government, be left open pending the results of the survey.

Indigenous banking in Bengal is carried on by Bhatias, Marwaris, Chetis and Bengalee family firms, such as Hathkholā Dutta and Bhagyakhul Zamindars. In Bengal the business of Bhatias and Chetis is confined to Calcutta and they seldom have branches in mofussil stations. The Marwaris on the other hand have branches in mofussil and independent Marwaris without head office in Calcutta have often settled down at distributing centres in the mofussil.

2. Capital of these bankers is derived from private funds, borrowings in the shape of short loans by hundis either from another banker or from a joint stock bank. The indigenous bankers of Calcutta do not as a rule accept deposits from the public, though they, particularly the Marwari bankers, accept deposits from members of their own community. Their confrères in the mofussil do very often accept deposits from the public and issue deposit passbooks and cheques. The ordinary Marwaris, Bhatias and Chetis do not like to deposit their surplus funds in the Imperial and Exchange Banks. In fact they prefer to deposit amongst themselves instead of making use of the Imperial and Exchange Banks for depositing their surplus, as these banks very often make trouble with regard to signatures in Indian scripts.

Besides banking the indigenous bankers carry on other business, such as trade and commission business. In rural areas they are often the purchasers of rural produce, the local Agents of Mercantile Firms and the village shop-keepers. They often advance money against standing crops so as to be able to secure the crops when they are ready for the market. Most of their lendings to agriculturists are against standing crops.

4. The instrument of credit to persons other than agriculturists is the *Hundi*. *Hundis* have been in use from time immemorial for the purpose of exchanging funds from place to place. These are payable either at sight or after a stated number of days. They change hands like bills of exchange and are very rarely dishonoured. The rate of discount charged is determined by the state of the trade and the standing of the party. The bankers earn handsome profits by issuing and discounting hundis. They also used to give upon places outside India even drafts or letters of credits which were drawn after letters of advice were given so that there was no risk of their being dishonoured. The total number of hundis drawn and the amount covered by them depend on the volume of internal trade. Marwaris are also taking now to other means of remittance, as for instance, transmission of cut notes separately by post, postal money orders, currency transfer and bank drafts. In many places indigenous bankers actually send cash through agents by the ordinary method of conveyance on account of absence of exchange facilities and in the case of less advanced people both owing to prejudice against the use of facilities offered by the Imperial Bank and Government Treasury and also with a view to saving commission. The indigenous banker plays a very important part in financing to a great extent the growth, movement and storage of crops required for local consumption and for the purpose of export. Another form of credit is advances on "Poorjas" or books in which the payee acknowledges the receipt of the money advanced to him. These books remain with the bankers and all repayments are also noted therein. These transactions, however, represent only a small fraction of the business which is done by these bankers.

5. Some of the prominent indigenous bankers in Calcutta are known as Shroffs. The Shroff acts as a connecting link between the Imperial Bank and Joint Stock Banks on the one hand and the trading community on the other. He pays cash down and takes over the traders' bills on which however he charges discount at a high rate and then discounts them at a somewhat lower rate with the big banks, when necessary, for the purpose of replenishing his funds. The difference between these rates constitutes the profit of the indigenous banker and as his signature is important and necessary his endorsement has to be paid for. The Imperial Bank does not discount a bill of exchange unless it contains two endorsements.

6. The indigenous bankers at most important centres combine for the purpose of protecting their mutual interests into associations or guilds which decide not only financial claims but also social quarrels.

7. As indigenous bankers aratdars or proprietors of godowns form a class by themselves and as suppliers of cash they perform sometime a very useful function. Dealers in agriculture produce stock their goods in their godowns and besides aratdari charges they realize commission on sales effected through them. As soon as goods are stocked they often pay a certain percentage of the value of

goods. They often advance to their well known clients money to purchase goods. In some cases aratdars charge interest on money advanced but in other cases no interest is charged.

8. There is no system of advances against goods stored in godowns and the control of sales in godowns by bankers.

9. There are also loan offices which are registered under the Joint Stock Companies Act. They try to adopt western method of banking, but their business is solely confined to accepting deposits and giving out loans against securities of properties or moveables such as jewelleryes, etc. They do attract a lot of deposits and issue deposit pass-books. These banks are very often unsound as they very often utilise their short term deposits in long-term investments. Some special regulation is very necessary for these banks.

10. There then is a village money-lender. Village money-lenders come under two classes:—(1) Substantial men of the village who lend out their surplus funds to their neighbours. (2) Professional money-lenders who lend out to villagers often combine some trade with commission business. They depend on their own funds for their business but for the purchase of crops and carrying on trade they often draw funds from other big firms with whom they have business relations in respect of their trade. Professional money lenders also often obtain funds from people who keep the money with them for safe custody which they often utilise in their own businesses depending on the turn-over of their business for repayment. They often give nothing in writing to such depositors, but they very often enter the amount in their books in their presence.

Serial No. 11.—LETTER FROM A. H. W. BENTINCK, Esq., I.C.S., OFFG. CHIEF SECRETARY, TO THE GOVERNMENT OF ASSAM, No. 4268-F., DATED THE 24TH JUNE, 1926.

I am directed to refer to the Government of India, Finance Department letter No. D.5121-F., dated the 22nd December, 1925, and to say that Assam is particularly backward in the matter of banking facilities on western lines. Prior to the recent establishment of the branches of the Imperial Bank at Dibrugarh and Shillong western banking methods were practised only by two or three firms which were primarily trading concerns but which in addition afforded banking facilities to their customers. This state of affairs is no doubt due to the absence in Assam both of large towns and of important industries other than those financed in Calcutta.

2. The enclosed letters from the Registrar of Joint Stock Companies and the Registrar of Co-operative Societies give such information as is available regarding the banking arrangements of the province, and the Governor in Council finds it difficult to offer suggestions as to the best manner of making a further survey of the existing position or advice as to the procedure to be followed subsequently to give effect to the recommendations of the External Capital Committee. He is however inclined to doubt whether the Committee's conclusion IV that India possesses a vast store of dormant capital awaiting development, is altogether correct in its application to Assam, and whether if it were so the provision of additional banking facilities would be the only or the readiest way of making this capital available for investment. There are few wealthy persons in Assam as the Registrar of Co-operative Societies shows, well-to-do people have already acquired the habit of investing in Government securities and in substantial Joint Stock concerns, while Co-operative Banks and Societies are being taken advantage of to a considerable extent. For the diversion of capital to more speculative ventures connected with the development of the resources of the province it is a spirit of enterprise and confidence which is primarily required, and it seems probable that increased banking facilities will be found rather ancillary to such enterprises than productive of them. Further experience of the recently opened branches of the Imperial Bank will doubtless afford a useful indication of the manner in which modern banking methods can best be extended in Assam but they have not yet been established long enough to enable any confident conclusion to be drawn from their working.

LETTER FROM W. L. SCOTT, Esq., I.C.S., REGISTRAR OF JOINT STOCK COMPANIES, ASSAM, TO THE SECOND SECRETARY TO THE GOVERNMENT OF ASSAM, No. 63-J.S., DATED THE 5TH MAY 1926.

In reply to Mr. Mullan's No. 1114-15-F., of 25th February, 1926, regarding the report of the External Capital Committee, I have the honour to state that very

little is known to me about the indigenous banking system of the country or of the other matters touched on in the report. A report, made by the Income Tax Officer, Dibrugarh, who probably sees more of the workings of the bazaar financier than any one else in the province, suggests that the ordinary development of indigenous banking has been somewhat diverted in this Province by the preponderating financial interests of the Tea Industry. As a result, the vernacular hundi system has not attained any great degree of development, the principal negotiable instruments in use being cheques and demands drafts drawn by Garden Managers on their Calcutta Agents. These are normally discounted at from 9 to 12 annas per cent., but in Dibrugarh the Imperial Bank now discounts at $2\frac{1}{2}$ annas per cent. In spite of this the Marwari still does a fair amount of business at about 7 annas per cent., by accepting the risk of transferring the cash to the garden.

2. It is well-known that many Indian firms, commercial and industrial, carry on a large business in receipt of deposits from private individuals: how large that business is is occasionally brought to notice by a bankruptcy. The danger of this method of business is mentioned in paragraph 7 of Sir Basil Blackett's speech; the contraction of credit following on the outbreak of the war necessitated in New Zealand emergency legislation to prevent the breakdown of half the large firms in the country from the withdrawal of deposits. It appears therefore that there is both scope and necessity for an enquiry into indigenous banking systems and the Income-Tax Officer, Dibrugarh, suggests that it would probably be best to have local Provincial Committees working under the direction of a central expert committee.

3. There are in this Province and no doubt to a greater extent in other Provinces, various Indian Companies of a perfectly sound position, whose shares are not dealt in in the open market. The result of this is that an investor in such Companies has no easy method of realising his investments, and the fact must be a hindrance to investment. Education of the Indian managements of such companies in the advantages of encouraging and providing facilities for free dealings in the shares of their concerns would seem to be a necessary step in any advance towards an increase of Indian money in investments.

I have no opinion to offer on the more technical aspects of the case.

LETTER FROM RAI BAHADUR K. L. BARUA, B.L., F.R.E.S., REGISTRAR OF CO-OPERATIVE SOCIETIES, ASSAM, TO THE CHIEF SECRETARY TO THE GOVERNMENT OF ASSAM, No. 1378-C. S./C.I.-66, DATED THE 1ST APRIL, 1926.

With reference to Mr. Mullan's letter No. 1114-15-F., dated the 25th February, 1926, asking for my views on the subject of the Indian banking and monetary progress, I have the honour to say that investments of large amounts in Postal Savings Banks, Postal Cash Certificates and deposits in Co-operative Banks prove that there is a good amount of local Capital which can be drawn. All these investments represent savings of either poor people or middle class people and not of what may be called the richer folk who generally invest in Government securities and in large Joint Stocks concerns which are considered safe. In Assam the Co-operative Banks have, during the last few years, drawn several lakhs of rupees as deposits within the province. Indeed money has been coming into our Central Banks to an extent not anticipated before and all this money has come very largely from middle class people with fixed incomes living in towns. The rural societies have also drawn some money locally but it is not my opinion that in Assam much money is hoarded in bullion in the shape of ornaments. The villagers have few ornaments and these will always be required. In my opinion coins are hoarded in Assam either by concealing them underground in earthen pots or in some other safe places and ways. If Co-operative Banks thrive and gain confidence, as they are doing now, I believe much of this hoarded money will come to them. The Postal Savings Banks and Cash Certificates are seldom availed of by the bulk of the illiterate people in the villages. To use these institutions a certain degree of literacy and boldness is required.

2. Credit facilities in the villages are largely given by village money lenders and traders like Marwaris. The Co-operative Societies have so far been able to take up only a fraction of this work. There is hardly a peasant who does not require credit facilities for his industry in agriculture. Besides the actual producers of agricultural crops there are also a large number of petty local traders who distribute the produce with finance and credit facilities provided by bigger

traders such as the Marwaris. All Marwaris do not deal directly with the agriculturists. The local petty traders are generally the middle-men between the cultivators and the Marwaris. The latter advance against commodities such as mustard, jute, paddy, etc. As far as I am aware negotiable instruments like hundis do not, as a rule, come into operations in such business with local petty traders though they are very commonly used in dealings between Marwaris themselves.

3. The absence of Joint Stock Banks in Assam to finance and facilitate trade is no doubt a handicap. The Marwaris have to do business under the various disadvantages. Sometimes they have to carry large sums in cash from place to place. I have seen Marwaris travel first class in Railway trains with large cash with them for the sake of safety. Unless up-to-date banking concerns come into existence to discount trade bills, dealings must always be done by cash and paper cannot be used. This is a great handicap to the growth of trade and commerce. All the large country boats that come up the Brahmaputra every year, seemingly empty, to take down local produce, bring up large amounts in cash for purchase of the produce. Fortunately there are no river pirates in Assam and the Police are more efficient and vigilant. These antiquated methods still exist because there are no modern banking or trade remittance facilities in Assam.

4. Modern banking institutions are therefore wanted in Assam. The so-called small industrial banks and the various loan offices provide only mortgage credit. The large Exchange Banks have no branches in Assam and so far only two branches of the Imperial Bank have been opened in Assam. Such branches at Gauhati, Jorhat, Silchar, and Sylhet appear to be necessary. Facilities for banking and commercial education should also be provided for young men of this province and such facilities may take the shape of scholarships tenable at institutions in other parts of India. Commercial education is not at present under my control.

5. With regard to the use of external capital in Assam it is well-known that the largest joint stock concerns, whether engaged in tea or minerals, are sterling companies the profits of which entirely go out of India. Much of their money spent in working expenses however remains in the country and it must be admitted that but for their enterprise the resources of the province would never have been developed to the extent that we see now. As for tea, many Indian Companies on rupee capital started by Europeans or Indians have now come into existence but the Companies dealing with minerals, viz., oil and coal, are still almost exclusively external in composition and capital. The other important industrial companies engaged in timber and oil seeds are nearly all of Indian origin.

6. In my opinion it would be well to collect information on the various points by a survey but to do this a special officer would be more useful than a Committee. A Committee may however be appointed later to sift the materials collected by special officers in various provinces and to submit detailed recommendations thereon.

7. The copy of the report of the External Capital Committee and of the speech delivered by the Hon'ble Finance Member of the Government of India are returned herewith.

Serial No. 12.—LETTER FROM THE SECRETARY, INDIAN CHAMBER OF COMMERCE, CALCUTTA, No. F-9/26, DATED THE 7TH JUNE, 1926.

The Government of India have it is understood under their consideration at the present moment proposals bearing on the improved transferrability and marketability of Government Securities and I am instructed by the Committee of the Indian Chamber of Commerce, Calcutta, to address you in this connection.

2. The three specific directions in which progress is being sought are understood to be as follows :—

- (1) Improvement in the legal characteristics of Government Securities.
- (2) Improvement in the machinery for the transfer of Securities from one local head office of the bank to another.
- (3) A modification in the system of accounts so as to admit the opening of new public debt offices.

3. The Committee of the Indian Chamber are generally in sympathy with these proposals of the Government of India. They recognise that all possible steps should

be taken to break the shyness of Indian capital. With a very large section of the public which has not developed an investing habit the Government Securities are the only form of investment which sometimes appeals to their economic sense. In the circumstances it is a plausible anticipation that the increased popularity of gilt-edged securities will stimulate generally investing habit of the Indian public. The danger however of an undue popularity of Government Securities jeopardising industrial finance must not be entirely forgotten. But such dangers are generally absent under normal conditions of trade and business. Moreover, if the demand for Government Securities tend to lower Government's present rates of borrowing, the commercial interests should have had no reason to complain of the increased popularity of Government Securities.

4. Turning now to the question of improving the legal characteristics of the Government Securities, the Committee are not precisely aware what definite defects the Government of India have in view but they would suggest that the stringency of the rules as regards endorsement of securities and the renewal of securities should be much more relaxed than at present. The stringency of the rules and the consequent harassment to which the holders of securities are often subjected have not been a small handicap in the popularity of Government securities. With regard to the facilities for the transfer of Government securities from one local head office to another the Committee are of opinion that what is really necessary to popularise the securities is not so much affording facilities for actual transfer of securities as for the actual transfer of remittances against securities from one local head office to another. To this point the Committee will presently return. They generally record their approval of the improved facilities suggested. In connection with the proposal of opening up more public debt offices, the Committee view it with every sympathy but they do not consider that unaccompanied by other measures the mere opening of offices will lead to increased turnover business in Government securities. Of the three public debt offices which exist at present, the Madras office, for instance, has not to handle much business. The explanation is that the mere presence of a public debt office does not stimulate business though the Committee are free to admit that other factors favouring increased popularity of Government Securities, the existence of a number of public debt offices up-country would be a valuable facility for transaction of business in such securities.

5. The Committee now turn to what they consider the most important proposal in connection with the aim at increased popularity of the Government Securities. In the first place the Committee suggest that the banks should make it a part of their settled policy to finance liberally transactions in Government Securities and secondly, they should make available remittance facilities from one local head office of the bank to another on the security of Government papers. The Banks are really interested in adopting such a policy. Many of them hold a large portfolio of Government papers and as such are interested in the maintenance of a healthy market for these securities. In regard to the remittance facilities against Government Securities it would be recognised that the banks themselves profit by accepting such business, inasmuch as they lend an exceptional liquidity to their resources. Even in the London money market, as far as the Committee are aware, the Banks depend for the maintenance of the liquidity of their assets, on the advances at call against stocks and shares. In India where the stock and share market is not equally developed the gilt-edged Government Securities offers the best channel through which banks can make remunerative investments maintaining at the same time liquidity of their resources. The Imperial Bank of India has large resources and can, if it so wishes, have these proposals accepted by the other banks on the sheer strength of its large advances to the other banks. The Committee feel that the initiative in this matter should be taken by the Imperial Bank. Being, as they are, the Bankers of the Government of India in respect of vast amounts for which they pay no interest, they owe a definite duty in popularising Government Securities among the investing public.

(Acknowledged.)

Serial No. 15.—LETTER FROM P. C. TALLENTS, ESQ., I.C.S., SECRETARY TO GOVERNMENT OF BIHAR AND ORISSA, FINANCE DEPARTMENT, NO. 1445-F.R., DATED THE 10TH AUGUST 1926.

With reference to Mr. McWatters' letter No. D-5121-F. dated the 22nd December 1925, I am directed to say that the description of the indigenous system of banking given in paragraph 11 of the Hon'ble the Finance Member's address on the subject of Indian Banking and Monetary Progress is substantially correct as regards the conditions obtaining in Bihar and Orissa. Information collected from various

sources shows however that the following propositions, which supplement the information there given, can also be stated as generally true of this province :—

- (1) The greater part of the rural trade of the districts is conducted by peripatetic traders who borrow articles in kind from the bigger traders in the principal towns of the district who are usually Marwaris. It is the latter class that really finance the trade of the district.
- (2) The big traders who are the mainsprings of the trade of the districts are few in number.
- (3) These traders work on their own capital which they hold for the most part in the form of goods and coin. The ordinary Marwari does not usually keep a balance at the local bank, even if there is one. Nor does he operate on capital borrowed from the banks or elsewhere.
- (4) So far as extra-district transactions are concerned, at times of pressure, e.g., in the lac season in Ranchi and at the jute season in Purnea, large remittances are made through the Imperial Bank and the local treasury; but the ordinary day to day transactions are effected through *arhatdars*, who usually themselves or their relatives or persons with whom they are intimately associated, keep *arhats* both at local headquarters and at Calcutta between which goods pass without formally changing hands.
- (5) The extent to which the treasury is used as the channel of monetary transactions with parties outside the district varies very greatly from district to district, and for no apparent reason.
- (6) Dhanbad, where there are three banks, is the only place where the ordinary business man keeps a bank account.
- (7) In other places there has been no marked change in recent years, in the system of financing trade.

2. The problem of mobilizing the dormant capital of the province and making it accessible for the purposes of trade and industry may be approached from two sides. On the one hand the dovetailing of the indigenous system of banking into the western system is a matter that could best be considered by an All-India Committee of experts. Such technical questions as the development of clearing-houses, the standardization of negotiable instruments, and banking education should be referred to this Committee. In the opinion of the local Government it will probably be found that the linking of the two systems could best be effected at the point where the trade passes beyond the district unit within which the informal personal relations of the indigenous system work satisfactorily. The banks which are conducted on western lines might therefore offer greater facilities for financing the trade between the great importing and exporting centres and the distributing and collecting centres in the districts. One step by which they could do much to popularise themselves for this purpose would be the abolition of the discounts charged on cheques. In other respects the local Government do not consider that experience of these matters in this province has been sufficient to justify any detailed recommendations.

3. The problem must also be approached from the point of view of the small investor. The dormant capital of India is spread over so vast a population and set over against it is so vast an accumulation of indebtedness, that it is likely to be many years before the small savings of the agricultural classes will be drawn in any effective volume into the main stream of credit. The obvious manner of diverting these accumulations to more profitable channels is co-operative banks, and great strides have already been made in this direction. There are already over 175,000 members of agricultural and over 20,000 members of non-agricultural societies in the province. The deposits in such societies amount to over Rs. 10 lakhs and there is every likelihood of steady development in this field. Whether other methods of encouraging the investment of small savings can be devised is a matter that could more suitably be considered with reference to provincial than to all-India conditions, and the local Government are prepared, should the Government of India so desire, to conduct further local enquiries and, if necessary, to convene a committee for the purpose.

Serial No. 14.—LETTER FROM A. R. DALAL, ESQ., I.C.S., SECRETARY TO THE GOVERNMENT OF BOMBAY, FINANCE DEPARTMENT, No. 4373-A., DATED CASTLE, THE 26TH AUGUST 1926.

With reference to your No. D-5121-F., dated 22nd December, 1925, I am directed to state as follows.

2. The Government of India desire to supplement their information on the various subjects connected with the development of banking and ask for the suggestions of this Government on the method of undertaking a survey of the whole field of banking. This Government called for the views of the various officials and non-officials interested in the subject. I am directed to forward copies of the replies of Sir Lalubhai Samaldas and Mr. B. F. Madon, who have dealt in detail with the various points involved.

3. Although there is a tendency in some quarters to question the existence of a large supply of dormant capital in India, the fact cannot be denied by anyone who studies the statistics of the import of precious metals into the country. The causes of this habit of hoarding the precious metals lie deep in the history and the religious and social customs of the people. It is asserted by some non-officials that this tendency is encouraged by the constant changes in the currency and exchange policy of the Government of India and the absence of gold in circulation. Mr. P. M. Dalal of Messrs. Merwanjee and Sons is of opinion that when the gold standard is fully established in India, it will give a check to hoarding. All opinion, official as well as non-official, is unanimous that the only effective remedy for the hoarding habit lies in the widespread development of education in the country. The increase of facilities for banking must proceed side by side with it.

4. In considering this question of the improvement of banking facilities a distinction should be made between the short term money market, which is concerned in the financing of trade and commerce, and the long term or capital market, which is required for the financing of industry in which term agriculture, the primary industry of India, may be included. The Report of the External Capital Committee as well as Sir Basil Blackett's speech deal at great length with the problems of the short term loan market, but the question of the long term investment market is, if anything, of greater importance for the well-being of the country.

5. In the following paragraphs the question of extending the facilities of banking in the restricted sense, i.e., of the short term loan market, will first be dealt with.

6. *Deposits.*—The Post Master-General, Bombay, has made the following suggestions for the improvement of the facilities now afforded by the Post Office:—

- (i) Savings bank pass-books should be bi-lingual, one of the languages being English, and the other the principal vernacular of the part of the province in which the head office of issue is situated.
- (ii) Interest on Post Office 5-year Cash Certificates should be allowed to accrue after the first and each subsequent quarter instead of after the fourth as at present.
- (iii) The limit of the total amount of Cash Certificates in the case of joint holders, banks, co-operative societies and holders of public accounts may be raised from Rs. 10,000 to Rs. 20,000.

The first two suggestions have the concurrence of this Government. As for the Cash Certificates attention is invited to the remarks of Mr. B. F. Madon. He is of opinion that the inducement offered by the Government of India in the shape of a high rate of interest merely diverts capital from the indigenous banker, where it would be more useful, into the post offices, and that it does not draw out fresh savings which would otherwise remain uninvested. The fact that the absorption of gold and silver has not lessened during the last three or four years but is on the increase, lends some colour to this view. The question will have to be considered by the Government of India. Attention may also be invited to the proposal of Sir Lalubhai Samaldas, that the funds of the Savings Banks may be made available for the local money market and particularly for co-operative banks.

7. There is a consensus of opinion in favour of making out deposit receipts in the vernacular.

8. There is also a strong body of opinion in favour of making out cheques in the vernacular, and of the abolition of the stamp duty on cheques. Vernacular cheques are already in use by Co-operative Banks. As for the stamp duty on cheques, this Government has expressed its opinion on a separate reference from the Government of India. They are in favour of its abolition or reduction, provided the resulting loss of revenue to the provincial exchequer is made good by the Government of India.

9. As pointed out by Sir Basil Blackett, the most important requirement for the increase of deposit facilities is the formation of new banks. It is hoped that after the necessary interval of consolidation, it will be possible for the Imperial Bank

to form new branches. On the subject of the Imperial Bank, however, there is a certain division of opinion. There is a body of non-official Indian opinion which is inclined to the view that it fails to perform the proper functions of a State Bank, while its organization as a private capitalist bank enables it to compete unfairly with other joint-stock banks owing to the privileges and concessions it receives from the Government of India. This view is expressed in the following extract from the reply of the Indian Merchants' Chamber:—

"I am, however, directed to mention specifically one point, viz., the very important place which the Imperial Bank of India occupies as the key-stone of the entire banking system of the country. As a regulator of the money rates in the country and as Government bankers as well, with extensive privileges in remittance, etc., the Imperial Bank is likely to play a very important part in any reforms which may come to be recommended by such a Committee. Under these circumstances it is desirable that the constitution of the Imperial Bank, which is at present unsatisfactory, should be brought in greater consonance with public demand. As a profit-earning private enterprise the utility of this institution is likely to be impaired by the jealousy of the tax-payer at any additional privileges being handed over to that body. While the Imperial Bank of India Act at present gives a certain amount of control to the Government of India, the Government of India are always able to plead that they have no voice in the internal administration of the Bank. This position is unsatisfactory. My Committee see no reason why the whole issue of the organization of the State Bank should not be revived and this purpose would probably be achieved by an outright nationalisation of the Imperial Bank or by a greater control exercised by the State, with some method of division of surplus profits. My Committee cannot approve of the displacement of the indigenous machinery for the handling of produce, whatever criticism there may be against this machinery, if displacement will place farmers and traders alike at the mercy of the Imperial Bank without the necessary alteration in the constitution of that Bank.

"My Committee would draw attention that the consideration of the proposal for a State Bank in India was an important item recommended for special examination by the Chamberlain Commission, of which Sir Basil Blackett, now Finance Member, was then Secretary. This issue has subsequently been shelved on account of the war and the aftermath thereof, but in view of more settled conditions and in view of the changes, which the recommendations of the Currency Commission might involve, the full bearing of the present position of the Imperial Bank in the banking system of the country must be carefully examined.

"My Committee trust that whatever action the Government propose to take in these directions will be prompt and that the proposed banking enquiry will precede the findings of the Agricultural Commission, whose work would be very incomplete without a careful expert examination of the method by which agricultural produce is financed at present."

The above was written before receipt of the report of the Currency Commission. The Commission has proposed the formation of a separate Central Bank, freeing the Imperial Bank from the existing restrictions and leaving it to develop commercial banking facilities as a great all-India Commercial Bank. There has been no time to consult public opinion on this proposal. Owing to its very important bearing on the future of banking in India it will require the most careful consideration.

The view that the State Bank should concern itself primarily with the rediscount business was strongly urged in the memorandum prepared by Mr. Keynes, and Sir Ernest Cable which was submitted to the Chamberlain Commission and was published as an annexure to their Report. It has been endorsed by the Hilton Young Commission.

The re-discounting by the State Bank of bills of indigenous bankers and of bills which come through co-operative banks and joint-stock banks so as to develop the re-discount market is a very important step in the development of Indian banking and should be investigated in the course of the proposed survey of banking in India.

10. As for joint-stock banks on the European model, the field for them is limited in India owing to the illiteracy and backwardness of the people. They have, however, by no means approached the limit of their utility, and there is room for them in the

more important urban areas, provided they modify some of their methods and make use of the vernacular in their transactions particularly in respect of cheques, pass books, and deposit receipts.

11. This brings us to the cognate question of indigenous banking. Opinion is almost unanimously in favour of 'roping in' the indigenous banker and making him a part of a great national banking system starting with the village money-lender and ending with the State Bank. This Government agree with this view though the practical steps to be taken for this object present numerous and formidable difficulties. This question must be carefully examined in the course of the survey. Conditions differ in different localities, and the examination will have to take into consideration the circumstances of the different localities.

12. An equally important problem is that of co-operative banks. In the opinion of a number of people the future of banking development in the country lies with the co-operative banks. Attention is invited to the views of Sir Lalubhai Samaldas on this subject. He proposes among other things the issue of Remittance Transfer Receipts on sub-treasuries, the remission of the stamp duty on cheques and the use, under restrictions, of the surplus balances of local sub-treasuries by approved co-operative banks. As stated before, he desires the use of the savings-bank funds collected by post offices in the localities and of the establishment of an organic relation between the co-operative bank and the Imperial Bank. The Registrar of Co-operative Societies supports most of these proposals. He would also absorb the indigenous banker into the co-operative movement, but does not elaborate any practical scheme by means of which such a thing could be done.

13. *Banking Education.*—Opinion is unanimously in favour of the views of Sir Basil Blackett on this subject and of his suggestion for the formation of an All-India Institute of Bankers to control such banking education. The formation of an All-India Institute of Chartered Accountants is also unanimously approved.

14. The majority of the opinions received are not in favour of Government control of banks as tending to relax the sense of responsibility of the banks themselves and throwing the odium of failure or mismanagement on the Government. The Bombay Chamber of Commerce is, however, of the contrary opinion. It says "My Committee agree to the close inspection and audit by Government not only of joint-stock banks but also of private banks. Audit by Government should only be undertaken if desired by the banks themselves". This Government is on the whole in favour of indirect and non-official control, e.g., by the Imperial Bank or the Clearing House or the proposed Institute of Chartered Accountants. They consider however that there is no objection to audit by Government of any bank if desired by the bank itself.

15. *Remittance Facilities.*—It is generally agreed that remittance facilities in India are satisfactory. The question of extending the facilities to co-operative banks has already been dealt with. Mr. Madon advocates the introduction of the Post Office cheque system and the Giro system. The question of the applicability of these systems to a backward country like India will require examination. This Government endorses the suggestion of Sir Lalubhai Samaldas that greater publicity should be given to the facilities already provided.

16. *Clearing Houses.*—It is generally agreed that it would be desirable if more facilities could be given for the clearing of cheques of private firms up-country and the privileges of clearing houses extended to registered private banks of suitable status as well as to joint stock banks. The question of admitting such banks to the clearing house must, of course, rest with the other members of the clearing house concerned.

17. *Negotiable Instruments.*—Measures to extend the use of negotiable instruments in India are very desirable if the seasonal strain on the currency with its effect on the bank rate is to be relieved. The instrument mostly in use in India, viz., the hundi, is, however, more in the nature of a finance bill than of a commercial bill. As regards the latter the Bombay Chamber of Commerce remarks as follows:—"My Committee suggest that if a railway receipt were made a negotiable instrument, the produce of agriculture and industries could be financed to a greater extent than is the case to-day. A few years ago Bengal cotton was tenderable in Bombay by railway receipt and the railway receipt was in all but name a negotiable instrument. Even to-day in most classes of produce advances are made against railway receipts. If they were made negotiable instruments by law further credit would certainly be given." Mr. Madon's proposal for the creation of real trade bills has been referred to by Sir Basil Blackett. He has dealt with the same point in his reply of which a copy is attached. The question will require investigation in the course of the projected banking survey. In America the produce markets, and the Elevator give receipts for goods deposited with them. These receipts are used as negotiable instruments by the agriculturists. In India the produce markets are not very well developed, yet

wherever they are in existence they should give warehousing facilities. The receipts of these may be used as negotiable instruments and would serve as good commercial bills.

18. The majority of the replies received by this Government are in favour of Sir Basil Blackett's proposal for the standardization of the Bill of Exchange. The Chamber of Commerce strongly favours the suggestion but Mr. Madon is of a different view.

19. We may now turn to the question of the capital or long term market for the financing of industry. Industrial banking is in an advanced state in Germany and Japan. Even in England the problem of financing industry is more or less unorganised. In this country no attempt at industrial banking has been made, if we except the unfortunate instance of the Tata Industrial Bank. Company promotion is left in the hands of individuals and is entirely unorganised. Germany has evolved a type of bank the object of which is the organised promotion of industry. Those banks do not keep short term deposits. The capital is mostly used for being lent out to industries, and the liabilities are such that a high percentage of liquid resources is not essential. The banks have got specialised staffs for examining proposals for the promotion of new industries. The shares are issued and placed on the market by the bank and are taken up by the public which has confidence in the bank. The bank has an expert agency for carrying out the specialised work of promotion. Its success depends on its efficiency in promoting the right type of industrial ventures. This Government is of opinion that the question of industrial banking should also be examined in the course of the general survey.

20. As regards agricultural credit, the Registrar has remarked that the co-operative movement in this Presidency has now sufficient funds to meet the current needs of its members for agricultural purposes. But the movement cannot provide funds for long term loans. A proposal has just been received from the Registrar for the starting of Land Mortgage Banks for the raising of such capital. The capital is to be raised principally by means of debentures secured on the first mortgages of land. It is proposed that Government should help by guaranteeing the interest, by providing expert valuers to value the property mortgaged and by asking the Imperial Bank to assist in the flotation of debentures, and to make advances under section 20 of the Trust Act against mortgages taken by the Mortgage Bank. The scheme is under the consideration of this Government.

21. *Facilities for Investment.*—In connection with the purchase and sale of Government securities through the Post Office, the Post Master-General, Bombay, has made a suggestion that the annual and maximum limit of investment through the Post Office, which stand at Rs. 5,000 and Rs. 22,500 at present, may be substantially raised. This Government agree with the suggestion.

22. The opening of fresh centres of the Public Debt Office, increasing the transferability and marketability of Government securities and an increase in the number of stock exchanges would also be steps in the right direction. Some Government securities have recently been placed for forward dealings on the Bombay Stock Exchange. This would widen the market for such securities, but steps have to be taken to guard against abuses in the shape of overtrading and speculation. Government have already taken power to do this by means of legislation, and the Rules under the Bombay Securities Contracts Control Act are now under the consideration of Government. It is true that Stock Exchanges increase the facilities, for the marketability of stocks and shares, but a badly managed stock exchange which is liable to constant panics and crisis would tend to destroy rather than increase the confidence of the public in industrial investments. While leaving stock exchanges to develop in a natural way Government have to be on their guard against unhealthy developments such as those that manifested themselves on the Bombay Stock Exchange and to resort to legislation, if necessary, in order to check them.

23. Among the means of encouraging the investment habit the possibility of the formation of investment corporations and trusts on the lines of those in England may be investigated.

24. The Government of India desire to obtain the views of this Government on the question of the best method of surveying the whole field of banking in India. One of the most comprehensive enquiries into the general problem of banking, currency and finance ever undertaken was the enquiry carried out by the National Monetary Commission in the United States. The method followed by the Commission was to invite an expert to write a comprehensive monograph on his particular subject. After the reports of the various experts were submitted to the Commission and discussed in public the Commission took the oral evidence of bankers, businessmen and experts on the various points arising out of the monographs. The report which finally led

to the enactment of the Federal Reserve Act was written after these enquiries. Procedure on the above lines is suggested for the consideration of the Government of India. Among the most important subjects on which experts might be invited to write monographs the following suggest themselves :—

- (i) The constitution and functions of the Imperial Bank with special reference to its use for the creation of a re-discount market in India and as a balancing reservoir of the various indigenous and co-operative banking institutions.
- (ii) Indigenous banking and the possibility of its absorption into the general banking system of the country. As the circumstances of the different localities vary a good deal this subject will have to be considered on provincial rather than all-India lines.
- (iii) Industrial banking.
- (iv) Long term credit for the development of agriculture. This subject will presumably be considered by the Royal Commission on Agriculture. The enquiries to be undertaken by the Government and by the Royal Commission should be co-ordinated.
- (v) Negotiable Instruments and banking law. An all-India Committee may call for evidence, deal with the whole subject and make their proposals after the monographs by experts on the various subjects mentioned above and such others as may be referred to them have been received and discussed in public.

LETTER FROM LALUBHAI SAMALDAS, ESQ., C.I.E., BOMBAY, TO THE GOVERNMENT OF BOMBAY, DATED THE 8TH APRIL 1926.

I have the honour to acknowledge receipt of your letter No. 4373-D. of the 19th February 1926 calling for my views on that portion of the Report of the External Capital Committee which relates to the development of investment and credit facilities in this country. The most important of the Committee's recommendations is the undertaking of a co-ordinated survey of the whole field of banking in India. I believe that a survey of the type suggested is very necessary and may be conducted under the directions of the Government of India by a small committee consisting of a few Indian economists who have done research work in banking and some representatives of Indian Banks. After Government have before them the results of this survey as also replies to the references now made they will be in a better position to determine whether there is need for undertaking any further examination either of a general character or into special problems as is suggested by the External Capital Committee, though personally I feel that such an inquiry is necessary even now. In this connection, I have the honour to suggest that whenever such an inquiry is held, persons connected with the co-operative credit organisation should find adequate representation on that Committee, for in my opinion, the future of banking in India is mainly dependent on the extent to which we are able to develop co-operative credit in rural areas. The Imperial Bank, with its one hundred branches, as per its programme can provide banking facilities only in important mofussil centres of commerce and industry. It is doubtful whether that Bank will, in the near future, expand its programme so as to bring in minor trading centres and small bazar towns within the sphere of its activities. Even if that policy was adopted, the Bank cannot, I think, afford to incur the expense of organising business in such places for some years to come. It will take one generation more before the Imperial Bank is in a position to undertake the financing of the petty trader and the small agriculturist or to tap their savings through its deposit schemes. Joint Stock banks are able to do much less work in this direction and command few branches—except in the case of Punjab National Bank and in that of the Bank of Baroda—at important local centres of industry and commerce. Even if they willed otherwise, it would be difficult for them to undertake expenditure on the work of developing new areas. That gap will, necessarily, have to be filled by the development of indigenous private banks or by establishing co-operative banks, both rural and urban. While I do not object to granting all reasonable facilities to private capitalist banking firms to develop their business, I am strongly of opinion that the future of banking in India is indissolubly connected with the co-operative movement, provided co-operative banks are granted the requisite assistance and guidance and are less fettered by red-tape than they are to-day. It is these institutions which attract the savings of the small men for profitable employment locally, among their own kith and kin. Moreover, as the control of these banks will be in local hands and the profits in the business, if any, will either be distributed among local constituents or be used in local works of public utility, they will inspire greater confidence amongst investors.

I shall now reply to the various specific points on which my opinion is sought.

I. At the outset, I would like to repeat here what I said more than once in the Council of State, that to utilise the whole of the resources derived from the savings of persons of small means collected in postal savings banks or invested in postal cash certificates for meeting the requirements of the Central Government is not fair both to the investors and to the people of the locality who need financial facilities. I understand that both in Holland and Belgium, the State permits the funds of the Postal Savings Banks to be placed at the disposal of co-operative banks operating in rural areas, while in Germany, Australia, Italy and the United States of America, the savings banks have the free disposal of their funds within certain limits laid down by the law. The savings banks in these countries are, however, different from the banks we know of in India inasmuch as they are institutions managed or supervised and guaranteed by the communal district or urban, local authorities. Provided Government agree to set apart a certain portion, if not the whole, of the resources to be derived from postal savings banks and cash certificates for investment through co-operative agency in short-term agricultural loans on specially advantageous terms, I see no objection, under present conditions, in Government adopting any reasonable methods—short of competing with private banking organisation—to induce people to keep their surplus funds with the State. While recognising the fact that the postal cash certificates have succeeded to a certain extent in attracting the small investors' money, I fear that a Government organisation is not the best means to develop to the fullest extent the habits of thrift and savings of the rural population, I believe that the unlettered agriculturist, petty trader or artisan would prefer to deal with an agency which he knows and which knows him and which can dispense with troublesome formalities at the time of every withdrawal of money nor be bound down by hard and fast rules regarding the transfer of funds on death. The State, as such, cannot perhaps be expected to relax the rules and now that the pioneering work has been done by Government, it should content itself by popularizing the savings and deposits schemes started by co-operative banks which are in touch with the people. If this suggestion is not adopted, then I insist that a fixed percentage of the moneys received through the Postal Cash certificates should be placed at the disposal of the co-operative movement through the Provincial Banks. Undoubtedly, the introduction of vernacular pass books and forms will make these investments more popular, but I do not approve of the post offices accepting short-term deposits. That would, in my opinion, be competing with joint stock and co-operative banks and would, besides, introduce a new principle in the financial machinery of the State.

Short-term deposits are accepted both by joint stock and co-operative banks; they are not yet as popular in co-operative banks as they should be. Co-operative banks issue deposit receipts in the vernaculars and there is no objection to joint stock banks doing likewise. The provision of facilities for purchase of Government securities and the opening of fresh Public Debt Offices may tend to increase the volume of short-term deposits as banks upcountry would like to have proper facilities for the investment of their temporary surpluses in securities and for the disposal of such securities when there is a call for funds. Such facilities would also serve to make current account business more remunerative than it is to-day owing to the need for maintenance of heavy cash balances. The loss of interest would be reduced if a portion could be invested with safety in securities and this is not possible unless, at a pinch, the securities can be sold at some convenient local centre. Another very great desideratum for popularizing current accounts is the remission of the Stamp Duty on cheques. Co-operative banks enjoyed this exemption, but it has now been withdrawn. The revenue that this duty brings in is inappreciable, looking to the great economic gain which would accrue from the development of business transacted through cheques. Such development is to a certain extent on account of the disinclination of the trading classes to use stamped cheque forms. No stamp duty on cheques is payable in America where we find the largest number of country banks. Most of the banking transactions in upcountry banks in India will be for small amounts and the incidence of the duty will, therefore, be comparatively higher than for banking transactions in richer countries or even in commercial cities like Bombay or Calcutta. It is argued by those who do not approve of the removal of the Stamp duty that any such step will encourage the issue of cheques for small denominations. It is difficult to say whether, in practice, the adoption of such a policy will lead to this result. If, however, it does so and leads to difficulties for the clearing house or for banks which do not wish to encourage this type of business, they have a ready remedy in putting a limit on the amount for which cheques can be accepted by them. Most banks, if not all, do impose such

a limit even now, and the figure will vary, being lower in places where banking is undeveloped.

Cheque forms are actually issued by co-operative banks in the vernacular with great advantage and I do not see any harm in this being permitted. Following the lead set by the Bombay Provincial Co-operative Bank, other co-operative banks in this Presidency allow the signatures of the drawers and the endorsements to be made in the different vernaculars and the cheques themselves are made out in the vernaculars. Although the Provincial Bank has to accept at its Head Office cheques drawn in Marathi, Gujrati and Kanarese, besides English, no practical difficulty has so far been experienced although the daily turnover is on an average 10 lakhs and the number of cheques presented daily is two hundred and the expenditure to be incurred for engaging clerks knowing different vernaculars will in no sense be prohibitive. From this experience of the Provincial Bank, I can say with confidence that the use of vernacular cheque forms will popularise banking business of all types. We have also found that the hundis issued by a Branch of the Provincial Bank on the Head Office is a more popular form of remittance than a demand draft issued in the standard English form.

I have said above that the co-operative agency possesses great advantages over all joint stock banks including the Imperial Bank as also over private bankers for carrying on the work of developing banking methods, provided, certain facilities were made available. I would like to mention the facilities referred to above. The most important of these is the issue of Remittance Transfer Receipts direct on Sub-Treasuries and the use, under restrictions and on stipulated conditions, of the surplus balances of local sub-treasuries by approved co-operative banks or the branches of the Provincial Bank. Co-operative banks, urban or central, will develop the use of modern credit instruments by opening current accounts in small upcountry towns, while well-managed village societies grouped round central banks and branches of the Provincial Bank can accept freely savings deposits from their agricultural members. Such rural societies will have, in turn, current or overdraft account at the offices of central or branch banks on which they can draw on demand or at very short notice to meet withdrawals by members. It is only facilities for withdrawals at short notice and the absence of formalities that will attract the savings of agriculturists in their societies.

To what extent such small banks can be started and worked successfully will depend upon their ability to earn a profit after meeting all expenses. As is well known, the main item of expenditure in any bank opening current accounts at its branches is the loss of interest on cash balances. Heavy balances have to be maintained in the absence of facilities for remittances and even if such facilities are available through the treasuries the receipt of money even by Telegraphic Transfers will occupy a day. It will be very helpful to the development of deposit banking and the opening of branches in small bazaar towns and trading centres, where otherwise no banking facilities on modern lines will be developed, if after taking all due precautions regarding security, approved co-operative banks or their branches are allowed the use of Treasury funds within limits to be laid down. If the Government are unwilling to permit of the departure in financial policy which is involved in giving effect to this suggestion, a further condition may be laid down that the co-operative bank or its branch should give in exchange a draft on the apical institution at the provincial headquarters to enable Government to reimburse the temporary withdrawal of money from the local sub-treasuries. I understand that the Punjab National Bank obtains at its branches the deposit of regimental funds and account against Government securities lodged with the Comptroller of Military Accounts and what I suggest above is merely an extension of this principle. While I do not like the idea of fostering agricultural banking through the indigenous banking system, I agree with Sir Basil Blackett's views that it is desirable to link up the small rural banks with Imperial Bank system. The Co-operative system has already got its internal organisation fairly well developed with the primary village banks federated into local central banks and the latter federated into the provincial banks at the apex. But what the organisation lacks is the recognition of some organic relation between the co-operative apex banks and the Imperial Bank of India as bankers for the State. I have the honour to suggest that relations between these should be developed with the help, if necessary, of Government on the lines sketched in my recent address to the Provincial Co-operative Bank's Conference. I enclose herewith a copy of the Proceedings which contains this speech and the resolutions adopted by the Conference. I admit that the policy of the Imperial Bank

of India has undergone a considerable change since the amalgamation of the Presi-
dency Banks and from some figures which the Managing Governors of the Imperial
Bank were kind enough to show me I gather that the Bank's advances to co-opera-
tive banks amount to a crore and a half nearly. It is this policy I should like to
see extended and definitely recognised as part of the Imperial Bank's obligatory
duties.

II. I am in entire agreement with the proposal made by the External Capital
Committee to create an All-India Institute of Bankers to supervise courses of in-
struction, to hold examination and to promote wider knowledge of and interest in
various aspects of modern banking. The Imperial Bank of India would do well to
enlist the sympathies of all Indian Banks in this move, at an early date.

III. I do not favour any action which would sap the sense of responsibility
among Indian Banks and hamper their freedom of action. In India, as in other
countries, mistakes have been made by persons conducting banks and I fear will
continue to be made whatsoever the degree of external inspection. What is needed
is a wider appreciation of the fundamental principles of sound banking and it is
to be hoped that this need the creation of an Institute of Bankers will supply in
course of time. Public opinion and the constituents of the banks ought to be left
to take care as regards the rest, for I think that artificial methods like official
control and supervision are likely to hamper rather than aid action from within.
Moreover, if anything goes wrong with a particular institution in spite of the pro-
posed extra Government control, both the investors and General public will hold
Government responsible for such a mishap. Government should not, therefore,
interfere even with the free choice of Auditors from the circle of those certified to
audit accounts under the Indian Companies Act, and should not, in my opinion,
arrange for audit, on payment, of the accounts of small concerns even when so
desired by the latter. Even among co-operative societies the feeling is growing in
favour of having audit by independent recognized and certified auditors in prefer-
ence to audit by the staff of the Co-operative Department. I would welcome,
however, any such development as the formation of an All-India Institute of Chartered
Accountants as foreshadowed in the Committee's Report.

IV. I would like to draw the attention of Government to the interesting system
of remittances through post offices which has lately been developed in Germany and
which is fully described in an appendix to Mr. M. L. Darling's book on "Co-Opera-
tion in some European Countries" published by the Punjab Government. This
policy supports the suggestion made above that Government should be pleased to
allow to co-operative banks the issue, under previous arrangements, of Remittance
Transfer Receipts on Sub-Treasuries and to permit drawings, under proper safe-
guards, by co-operative banks and their branches on their credits with the apex
bank out of balances held by local sub-treasuries. I am further of opinion, that
publicity is required to be given to the existing facilities allowed by Government and
the Imperial Bank for the issue of telegraphic transfers and supply bills. The
extension of facilities asked for by me will, I fear, involve heavier work at various
local Treasuries, and if an increase of staff is asked for on this account, Govern-
ment should not, I think, grudge the additional expenditure as it would be more
than recompensed by the development of banking facilities in upcountry centres
which Government are anxious to secure. In this connection, I would refer to the
arrangements which obtain in Bombay for the acceptance by Government Treasuries
of cheques on co-operative banks in lieu of cash payment for land revenue assess-
ment, irrigation fees or other cesses. If this fact is brought to the notice of the other
Presidencies and Provinces, they are sure to follow the lead set by Bombay.

V. Private banks and co-operative banks may well be admitted to clearing houses
upcountry if they fulfil the requisite qualifications and the same would apply to
co-operative banks. For cheques of co-operative banks the provincial banks should
be treated as the clearing houses, and it would be necessary only for such banks
to have access to the central clearing houses. So far as my information goes, it is
not a very general practice for private banking firms in this Presidency at least
to allow accounts to be operated upon by means of cheques. Remittances from one
centre to another are effected through the medium of hundies payable on presenta-
tion. Only a banking survey can indicate whether such banks would like to get
registered and conform to the rules and practices of modern banking.

VI. It is certainly desirable to increase the number of public debt offices, to
introduce the use of the vernaculars in the scrips issued, to admit endorsements in
particular vernaculars at specified public debt offices and to improve the machinery
for changing the incasement for payment of interest from one Treasury to another.

Government have no direct concern in the marketability of their securities and need not themselves suggest the opening of stock exchanges at different centres. If and when such exchanges do come into existence, they might grant them recognition and for this purpose prepare and keep ready for their use draft rules similar to those suggested for the Bombay Stock Exchange.

VII. I cannot help laying emphasis on the opinion expressed above that the best way of developing credit facilities for agriculturists is through the co-operative organisation. For short term credit, the present organisation commands sufficient resources, though in the opinion of some, with whom I do not agree, the incidence of interest is still high. To perfect the machinery what is now required is a less rigid system and greater freedom and also consequent responsibility to those who are entrusted with the task of finding funds either in the shape of shares or deposits. The agriculturist will have confidence in the *bonafides* of the co-operative credit organisation and will trust his surplus capital to it only if it assures him of its ability to provide capital adequate for the legitimate requirements of his agricultural operations and, so far as is possible, as promptly as the sowcar. Co-operative banks and societies will be in a position to give him the former assurance when credit is regulated according to security and requirements and is not based on arbitrary limits subject to the approval of a central office not enjoying close and regular touch with the persons affected. The latter assurance central and provincial banks will give if they are permitted freely to open branches or central banks for smaller areas can be started with certain assistance in the matter of facilities for remittance of funds to which I have already referred above. In addition, we shall also require land mortgage banks to provide long term credit for permanent land improvements and for redemption of debt. Proposals for the starting of such banks are already before the Government of Bombay and both the Registrars' Conference and the Provincial Co-operative Banks' Conference have passed resolutions in favour of the establishment of such banks. I trust Government will give their very favourable consideration to these proposals. There is hardly any country in Europe where Government do not assist in the organisation of arrangements for land mortgage credit and the Governments of Japan and the United States of America have devised their own arrangements in this respect. The claim of the agriculturist in India on the credit and resources of the State for facilities of the type demanded is equally great as in those countries. As regards the necessity of providing credit facilities, for industries, I need only say that I am thoroughly in sympathy with the recommendations in that behalf made by the majority of the Indian Industrial Commission and with the Resolution passed on the subject in the Council of State in 1922. I think some action on the lines of the Commission's recommendation and the Council of State Resolution has long been overdue. Why the State should shoulder responsibility for the financing of industries and why this responsibility has been accepted by Government in Germany or Japan, has been brought out very clearly by Mr. B. F. Madon in his evidence before the External Capital Committee and I am in entire agreement with the views expressed by him.

VIII. It would, indeed, be useful to have a standardised bill of exchange printed on Government stamped paper, both in English and the principal commercial vernaculars, with blank spaces provided for the names of the drawer, the drawee and the acceptor. These forms may be made available at local branches of the Imperial Bank of India, but their use should not be made compulsory. I also agree that a change in the law is necessary, as suggested, in view of the recent judgment of the Bombay High Court in accordance with which a bearer Hundi was held to be restricted to payment to order by an endorsement to that effect. The law should provide for at least one type of instrument which will not only be drawn payable to bearer but will remain payable to bearer in spite of anything that anybody may write on it short of cancellation.

For the extension of credit facilities in India and for improving the liquidity of finance in trade and industry one thing which will be very helpful is the development of the trade acceptance and the organisation of its discount. The use of such instruments is not very common in India and banks, including the Imperial Bank of India, will have, in the first place to be induced to recognize this system of finance by agreeing to discount such real trade bills, and not only that to get their customers to use these instruments in preference to the system of open book accounts with which they and the public are most familiar. More important than this type of bill, is the domestic bank acceptance or the bankers' bill and to popularise this instrument rests with banks themselves, the lead, as in other matters, being taken by the Imperial Bank of India. The popularization of such instruments

will not only greatly facilitate the financing of inland trade and commerce, but will provide a valuable security for the Imperial Bank of India against which emergency currency can be issued safely by Government, confident in the assurance that the facilities which they supply are not utilised for artificial inflation of credit for accommodation purposes. The lines on which this development can proceed are well described by Mr. Madon in his note to the External Capital Committee.

LETTER FROM B. F. MADON, ESQ., BRUCE ROAD, FORT, BOMBAY, TO THE GOVERNMENT OF BOMBAY, DATED THE 22ND APRIL 1926.

In reply to yours of the 19th February last drawing attention to the Report of the External Capital Committee and asking my views on certain points, I have the honour to now reply as follows:—

I would in the first place draw your attention to the practical illiteracy of the population, as much as 92 per cent. not being able to read and write even their own vernaculars. When it comes to the female section of the population, the position is still worse. To ask such people to trust their very hard-earned savings to something written on a piece of paper or in a Bank pass-book, is more than one has a right to expect, particularly if we bear in mind that the immigrant population in the United States (mostly that hailing from Southern and South Eastern Europe) is found very prone to hoarding, although in the matter of literacy they stand far above the Indian masses.

The position is still worse when literacy in English is considered. To those of us who pass their lives in the big towns or have to deal mostly with Government or Railway employees, it almost seems as if a smattering at least of the English language was very wide spread in India. But the Census Report tells us that not more than 5 in every hundred can read and write English. If Banks in England were to keep their accounts, etc., in the Russian or Chinese language, I feel confident that the English masses would fight shy of such banks, and hoard their savings. It is therefore nothing surprising if Indian masses fight shy of institutions where everything is done in English.

The above remarks, to my mind, furnish a key to the whole position. It is no use talking of Banks or branches of Banks being broad-cast all over the country. They cannot appeal to the illiterate 92 per cent. of the population. It is worse than useless to develop such banking facilities based on the English language.

But when I have said this, it is not to be understood as meaning that the money of this enormous population is going into hoards, if by that term is to be conveyed the idea of burying the money out of sight and out of current use. Most of this money is banked but with the indigenous banker. If this is considered a rather bold statement, I would draw attention to the fact that:—

90 per cent. of the towns, and

100 per cent. of the rural areas

have no Bank of any sort in the European acceptation of the term. It would be absurd to assume that there are no dealings in all this immense area that require some form of banking machinery to handle them. Such dealings must be there, and the financing machinery must be there also, although of a different type from European Banks. Every one of the towns and many of the villages will have its sowcar or bania or chetty or the indigenous banker under some other name. This man is not a banker that permits drawings by cheques but allows all the other operations, viz.:—

Deposits to current account of client;

Deposits for fixed periods;

Withdrawals (not cheques but cash) as and when wanted;

•Advances on security of produce, of other moveables and of immoveables;

Advances on produce even before it is harvested;

Advances on personal credit;

Discount of Bills of Exchange—called Hundies both demand and usance ones;

Issue of Demand Drafts on their correspondents for remittance purposes.

The above will show that this man is doing every thing a Bank (in the European acceptance of the term) does, and to say that it is Banking that requires to be developed is to show an ignorance of the fundamentals of the position.

The question might be raised. Why is this man still the principal banker of the masses of India? The answer is.

He is known to his clients and trusted by them. No writing has to pass. The Banker and his client do things verbally. There are no hide-bound formalities or red-tape as in most Banks, and particularly in the Imperial Bank and the Public Debt Office. There are not the same difficulties in case of death of a client for his assets to pass to his successors.

Therefore, the Indian masses will stick to their own indigenous banker for a very long time to come—perhaps until we have 90 per cent. literacy in place of the present 90 per cent. illiteracy. Then again what is it that the European-style Bank can give and which the indigenous Banker cannot give? I see nothing. As a matter of fact there are certain penalties imposed on the man dealing with the European-style Bank. The client must know English. He must use cheques and pay one anna to Government every time he does it. He must put in his money before a fixed hour, and to the mind of the masses a very early hour, otherwise it does not count for interest. For getting paid on a vernacular signature he must get it verified by a Justice-of-the-Peace and perhaps incur some expense for doing it.

I hope I have said enough to show that any development of Banking on the European model will not be of much use in getting the masses to put their moneys in Banks, and make their receipts and payments through Banks.

The question then is—on what lines ought we to proceed? My answer is—

Rope in this indigenous Banker with the European-style banking organisation.

The retort might be made—"Yes, but how," my reply is—

By recognising this man's status as a Banker and treating him as Banker.

Each of them is the balancing reservoir for the floating funds of his own little area just as the Imperial Bank is the Balancing Reservoir for the whole country. Let Government make use of these Balancing Reservoirs for its own receipts and payments each in its own little area. Let these be linked up with the bigger Reservoir for the whole country by each of them acting as the correspondent for the Imperial Bank in his own little area. This will facilitate transactions all over the country. It will mean even considerable economy to Government in the matter of the District Treasuries and the movement of its own funds, and it will keep the circulation of money more even by preventing the present drain of money from the vast rural areas. In the matter of this drain the Railways are the worst offenders. Every Railway Station collects a lot of cash, and instead of the Station Master paying it into the local banker and getting from him a remittance order, the money is packed and sent on to Headquarters, which, to my mind, is not only a waste of time and energy but is actually harmful from a currency point of view by making currency and small change scarce in the interior of the country. If the indigenous banker is so linked up with the Imperial Bank, the latter will automatically become the balancing reservoir of all indigenous banking, just as it to-day is of all European-style banking, because to facilitate their remittance operations these indigenous bankers will see the need of opening accounts with the Imperial Bank or other big European-style Bank.

The next most essential step in such linking up is the development of the discount of internal bills of exchange. The indigenous banker each in his own area will use his local capital in the purchase of such bills and get the money free again by re-discount at the Imperial Bank or at such other Bank as he has an account with. This has been treated more in detail in my written evidence before the External Capital Committee, and the Royal Commission on Currency of which I enclose copies and to which I beg to refer.

It has been previously asserted that it is not possible to secure even 12 crores of such bills for discount that are required for Emergency Currency purposes. Now as we know our internal trade is far bigger than our export trade, which only arises from the marginal quantities of products that India can spare. The 350 crores of Exports create 350 crores of Bills on foreign destination at 30—60—90 days or even 6 months' sight. The internal traffic must be 5 to 10 times as large, and could be the basis of a very large amount of eligible commercial paper, if we only go the right way about it. The importance of doing this lies in the fact that if this is done and the indigenous banker sees his way to ready liquidity of his own advances through such discount, he will be more ready to come into the scheme of banking organization, and play his own part in it.

I have already said earlier that in view of the extreme illiteracy of the masses this indigenous banking agency will be needed for many years to come. But this

is not the only reason. A far more important reason is that India is mainly an agricultural country, and banking of the type that we are familiar with in the present European-style Banks is unsuited to the needs of such an agricultural population. This cannot be better exemplified than by the case of England itself. Banking is very highly developed in that country, so much so that there are as many as 7,300 Head and Branch establishments belonging to the Big Five Banks alone, apart from hundreds of similar establishments belonging to other smaller banks. And yet the position as regards the financing of Agriculture is so unsatisfactory that Mr. Enfield in a Report recently presented to the Board of Agriculture in England says:—

“The Banks frequently lend on their personal knowledge of farmers without a definite charge upon their property, but the extent to which this is done is limited.”

“The ‘Economist’ commenting on this indicates the methods the farmer is compelled to resort to in consequence and says—

“The system under which farmers get a large amount of short-term credits from traders, dealers, auctioneers, etc., is far from satisfactory. The system very often limits the farmer in his market by compelling him to sell back to the man who grants him credits and the profits are divided. It usually costs more than Bank credit and often obscures from the minds of the farmer the fact that he is paying anything for monetary accommodation at all.”

Now, the population living directly or indirectly on Agriculture is hardly 15 per cent. in England. In this country it is perhaps 80 per cent. If the European-style Bank, with a Branch perhaps in every second village, has failed to provide suitable finance for its agricultural population in England, it is easy to see that the 250 to 300 such Banking establishments cannot possibly do it in India. What is more England's experience shows that such Banking is not suitable to the needs of an agricultural country, and therefore mere extension of such Banking in this largely agricultural country is sure to prove a waste of effort and to bring disappointment in its train. *What is needed, therefore, is not development of such Banking, but development to the fullest extent of the possibilities of the present indigenous system of Banking.*

The indigenous Banker performs another function that is of the utmost importance to a community mainly dependent on agriculture. He is a merchant, and is ready to buy the produce of his clients or to sell to him the ordinary necessities of life. Then, again, as agricultural incomes can come in only once a year or twice a year, he is ready to provide these necessities on credit, against cash to come in at harvest. This again the ordinary European-style Bank cannot do, and is one more reason why our efforts should be concentrated on the improvement of the indigenous system of Banking and the development of its resources.

All the above might seem at first sight to show that I had strayed very far away from the points raised in your letter but this is not the case. It would be easy enough to give superficial replies, but they would not be the right replies, and would not be of any help to a real solution of the problem. For this, it is necessary to bear the fundamental conditions of the problem constantly before us, and in my reply so far I have tried to indicate what they are. I may summarise them here as follows:—

1. The country is 92 per cent. illiterate even as regards the vernaculars.
2. It is 95 per cent. illiterate as regards English.
3. Eighty per cent. of its population is living directly or indirectly on Agriculture. (In this I include the small artisan, etc., population of the rural areas.)

The Banking needs of such a population require—

1. Banking in a form where personal contact and personal and verbal negotiation between the banker and his client is possible.
2. Banking in a form where a knowledge of English is not needed.
3. Banking in a form where a knowledge of reading or writing even in the vernacular is not incumbent or necessary.

4. Banking in which advances cannot be expected to be liquidated day by day as in ordinary commercial banking.
5. A system where the Banker not only acts as financier but as merchant and as agent for his clients.

If we bear the above in mind, the replies to the various points raised in your letter will be as follows:—

The means by which deposits might be encouraged.—This question shows a misapprehension of the whole position. The only deposits that come under the cognisance of the statistician are those of the Joint Stock Banks. Such statistics altogether ignore the enormous amounts on deposit with the indigenous banking community, and with merchant-bankers and merchants all over the country. My own opinion is that there are no moneys held somewhere out of sight that need to be coaxed out as deposits, and any attempts to so coax them out will prove most mischievous, as they will simply divert funds from indigenous banking channels to joint stock banking which is amenable to statistical comparisons. I say 'mischievous' because it can only divert funds from that part of the banking organisation that is of greatest service to the country under the present conditions to a part that is *unsuited for such service*. I shall refer further to it under the head of Post Office Cash Certificates.

Current Accounts with Banks including Savings Bank Deposits.—No development in these directions is to be expected from the 92 per cent. of illiterates who must perforce go and entrust their savings if any to the man whom they know in their own area, and who will keep it for them and supply them with such commodities as they may need. For the 8 per cent. literates, it is essential that banking should be in the vernacular not in English. It is a well-known fact that the indigenous banking and commercial community make very little use of the commercial banks in transactions as between themselves, even in places like Bombay and Calcutta. Such transactions are entirely cash—mainly currency notes—and to enable these to be put through smoothly crores of rupees are kept at home overnight, although they would earn some interest if in a Bank. The difficulty here is—

- (a) *Need to make out the cheque in English.*—(Some Indian Banks permit signature alone in the vernacular, provided the cheques are signed in blank before an officer of the bank. Very few careful men would care to sign and pass such cheques, the contents of which they must take on trust owing to ignorance of the language.)
- (b) *The stamp on cheques.*—Even in wealthy England the 2d. stamp is resented, and there is strong agitation to return to 1d. In wealthier America there is no stamp needed. The indigenous commercial community does not see why it should pay this tax when, by confining its operations to Currency Notes, receipts and payments may be made as efficiently without such tax. It is also forgotten that an anna in India is far more valuable than a penny in England to the average individual in view of the average income in each country. The figures of revenue from the stamp on cheques are not separately available to me, but my information leads me to think that it can be only a few lakhs in each province. This small revenue should be given up in the interests of the improvement of the Banking organisation of the country, and thus should be removed this obstacle to the funds of the indigenous banking community being deposited in ordinary banks. This result will also be highly desirable from a currency point of view.
- (c) *There must also be a change in banking hours* to fit in with the usages of the indigenous banker.

Short-Term Deposits with Banks.—Many of the above remarks apply to this question also. Then, as regards funds that can be spared for a definite period, they do go into such deposits. What is not understood is that a very large part must in the circumstances of the case go to the indigenous banker and the indigenous merchant, where the client personally knows and trusts his banker, and where very little reading and writing and stamping is called for. These latter—banker or merchant—must have and do have surplus cash in hand amounting in the aggregate to very large sums, but in view of their liabilities they want to keep it very liquid. I would, therefore, urge a reintroduction here of Government Treasury Bills for 3 and 6 months, which I advocated during the War, and which were then introduced and did valuable service. Their discontinuance is a mistake and the keeping by each Government of enormous surplus balances that is now in vogue is, to my mind, unpardonable extravagance.

Post Office Cash Certificates.—I have already said in an earlier paragraph that any attempt to coax deposits will prove most mischievous, because there are no savings buried somewhere out of sight that can be drawn out by such coaxing, and that, in my opinion, what will really happen is that deposits will be diverted from indigenous banking channels where they are now "invisible" to the European-style Banks and become "visible". This is what has happened with these certificates. The out-standings of these had actually gone down from the 8 crores of 1919 to only 3 crores in 1923. The Government then came out with the surprising offer of 6 per cent. compound interest income tax free, and the amount has rapidly gone up to 8½ crores in 1924, 13 crores in 1925 and 19½ crores this year. Government seem to be very proud of this achievement. They do not seem to see that it is not the result of increase in thrift but of giving as much as 1 per cent. more to investors in Government securities than they would otherwise get, and advantage is naturally taken of such an offer by the trading community to pick up a Government security on such handsome terms, and as there is a great depression in trade all over the country, and great want of confidence, they find it safest to put their funds in these certificates till there is more confidence in trading circles.

The figures of subscription to the Cash Certificates for March 1926 published a few days ago show that subscriptions have reached the enormous total of 2.06 crores or at the rate of 24 crores a year. This is a direct result of the recent rapid widening of the disparity between the rate of 6 per cent. income tax free on these Cash Certificates and the current market yield on Government paper. These figures should be an eye-opener to Government and should make it clear to them, that it is not the ordinary man who does not understand how to invest that is being drawn to these Cash Certificates, but the cute businessman who knows how to take a profit when he sees it, and who is exploiting these certificates. The bulk of the huge amount of subscription during March is clearly by this businessman, and it is extraordinarily large in this particular month because Government has been foolish enough to allow the rate of 6 per cent. compound interest tax free to stand till 31st March after announcing that it was to be reduced to 5½ per cent. thereafter. It was a direct invitation to all with spare cash to take advantage of the 6 per cent. offer while it lasted, and the result, as might have been expected, is this huge subscription in a single month. There is no valid reason for assuming that these are all new savings or money drawn out of old savings in hoards as the Government seem to imagine. It is simply the "invisible" deposits of the indigenous banking organisation that are drawn out and made "visible". Every Banker knows how a large credit edifice can be built up on a small amount of liquid cash in hand and only a banker can understand the harm that must be done to the indigenous credit edifice by the drain from it of such a huge amount of cash in a single month. The increase of 16 crores between 1923 and now is, in my opinion, a diversion of the working capital of the indigenous banking community and not savings that would not otherwise be banked, and it has played its part in the scarcity of funds in the interior and in a poorer demand for commodities, because the destruction of credit and confidence resulting from Government's currency policy has led to insistence of cash by sellers, and at the same time this great amount of cash has been withdrawn from indigenous trading circles.

The rate is now changed to 5½ per cent. compound interest tax free. This is still a good deal higher than the yield on Government Paper to-day and the mischief will continue. If thrift in the small man is really meant to be encouraged why do not Government raise the rate on Post Office Savings Bank Deposits, and ask the Imperial Bank to raise its own rate for Savings Deposits. Instead of it, the latter is actually lowered one-half per cent. Consequently a man who goes to the Savings Bank will get only 3½ per cent. while the man who buys the Post Office Certificates will get 5½ per cent. tax free!! This is a most strange way of encouraging savings. Government is pleased to fancy that they are coaxing out money that would otherwise remain in the proverbial old stocking. They similarly fancied in the Reverse Bills days that it was all *bonâ fide* remitters who scrambled for these Bills and for the £40 Postal Orders!! The net result is the raising of 16 crores by Government on very onerous terms, a loss of 20-25 lacs in unnecessary additional interest charge, and a weakening of the indigenous money market and a stagnation of the Import Trade. I will leave it to trained bankers to say what the extent of this weakening of the indigenous money market must be, when the onerous sum of 19 crores is withdrawn from the circles where the cheque is unknown, and all dealings are in cash, but I am sure none will deny that it must mean a very serious drain on the resources of the indigenous financing organisation, and I would most strongly urge the immediate withdrawal of the offer of these certificates as an important step in the rehabilitation of the financial organization.

Deposit Receipts in the Vernacular.—I have already indicated that not only a Receipt but cheques, and if possible, all banking should be in the vernacular.

Formation of Banks in places where none exist at present.—I have already expressed the view that as the country is largely agricultural, and extremely illiterate, more Banks after European-style will not be of much help. However, if this is a desideratum, I think the most suitable development will be that of Co-operative Banks.

These approximate much more closely to the agency of the indigenous banker. The men in charge are from, and of the people. They speak the same language, and can enter more readily into the minds and needs of clients in rural and small urban areas. The Agency employed is also much less costly. If, therefore, familiarising the people with banking on the European model is considered desirable, Government should do everything possible to encourage the Co-operative Bank. The direction in which this can be done is—

- (a) using them, wherever they exist, as Government treasuries if the Imperial Bank is not already there;
- (b) using them for remittance of revenues from country areas by payment of revenue into the local branch of such Co-operative Bank, and getting an order on its Head Office;
- (c) free remittance for its funds from the Presidency Town to the rural area and vice versa;
- (d) total exemption from stamp duty of both cheques and receipts;
- (e) arranging with the Railways to pay in their receipts at upcountry stations to such Bankers against orders on Bombay or other Head Office of the Bank concerned.

This will save a lot of work and expense to Government and the Railways in the handling of their funds, and at the same time give the Co-operative Banks a certain status, and encourage greater resort to them by the rural community, and so help the propagation of Banking on the European model.

I have already suggested the doing away with the Stamp on cheques. If Government consider it a big order, I suggest their doing away with it altogether at least in the Co-operative movement as the revenue sacrificed will not be important.

It may be argued that these Banks are not substantial enough for Government to entrust their funds to them, but I may point out that most of the provincial Co-operative Banks are now very substantial. So also are some District and Urban Banks, and will, I feel sure, be able to afford ample guarantees for the amounts that they may be entrusted with, each in its own small area.

Apart from Co-operative Banks, the best way to propagate the idea of Banking on European model is to encourage indigenous Joint Stock Banks, because they alone can provide the nearest approach to the present indigenous agency. The men in charge would be of the people, they could talk the same language, and the client would feel much more at home with them than he can ever be with any officer of the Imperial Bank. Even so, these banks cannot hope for many years to replace the present indigenous agency, because they too must have cheques and receipts and vouchers and what not, which are all Greek to our illiterate masses. But such as they are, they can still do a great deal to propagate the idea of Banking after the European model, particularly if they do their work in the vernacular.

But these Banks cannot have a fair chance if the Imperial Bank is allowed to work as it is now doing. It has many crores of surplus Government funds and funds of semi-Government bodies for which it has not to pay any interest and it goes out for the same kind of credit and loan business direct with clients that other banks do. This is manifestly unfair, and there can be only one result, viz., that the cream of all banking business must come to the Imperial Bank, who can give most favourable terms. Business thus becomes more difficult for the indigenous banks. They are, however, able to command a certain amount of business in the few big centres of commerce and industry, but in the districts the situation becomes almost hopeless. In such places the Imperial Bank with the Government balances and the prestige of being a Government Bank naturally commands the position, and makes it almost impossible for indigenous banks to pay their way in such places, because they must, on the one hand, offer tempting rates to secure deposits, and on the other cater more or less for the same class of business as the Imperial Bank, which means that they must be satisfied with business that the Imperial would reject.

It is clear, therefore, that any measures aiming at the development of the Banking organization of the country must keep a reform of the present organization and working of the Imperial Bank in the forefront. The present working has the defects inherent in its origin as a private capitalistic bank trying to do its best for its

shareholders. Its outlook is consequently narrow, and its methods are a replica of the methods of ordinary banks, who lend enthusiastically in boom times when prices are soaring, and who get panicky in times of depression when prices are at very low, and therefore at very safe, levels for loans and credits on sound lines. It is, therefore, very necessary to so organise the Imperial Bank that it may more correctly appreciate and fulfil its role as a State Bank, and keep the interests of the country and not the dividends of its shareholders in view in its banking policy. If it is not found possible to change the present character of the Imperial Bank, then we should organise a State Bank. No capital will be required for the purpose as the example of the Commonwealth Bank of Australia has shown, and such State Bank will be more readily able to look at its banking problems and policy from the point of view of the larger interests of the country, as there will be no shareholders to consider.

This suggestion may seem to be in conflict with my evidence before the Royal Currency Commission, where I have advocated the handing over of the Currency Department to the Imperial Bank. I may, therefore, point out that the underlying idea there is to free our currency system from the manipulations of the Finance Department with its eye to the Budget, and what I there aim at is the management of our Currency system in a way to free it from such manipulations. This can be done quite as efficiently if this work is entrusted to a State Bank.

How such a State Bank might help the development of Banking in this country may be seen from my remarks earlier, where I suggest the ripping-in of the indigenous banker by the discount of internal trade bills. The words of Prof. Keynes in his scheme for a State Bank for India at page 72 of the Chamberlain Commission's Report might be usefully quoted here. Prof. Keynes says :—

"This leads us to the question of the relations of the State Bank to other banking institutions. The State Bank ought to aim, I think, to the greatest possible extent at re-discount business. So far as possible, that is to say, it should aim at filling its portfolio with trade bills which have passed through the hands of another Bank or shroff or Marwari of high standing and have received their endorsements. This seems to me to be the right channel through which the accommodation newly available should filter down to the great mass of Indian traders. The State Bank would have on its list certain Banks and private native financiers of high standing who would be amongst its regular customers and for whom in general it would be prepared to re-discount freely.

The power of re-discount might prove a powerful aid to the development of Indian Joint Stock Banks on sounder lines than hitherto, and involve at the same time a valuable check on them. For, admitting a Bank to the re-discount list, the local Manager of the Presidency Bank would require, from time to time, to examine somewhat carefully, in confidence, the Bank's position; and the risk of losing its position on the re-discount list might act, to some extent, as a deterrent to rash banking.

Apart from this check, the creation of a re-discount market would render such banks most vital assistance. Indeed I am doubtful how far it is possible for them to develop on really sound lines without it.....

If a State Bank were to encourage the transaction of business by means of trade bills, through making bills easy things against which to obtain advances, native Banks might hope in time to obtain more of them for their portfolios and would have something which they could turn into cash at need by re-discount."

The amalgamation of the three Presidency Banks into the Imperial Bank of India was meant to make the most of the existing organisation, and provide a workable substitute for a State Bank. It is most disappointing to see that six full years after its inauguration as the Imperial Bank, we have not even the beginnings of real trade bills, not even the beginnings of a real discount market, both such essential parts of a sound currency and banking system in any country. This is why it has seemed to those who have given serious thought to the question that it is not a mere change of outlook by the Imperial Bank but an organic change that is now needed, if the Banking organization of the country is to develop as it should.

Banking Education.—A scheme for an institution analogous to the Institute of Bankers in England is, I understand, now under consideration and should gradually create a class of trained bankers in this country. *A good knowledge of at least one of the leading Indian vernaculars besides the candidate's own mother tongue should be made obligatory on all candidates for such training.*

Closer inspection and control of Joint Stock Banks by Government and their Audit if desired by the banks themselves.—There is a feeling among many laymen that this would make the working of banks sounder and inspire greater confidence of the public in such banks. My own opinion based on experience of the state of things in Japan and the United States is *against* any such Government inspection or audit. In both these countries, there is very considerable Government control on banking institutions; and yet, failures of banks are quite as common if not more common than in this country. This is because such Government control invariably degenerates into cobwebs of red-tape, while the *soundness of the security* offered for its loans or the *necessary liquidity* of its funds are a matter solely for the judgment of the Directors of a Bank, and if this judgment is faulty, results are bound to be bad in spite of Government audits and inspections which will go mainly by rules of red-tape laid down in Audit Codes.

Extension of remittance facilities.—This would be very desirable and we might very well imitate in this country the *Giro system* and the *Post Office Cheque* so well known in Germany. It will tend to make people keep their accounts in Banks in order to get the benefit of this facility. For the first few years I would make this service entirely free.

Clearing House facilities.—These ought to include every Bank that is willing to join the Clearing House. At present many indigenous banks are refused this facility on various grounds which is actually detrimental to the interests of the country from a currency point of view.

Developments of Stock Exchanges and market for Government Securities.—This is undoubtedly a desideratum, and must go hand in hand with development of banking, as it provides for ready negotiability and marketability of securities in which a considerable part of a banker's fund would have to be invested.

Long term facilities for Agriculture.—Land Mortgage Banks.—I would strongly recommend the adoption of the *Federal Land Banks* of the United States with suitable modifications. It implies Government participating in capital, etc., and this seems repugnant to British traditions and ideas in such matters, but those who argue on such lines that Government should stand aloof forget that in this country the *Government is the greatest landlord* and the measures under consideration in this para. will tend to the improvement of *its own estate* and the amelioration of the conditions of *its own tenantry*.

Industrial Bank.—The idea of such banks is foreign to English trained minds. It is, therefore, impossible to make any useful suggestions here, and I would only urge the deputation of some one from the Imperial Bank of India to Japan to study the working of the Industrial Bank and the Hypothec Bank in that country.

Financing of Agricultural produce by negotiable instruments.—It should not be only agricultural produce, but *all commodities on their way from the point of production to the point of consumption*. Bills can be drawn by the seller on the buyer at every stage, and these would be the *only real trade bills*. In this country they are practically unknown, and even considered undesirable. On the other hand they are the most liquid form of security known on the continent and in Japan, and, in the United States, special efforts were made some years ago to develop the trade acceptance. What happens in this country is that goods have to be sold on credit as in other countries, but the credit is given in open book accounts instead of by bills. The Imperial Bank or the State Bank can do a great deal to improve upon this state of things by giving such bills preference for discount over the present bills, which are much more in the nature of accommodation bills. I would refer to my written evidence before the External Capital Committee and the Currency Commission for more detailed views on the subject.

If this kind of bills are to be encouraged, *the rate of stamp duty on internal Bills of Exchange will have to be made much lighter*. The present duty is felt to be very heavy, and is constantly evaded by documents being made out "at sight" or "on demand" where the business that creates them is really 60 or 90 days or more, *usance*. This is done by attaching a covering letter or something similar to such "demand" bill by which the party demanding agrees to postpone its demand for an agreed period. Government will, therefore, be well advised to make the duty so light that no one would care to evade it, that is by making it *the same as for demand bills*.

Change in the law regarding negotiable instruments in connection with above bills.—I would recommend as a first step committees in each province to decide upon a standard form of such bills in the *leading vernacular* of each province as, in the nature of the case, the bills, if they are to be as common as they ought to be, will have to be in the vernacular. In the meantime, a start ought to be made with bills in English in the finance of Cotton, Jute and Seeds from the up-country centres to ports, and on piecegoods and metals from ports to the interior marts.

Standardised Bills of Exchange payable to bearer in spite of anything that may be written on it.—This suggestion of Sir Basil Blackett voices the feeling in European Commercial circles for the need for such an instrument: It really arises from ignorance of vernaculars and refusal to have to do with anything written in the vernaculars. I am afraid the Indian commercial community is not yet prepared for such a revolutionary change. Their present "Shahjog" hoondie goes far enough; in fact, farther than I know of similar bills of exchange doing in any other country. The only thing "Shahjog" insists on is that the amount may be paid to presenter, but he must be one with a recognised place of business, and the Indian Commercial community thinks this a most important safeguard, while 90 if not 99 per cent. of such payments continue as now to be made in *cash* and not by cheques. Even under this restriction long-firm frauds are not unknown, but they require very elaborate preparations. Besides this, I am not aware of "a Bill of Exchange that is not only drawn payable to bearer but remaining payable to bearer in spite of anything that anybody may write on it short of cancellation" in any other country.

I would, therefore, advise dropping this idea for the present. *What Government can do by legislation* is to provide that where any such instrument is on the face of it made payable to bearer it shall remain payable to bearer in spite of anything that may be written on the back, and that any change should be indicated on the face of such Bill. This will, I believe, remove the hardship that sometimes occurs at present. If a drawee pays such a bill to "bearer" in spite of the change on its face, he will have to thank himself for the consequences.

This concludes my replies to the various points raised in your letter. You will kindly excuse the length of it, because I could not see my way to make it shorter, if my replies were to be of any use to Government.

SUPPLEMENTARY NOTE BY MR. B. F. MADAN, ON POINTS IN THE EXTERNAL CAPITAL COMMITTEE'S REPORT, DATED 24TH APRIL 1926.

In my reply sent in on the 22nd April, I have already pointed out how Banking on the European model by joint stock banks can be encouraged. In the following Note I wish to draw attention to certain things that seriously hamper the successful existence and growth of such Banks.

Government must be well aware of the successful attempt made to wreck the Tata Industrial Bank—a Bank that had started with very ample resources and was of great promise for the future economic development of the country. The way it was done was to attack the accounts and to make all sorts of allegations. These allegations could have been and were proved wrong in the end, but they succeeded in their purpose of wrecking the Bank. This was due to the very nature of Banking business. Its principal working capital is deposits fixed or current, and its business is to lend out such deposits. Now, such deposits depend on the confidence of the public in the stability of the Bank that gets the deposits, and this confidence is a very delicate thing, and can be shaken and even destroyed by the least puff of suspicion. The allegations above referred to succeed, because very few depositors would ever care to wait till they were proved or disproved. The average man's first inclination will be to withdraw his monies to a safer place. He won't take any chance.

If deposits are then rapidly withdrawn, the Bank must recall its loans as rapidly. This is not always possible, because while a borrower may be perfectly solvent and his security quite good, he cannot find the money at short notice. The Bank subjected to such attacks, therefore, soon finds itself rapidly depleted of its resources and unable to get in its own money with equal rapidity, and is in consequence faced with incipient insolvency. This was the genesis of the troubles of the Tata Industrial Bank, and the necessity it found itself under of amalgamating with the Central Bank of India.

The parties who are attempting to wreck the Tata Bank thus found themselves foiled in their object of forcing a liquidation on it, and turned their attention to the Central Bank of India, who had committed the crime of depriving them of their victim. This Bank has been ever since most persistently persecuted, and it speaks volumes for the ability of its management that it has been able to withstand the attacks till now. However, the existence of actual litigation, or the imminence of such attacks, must put a very serious strain on the management, and divert their attention from their legitimate banking work. It must also prevent them from making the best use of their funds for the finance of trade and industry, and compel

them to keep an unnecessarily large percentage of their funds in very liquid form. A necessary corollary to this is high interest rates, because the necessary dividends and reserves have to be earned from the leading out of a *smaller* portion of the working capital than would otherwise be the case. The general public is thus made to pay for the attacks of which the Bank is made the target, and even Government finances indirectly have to suffer, because the rate at which people will invest in Government securities must have some relation to the rate at which the same money can be lent to commerce and industry.

I need not dilate on this aspect of the question to show that Government can not regard attacks on Banks as a matter entirely for the Bank and its shareholders. Both the general public and the Government are closely interested in the consequences of such attacks, and it is, therefore, their interest to see that there is nothing in the law or procedure of the courts that advances the objects of people making such attacks. This object is simply to create an atmosphere of suspicion, destroy confidence of the public in that particular Bank, and lead to the withdrawal of its deposits, and possibly to its premature suspension. Therefore, what the attackers need is:—

1. Ample publicity for their allegations.
2. Lengthening out of the proceedings to get repeated chances for such publicity.

The remedy, to my mind, is legislation—

1. prohibiting publication by the news-papers of any details of the case or even of the plaint until the case is decided.
2. improvement of procedure that will allow of such cases coming to a decision in the shortest possible time.

There is precedent for the first in the recent legislation in Great Britain regarding the publication of divorce proceedings. The harm done by the publication of unfounded allegations in the plaint against a Bank is, to my mind, much more serious to the economic well-being of the country. If the attack only succeeds to the extent of a partial withdrawal of deposits, the result may be a compulsory withdrawal of its loans by the Bank to industrial and trading concerns, and in times of trade depression this may result in sending some of these concerns into insolvency. If the attack succeeds as it did succeed in the case of the Tata Industrial Bank, the consequences may be far more serious.

The next thing that I think Government should consider is legislation aiming at prevention of short sales of shares. This may or may not be part of the game of those who are now carrying on a campaign against the Central Bank, but it *can* be a part, and perhaps a *very profitable* part, of such campaign. When the attack begins some deposits—those of the more nervous parties—are withdrawn. As the attack gains in intensity, more and more deposits might be withdrawn. Rumours may be simultaneously set afloat of the imminent failure of such Bank, and fearful pictures drawn of the calls that the shareholders would have to meet. If it all succeeds, there would be only too many shareholders anxious to get out of the shares of such bank before it was too late, and shares would be thrown on the market. The parties organizing the campaign, would have sold shares short in the early part of their campaign, and these they could now pick up at handsome profits. Attacks on Banks can then at times be made very profitable ventures. It might be said that other kinds of business could also be attacked in the same way. There is, however, this important difference that deposits (*i.e.*, other people's money) is not the *mainstay* of such concerns, while they are basis of 80 to 90 per cent. of the business of a Bank. Other concerns can, therefore, be affected by such attacks only in a very minor degree, and their consequences to the commerce or industry of the country would be far less serious.

The remedy I suggest is that the law should enact it to be a misdemeanour for any one to make a contract to buy or sell shares without the specific numbers of the shares that are the subject matter of such deal being given at the same time. It should also make it a misdemeanour to pass any transfers from seller to buyer without entering on it the specific numbers of the shares concerned. Such misdemeanour should make the culprit liable to fine, and in case of repeated offence to imprisonment. Provision of this kind has, I believe, existed in the laws of Hongkong for many years, and originated from the same state of things—attacks on the stability of Banks through short sales of their shares, and rumours set afloat to justify such sales.

Serial No. 16.—LETTER FROM E. A. H. BLUNT, Esq., C.I.E., O.B.E., I.C.S., M.L.C., SECRETARY TO GOVERNMENT, UNITED PROVINCES, FINANCE DEPARTMENT, No. B-710, DATED THE 28TH AUGUST 1926.

SUBJECT :—*Report of the External Capital Committee.*

I am directed to invite a reference to Mr. McWatters' letter No. D. 5121-F., dated December 22, 1925, with which were forwarded copies of the above report. The Government of India ask—

- (1) for any information which the United Provinces Government can offer to supplement their knowledge of the various subjects connected with the development of banking;
- (2) for any suggestions which this Government can offer with regard to the preparation of a survey of the whole field of banking; and
- (3) for their views on the best method of subsequent procedure in order to carry out, as far as possible, the recommendations of the External Capital Committee.

2. The first of these questions includes numerous problems, such as banking education, Government control over banks, the provision of clearing houses, etc., which are essentially matters for discussion by experts. The Governor in Council need only note that a demand for commercial education, including banking practice, already exists and is being met to some extent by commercial colleges and courses, and that assistants in some of the joint stock banks also sit for British qualifications in banking. The main problem, however, is that stated in the fourth recommendation of the External Capital Committee:—"India possesses a vast store of dormant capital awaiting development, and in order to make this available for investment, banking facilities must be increased and extended"; and the Governor in Council thinks that the most useful contribution which he can make towards its solution, will be a brief description of (1) the distribution of this capital amongst various classes of the population, and (2) the extent to which it is really dormant.

3. (1) *Distribution of dormant capital amongst different classes of the population.*—

(a) At the bottom of the social scale there is a large class of unskilled labourers, agricultural and urban. Neither in India nor in any other country has this class any spare cash to invest.

(b) The next class, which is equally large, consists of tenant-farmers and of peasant proprietors in the country, and of small shopkeepers, artisans and persons on small fixed incomes in the towns. Such persons are often possibly well to do, but rarely possess much spare capital. The wealth of the agriculturist consists rather of kind than of cash. The shopkeeper and artisan require all their capital for their own business. Neither the deposits nor the investments of this class will ever be large.

(c) There is a third class, which may be described as that of the small capitalist, whose income ranges from Rs. 500 to Rs. 2,000 per annum. He exists both in the town and the country. He employs his capital mainly in lending. A considerable part is as a rule sunk in grain which he lends to cultivators for seed at high interest, making recovery usually in kind: another part is used in making loans to agriculturists, shopkeepers, artisans or private persons, secured, as a rule, by land mortgages or jewelry.

(d) A fourth class consists of persons belonging generally, so far as occupation and social status are concerned, to one or other of the last two classes mentioned, who have a certain amount of spare capital which they wish but do not know how to invest. The Governor in Council has reason to believe that this class is by no means small: and its existence serves to show that if capital is dormant, it is not necessarily so because the owners are averse to investing it.

(e) Next comes a large and important class consisting of big firms of grain dealers, cloth merchants and traders generally. Such firms are generally enterprising, and often bold in their transactions. They possess considerable resources of their own, and command considerable credit: and though they still deal mainly with the indigenous banker or billbroker, they are now in close touch with the modern banker too. Their experiences during the war period broadened their outlook, and they have now little to learn about commercial finance.

(f) There is an important class, which, for want of a better term, may be described as the "idle rich": it consists of absentee landlords, retired officials and moneyed folk generally. Many of them use a part, often a large part, of their

wealth in the same way as the small capitalist. Some are sufficiently enlightened to use modern forms of investment, notably Government securities: and of recent years some have begun to invest in industrial concerns. But such people invariably have large sums of idle money: and it is in their treasuries that a large part of the hoarded wealth of India lies dormant, in the shape of money, bullion and jewelry.

(g) Another class responsible for keeping substantial stores of wealth in idleness consists of the deities of the Hindu pantheon from the godling of the village shrine, who is recorded as a "proprietor" or "tenant" in the revenue records, to the major deities of the Benares temples. Their wealth, of course, consists of pious gifts from devotees, who belong principally to the last class mentioned.

4. *Extent to which this capital is dormant.*—It is clear from this description that a large amount of capital is not held in the banks, and consequently is not fully available for investment. But it does not follow that it is all dormant.

(a) A large part of it, indeed, is fully active. The mercantile and industrial communities and the professional money-lender of all grades are constantly using their wealth to the advantage of the country. Even the money of a village *bania* is always moving in its own narrow circle, and fulfils an important function. But the methods of such persons are often wasteful with better facilities, they could secure the same effect with less capital: and they require, and would probably welcome, any change that would enable them to use their money to better advantage.

(b) Another large part of this capital is dormant because its owners are willing to use it only in certain specific ways, and are by habit strongly prejudiced against all other kinds of investment. In classes (c), (d) and (f) of paragraph 3 special mention must be made of orthodox Muhammadans who, for religious reasons, decline to accept interest. The prejudice is decreasing but still exists, and even where it has been relaxed it often takes the form of a preference for investment, as the interest is regarded as a share of profit, while placing money on fixed deposit in a bank or the purchase of Government securities would come under the ban. Capitalists will readily invest in a land mortgage or a grain lending business. Many are prepared to sink money in an industrial concern, provided it is their own, and whether they have any expert knowledge of that industry or not. And of recent years they have shown increasing willingness to invest in Government securities, or in enterprises backed or guaranteed by Government. But the scope of such investments is necessarily limited. The average Indian capitalist is by nature and habit distrustful: he prefers to keep his money under his eye, and his investments, if possible, in a visible formland, on which he holds a mortgage, crops on which his loans of grain are secured, buildings and machinery appertaining to the industry that he owns. The more enlightened men place some of their money on fixed deposit in joint stock banks, but are easily persuaded to withdraw it, even with loss of interest, if anything like a scare occurs. Ordinarily, the average capitalist is reluctant to put his money in a bank or a private enterprise, of the working of which he knows nothing. In the circumstances, much of his capital necessarily remains inactive.

(c) Last, the large amount of capital which belongs to Hindu temples and shrines must be regarded as not only dormant, but dead: for it is not likely to become available for productive investment within any reasonable period.

5. If this dormant capital is to be made available to a greater extent than at present for investment, it is clearly necessary to examine the needs of the various classes who possess it. On this matter the Governor in Council offers the following comments:—

6. (1) *The small investor.*—The ordinary type of bank is never likely to attract the small investor for the following reasons:—

(a) He is for the most part illiterate and incapable of making use of the cheque system as a method of payment. His ordinary transactions are also too small to require it.

(b) Even if banks were so multiplied that a branch existed in every tahsil headquarters, depositors would often have to travel up to 30 miles to get money, of which, as a rule, they would only require a small amount on each occasion. In such circumstances they would naturally prefer to keep their money in their own possession.

(c) The small investor generally belongs to the agricultural class, whose wealth is more in kind than in cash. He works very largely on credit and would therefore be apt to regard a bank rather as an institution from which he could conveniently borrow, than as one to which he could profitably lend. But his security would generally be land: and the

ordinary bank is averse to handling land mortgages. And the small industrialist, less regularly perhaps, but frequently enough, is also in need of credit: he too has rarely anything to offer as security but immovable property, in the shape of his buildings and plant. If such men find it difficult to borrow, it is certain that they will not be willing to deposit.

7. The Governor in Council suggests that the true solution of the problem of the small investor lies in the development of co-operative credit. The primary society will be at his door: it will accept the smallest deposit: it will give him reasonable credit. It can be linked to the main banking system through the central co-operative bank, thus providing a natural channel for capital to flow either from the centre to the circumference or from the circumference to the centre.

8. *The mercantile community.*—The big merchants and traders of the province already do considerable business with joint stock banks: and these banks already do something to cater for their convenience. For instance, they have "city" branches in larger towns, and also branches in certain towns which are important merely on account of their commerce. In such places, besides ordinary banking business, they assist commerce by a growing practice of holding railway receipts and collecting payments due from consignees. But there are many other places in the province to which the banking system could be extended, with benefit both to the traders and banks themselves. The Governor in Council could mention many important markets in small country towns where large sums of money change hands, yet which, being distant from any treasury, possess no facilities for remittance whatever save the rail or the post. It is obvious that a temporary branch of a bank open during the busy season would be of great advantage to the large firms that buy in these small markets; and that they would welcome an extension of the banking system because it would provide them both with additional remittance and additional credit facilities.

9. *The private capitalist.*—This term, for the present purpose, may be taken as including that class of monied persons, such as the landlord, the retired official, the lawyer or other professional man who, while possessing capital, are not engaged in any business which necessitates its use; the class, in short, which has money available for long term investments. At present, such investments, if made at all, are arranged through local branches of banks, for outside the presidency towns there is neither a stockbroker nor a stock exchange. As a result the private capitalist seldom puts his money in well-established concerns: indeed he is often ignorant that such investments are available to him. And in respect of new concerns he is at the mercy of professional company promoters or enthusiastic but ignorant optimists, who have some risky or even wild scheme to finance. In these circumstances it is not surprising that he distrusts any concern which is not directly managed by Government or which does not carry a Government guarantee in one form or another. He would, for instance, be willing to deposit his money in a central co-operative bank or in the Imperial Bank, because he would regard both as "government" concerns: but he would not be equally ready to deposit in a joint stock bank, however well established. And no expansion of the banking system is likely to draw the spare resources of the private capitalist out of his treasury, unless the banks are such as he will trust.

10. If, therefore, India's dormant capital is to be drawn into profitable investments, the following changes appear necessary:—

- (1) For the small investor, expansion of the system of co-operative credit.
- (2) For the private capitalist and the mercantile community, extension of the banking system.

But in the latter case, there are difficulties which cannot be ignored.

(a) Such an extension would be welcome to the mercantile community mainly as affording them improved remittance and credit facilities. But if the banks, when considering the establishment of new branches, are concerned rather with the probable supply of local deposits than with the probable local demand for remittance and credit, it might be difficult to induce banks to open such branches without some assistance from Government.

(b) It is probable that the private capitalist would be willing to place his money in any bank that also held Government money, since he would argue that he could safely trust a bank which Government themselves trusted. That would suggest (in present circumstances) a further expansion of the activities of the Imperial Bank. But the External Capital Committee is undoubtedly correct in saying that consolidation must, in the case of this bank, precede further expansion. The Governor in

Council ventures however to suggest for consideration the possibility of entrusting Government moneys to well-established joint stock banks. It would be necessary, no doubt, to insist on certain conditions, e.g., that such a bank should give security, that it should maintain an account with the Imperial Bank, and that there should be adequate clearing arrangements between the two banks. If such an expedient were possible, it would probably remove the private capitalist's objection to depositing in joint stock banks, whilst it would help to solve the difficulty connected with the creation of new branches mentioned under (a) above, since the new branch in many places would be assured of one large deposit. And finally, Government could also assist to remove the difficulty of finding suitable premises which often arises when new bank branches are created, by allowing the bank to use the existing treasury or sub-treasury premises.

11. The Hon'ble Finance Member, in the speech of which a copy was forwarded with Mr. McWatters' letter No. D-5121-F., has observed that "if banking in rural areas is to be developed it will have to be by the recognition of the indigenous banking system, and its adaptation, rather than by its supersession by joint stock banks managed on western lines". The Governor in Council agrees that if banking facilities are to be provided, not only in all headquarter stations and important commercial centres, but in all trading industrial towns, there will be need of, and room for, all the banks already in existence, of whatever type. He desires to point out, however, that there are already signs that the indigenous banking system is adapting itself to western methods. There is at least one "indigenous bank" that is, even now, recognised by joint stock banks to the extent that the latter will accept its cheques. Many Government treasurers issue their own cheques (or rather those of the firms to which they belong), and act as bankers in places where no joint stock bank exists. In short "adaptation" has already begun; and, provided that the indigenous banks are prepared to regularize their position according to banking law, "recognition" should not be long delayed. Indeed it does not seem impossible that in course of time the joint stock banks should definitely ally themselves with these indigenous banks, and use them as their agents, especially in the smaller trading centres. The Governor in Council, indeed, knows that the Imperial Bank at all events is in the habit of appointing members of the indigenous banking community to act as their "sub-agents" in places where no branch of the bank exists, which sub-agents manage their local *hundi* business for them: so that the suggested alliance has already been made in this case.

12. One method of attracting money which at present lies dormant would be to encourage the formation of a land mortgage bank obtaining funds by the issue of long-term bonds. The security of a mortgage is familiar and attractive and the raising of money by the issue of bonds enables the small investor to participate as the bonds would be negotiable: the investment would also be more liquid than an ordinary mortgage. The Governor in Council has before him a scheme for such a bank with a limited scope, confined to transactions with estates managed by the Court of Wards, which offer exceptional security. Ordinarily the total indebtedness of such estates in these provinces is about $1\frac{1}{2}$ crores. If such a bank were successful, when it had accumulated reserves it might extend its operation to lending money on the security of land not under management. The Government of India will be addressed further on the subject if the scheme develops.

13. Finally, the Governor in Council would make two points of a general nature—

- (a) The numerous bank failures that have occurred during the past dozen years, including those of two important joint stock banks, have caused a feeling of distrust in the class that was sufficiently enlightened to appreciate the advantages of a banking system, and has intensified the inherited distrust of the unenlightened masses. And if confidence is to be restored or created, then it seems probable that Government must be prepared either to assist or at least to control.
- (b) At the present time, the country requires diffusion, not competition, of banking facilities. Only the biggest centres, where business is ample, require more than one bank. Smaller centres require only one, and the advent of a second will certainly cause loss to its predecessor.

14. As regards the method of surveying the whole field of banking, the Governor in Council can only offer suggestions of a general kind.

- (a) He considers that a central committee is required to lay down the general lines, of the inquiry, to direct it, and to collate its results.
- (b) But conditions vary greatly from province to province, and in every province local knowledge is essential. No single committee can possibly survey the

entire field with any hope of success. For the detailed investigations provincial committees are necessary.

- (c) It is probable that before the survey commences an officer must be placed on special duty in every province to collect material and information.
- (d) On any committee, whether central or provincial, there should be present experts in the following branches of the subject:—
- (1) co-operative credit :
 - (2) joint stock banking :
 - (3) indigenous banking :
 - (4) commerce, carried out on western lines :
 - (5) commerce, carried out on indigenous lines :
 - (6) commercial law : and
 - (7) officials specially acquainted with trade conditions.

Serial No. 16.—LETTER FROM W. BOOTH-GRAVELY, Esq., I.C.S., SECRETARY TO THE GOVERNMENT OF BURMA, FINANCE AND REVENUE DEPARTMENT, No. 220-J-26 (925), DATED THE 3RD SEPTEMBER 1926.

With reference to Mr. McWatters' letter No. 5121-F., dated the 22nd December, 1925, I am directed to state for the information of the Government of India that the Local Government entrusted the examination of the matters referred to therein to Messrs. C. W. Dunn and S. G. Grantham of the Burma Commission, the former of whom was for some years Registrar, Co-operative Credit Societies, Burma, and the latter has been for over a year on special duty examining questions relating to Land Mortgage Banking and preparing a scheme of national land Mortgage Banks. These officers were directed to discuss the questions referred to the Local Government with representatives of the banking and commercial communities in Rangoon and to submit a joint note embodying, with their own views, the opinions of the banking and commercial representatives consulted.

2. I am now to submit a copy of the joint note submitted by these officers, dated the 11th August, 1926, in which, after explaining the methods which they have followed, they make recommendations in respect of the proposed survey of banking and the procedure to be adopted in the future for dealing with the results yielded by this survey and for carrying out, so far as may be possible and advisable, the recommendations of the External Capital Committee. The lines on which the proposed survey should be conducted are indicated in Appendix I of the note, while Appendix II contains certain suggestions which have not been adopted in the recommended scheme.

3. The Governor in Council is in general agreement with the recommendations contained in the note, and supports strongly the suggestion that Burma should be especially represented on the all-India Committee as the interests of Burma may not coincide with the interests of India and local opinion is sensitive on the point.

SURVEY OF BANKING.

Note on a Preliminary Survey of Banking and the best method of subsequent procedure to develop internal capital resources.

We understand that the intention of the Government of India in its Financial Department letter No. 5121-F., dated the 22nd December 1925, was to ask the Government of Burma for :

- (a) information or suggestions with a view to a survey of the whole field of banking in India, and
- (b) its views regarding the best method of subsequent procedure.

2. These enquiries arose out of consideration of the report of the External Capital Committee which held that the way to free India from excessive dependence upon foreign capital lay in "the encouragement of the Indian investor and the development of India's internal capital resources." Summarising the conclusions of paragraphs 9 to 16 of its report, the Committee made the following record as Item IV in its Summary of Recommendations (page 15 of the report)—

- "IV. India possesses a vast store of dormant capital awaiting development, and, in order to make this available for investment, banking facilities must be increased and extended. The examination of the various technical

measures suggested in the replies with this object is outside the scope of the Committee, but we would emphasise the importance of a co-ordinated survey being undertaken at the earliest opportunity of the whole field of banking in India. This should be followed by a detailed examination by an expert committee or committees of the lines along which progress should be effected."

In paragraphs 10 to 16 of its report the Committee indicated some salient matters from the investigation of which useful results might be obtained.

3. It is to be noted that the survey proposed by the Committee was not intended to be directed only or mainly to Government action. At the end of his speech on the 27th November 1925 at Delhi Sir Basil Blackett said: "There are obvious, and I am afraid somewhat narrow, limits within which alone Government action can contribute to a solution of the problems involved." It is necessary as he indicated to rely upon "the initiative of private persons in India, stimulated, encouraged and assisted wherever possible by Government action." The general survey, the Committee says (paragraph 16 of the report), "would at any rate serve to focus public attention on these most important subjects, and would enable Government to determine the questions, a detailed examination of which by experts would be most likely to lead to fruitful results."

4. It should be observed also that the Local Government is not asked yet to make a survey but to furnish information or suggestions with regard to the preparation of the survey, i.e., presumably for the limited purpose of settling the plan on which the survey is to be conducted.

5. We were instructed by Government to discuss informally with representatives of the banking and commercial communities of Rangoon the questions referred to the Local Government by the Government of India, and then to submit a joint note upon those subjects, embodying our own views and the views of those consulted. We accordingly prepared as a basis of discussion a draft of such a note and sent copies of it to the 32 persons mentioned in Appendix III. We sent to all these persons printed copies of the Summary of the External Capital Committee's report which was furnished to us by Government and copies of the speech upon "Indian Banking and Monetary Progress" which was delivered by Sir Basil Blackett before the University of Delhi on the 27th November, 1925. We also offered to send copies of the External Capital Committee's Report to all whom we consulted; and we sent copies to all who asked for them.

6. We received replies from the twelve persons whose names are marked with an asterisk in Appendix III. The opinions received expressed general approval of our draft note and of the subjects for the survey which were mentioned in an appendix to the draft note; but some criticisms and suggestions were made. The alterations suggested by the replies are either mentioned in the following paragraphs, or are incorporated in Appendix I to this note and indicated by italics, or are mentioned in Appendix II which contains those suggestions which we have decided not to incorporate. The alterations thus indicated have not been submitted to all those who were originally consulted.

7. Our proposal with regard to the survey of banking is that a Government officer should be appointed to collect information on the lines indicated in Appendix I to this note with such modifications as may be found advisable as the survey proceeds. The officer should be given discretion also as to the intensity of the survey in any particular part of the field. He should have two or three assistants, of whom one should be a Burman, and one an Indian and the third, if a suitable person can be found, a Chinaman. It is suggested that the Burman should be selected in consultation with the economics faculty of the Rangoon University, and that the Indian should be a person well acquainted with Burma and qualified to give assistance in obtaining information concerning the business of Chettiars and other Indian financial business in Burma. It is proposed to add a Chinaman in view of the important part which the Chinese take in shop-keeping in the towns and villages, in paddy business and in pawnbroking.

8. Two of the persons consulted were of opinion that the number of assistants proposed is not sufficient. One of them considers that two Indian assistants will be necessary in view of the importance of the Chettiar and other Indian financial businesses; and the other (who also suggested certain extensions of the field of survey) thinks that a larger staff will be necessary for the intensive local enquiries suggested. We would leave it to the officer appointed to be in charge of the survey to justify the appointment of a larger staff, if he finds it necessary.

9. The Committee of the Burma-Indian Chamber of Commerce disapproves the proposal that a Government officer should be appointed to make the survey, and is in favour of the survey being conducted by a small committee consisting of an equal number of officials and non-officials, the latter being representatives of Burman and Indian interests. The recommendation in paragraph 16 of the External Capital Committee's Report is that the first step, "the collection of accurate and up-to-date information of the progress so far made and a comprehensive survey of the whole field" should be undertaken by Government. We think that committees would be more suitable for considering the information provided by the preliminary survey and making recommendations for action than for the work of collecting and compiling the materials of the survey. The experience and training of Government officers will be of advantage for the latter purpose, and particularly in collecting information from official sources. We think that it is not necessary that Burman and Indian interests should be specially represented in the preliminary survey by associating with Government officers persons not in Government service selected with the object of representing interests. We think that any bias against Burman or Indian interests affecting the information in the report of the survey would probably be exposed and brought to the notice of the expert committee or committees which are to be appointed to consider the survey.

10. We think that some co-ordination of the provincial surveys is desirable, but not rigid uniformity. The officers or other persons in charge of the surveys should be instructed to communicate any instructions as to the conduct of their enquiries they may receive from their governments to those in charge of the surveys in other provinces. It would be advisable that the general arrangement of subjects in the reports of the provincial surveys should be decided upon by the Government of India. The heads given in Appendix I to this note are derived from the External Capital Committee's Report, and might perhaps be adopted for the reports of all provinces. We suggest that a year might be fixed as the time within which the provincial surveys should be completed.

11. The Government of India asks for opinions also with regard to the best method of subsequent procedure. We suggest that an All-India Committee should be appointed to consider the results of the provincial surveys and to suggest what further steps should be taken. Though there are many local differences the most important conditions will be found common to several provinces, and there will be an advantage in having the experience and suggestions of different provinces considered by the same body. In addition there is the probability of a more able committee being formed if all India is available for the selection of its members, in whom breadth of experience and knowledge of financial machinery and methods in various parts of the world will be valuable qualities. We agree however with the opinion expressed by the Burma-Indian Chamber of Commerce that Burma should be specially represented on this committee, because we think it unlikely otherwise that the committee will be able to appreciate conditions in Burma.

12. It has been suggested by one of those consulted that there should be three expert committees to deal with (a) opening of new banks or branches, (b) increase of facilities for investment, (c) instruction in banking and accountancy. To us it does not appear advisable to decide upon this suggestion until the preliminary survey has been made. It is evident that most of the problems involved are inter-connected, and it does not appear yet that the range of subjects selected will be too wide to be dealt with by a single committee. The Committee which we propose should however (i) be empowered to obtain any advice or any additional information which it may be desirable and practicable to obtain during its sessions, and (ii) be charged with the duty of making such recommendations for action, either by Government or by private agencies, as may appear to it expedient on matters involved in the development of internal capital resources by improvements relating to banking. The duties of this committee under the latter head might perhaps be declared to include the making of recommendations for further enquiries into special subjects, if any such further enquiries appear desirable. If, as we think probable, the original committee could not continue as a standing committee while these further enquiries were being made, there would not be the advantage of having the conclusions and proposals arising out of these enquiries co-ordinated by that committee; but we think that probably, if the further enquiries (if any) are undertaken in pursuance of the recommendations of the first committee, no further co-ordination will be practicable or necessary.

C. W. DUNN.

S. GRANTHAM.

The 11th August, 1936.

APPENDIX I.

A SURVEY OF BANKING IN BURMA.

NOTE.—Subjects shown in italics were not included in the draft note circulated for discussion some of these were suggested by persons consulted. Some minor changes in the mode of expression have also been made.

1. *New Branches of the Imperial Bank.*—The officer in charge of the survey should be permitted to apply to the Imperial Bank for information regarding the results of the opening of new branches in Burma and the nature of their business, and about any proposals for extension of their business or for opening more new branches.

2. *Development of Banking of European Type.*—Information should be obtained regarding the development in Burma banks of the European type (whether owned or managed by Europeans or by others) as to the number of banks and branches and the nature and volume of their business and the classes of customers they deal with and any tendencies which may be observed relevant to the survey. Both the extension of the activities of banks and the formation of new banks should be studied.

3. *The Indigenous Banking System.*—This head, together with heads 8 and 9 so far as the indigenous banking system is concerned with them, will demand more time and consideration from the officer and his assistants than any other part of the survey, both on account of its importance in present conditions and for future development of the internal capital resources of Burma and on account of the lack of information available in published reports and statistics. In order to limit the time spent on this part of the survey it is suggested that the officer and his assistants (a) should collect and summarize such general information and statistics as are available, and (b) should make a detailed survey (i) in Rangoon, (ii) in one or two selected towns in each of the Commissioner's Divisions in Burma, (iii) in four selected districts including both urban and rural conditions.

It is understood that co-operative banking is included in "indigenous banking." An important development, which should be included in the survey of "indigenous banking" is pawnbroking, the extent of which is indicated by the yield of license fees, which amounted in 1923-24 to Rs. 2,75,496 in Municipal towns excluding Rangoon and in 1924-25 to Rs. 1,70,285 in the territories of the District Councils. The survey under this head must include all grades of banking business (as indicated in paragraph 11 of Sir Basil Blackett's speech) down to the village money-lender and the money-lenders who finance bazar-sellers in the towns.

The survey should include, besides a general review of the development of indigenous banking, descriptions of the methods of business prevailing in each class of banking as to (a) efficiency of account keeping, (b) sources of working capital, (c) arrangements relating to cash resources and liquidity of assets, (d) methods of remittance, (e) custody of cash and valuables, (f) the manner of receiving and paying out moneys, (g) the nature of, and method of valuing, securities for advances and (h) the charges made for advances.

The officer in charge of the survey should keep in mind the problem of fitting the indigenous banking system into a modern system of banking as suggested in Sir Basil Blackett's speech of the 27th November 1925 at Delhi.

4. *Banking Education.*—The officers conducting the survey should obtain information (1) as to the existing conditions regarding the training of the various grades of bankers both in banks of the modern western type and in indigenous banking business and as to the suitability for higher training of the persons employed in those grades, (2) as to the number of persons domiciled in Burma who have received, or are now undergoing, professional bankers' training, (3) regarding the results and prospects of any facilities for banking education which have been offered by Government and by the Imperial Bank or by other banks in Burma, and (4) regarding the employment available for persons who have been trained in banking.

5. *Supply of Auditors and Accountants.*—The survey should supply information as to the increase in Burma of the numbers of accountants qualified to audit companies and as to the demand for their services. The reports should contain information about the action which Government has taken to improve accountancy in Burma and the facilities existing and proposed for professional training. An account should be given of the auditors (other than government officers appointed as auditors) authorized to audit various classes of co-operative societies.

Information should also be given as to the scope existing for qualified accountants in banks, railways, municipalities and other businesses and public institutions, irrespective of the demand for their services as auditors, since the scope for such employment is more effective in regulating the supply of qualified accountants than the demand for auditors.

6. *Post Office Cash Certificates and Savings Banks.*—Statistics of savings bank deposits in the Post Office and in the Imperial Bank and the sale of Post Office cash certificates in Burma for recent years can no doubt be obtained without difficulty. Information is required as to the classes of depositors and purchasers of cash certificates and any circumstances relevant to the increase of the number of depositors and investors and the aggregate amount of the deposits and sales, including improved facilities or benefits offered to savings bank depositors. The use made of the capital thus made available in the financial system should be explained for the information of the public. The survey should cover also the savings banks of co-operative institutions and of any other savings banks which are working in Burma.

Particular attention should be given to the encouragement offered to depositors of small amounts.

7. *Dealings in Securities.*—The procedure at present used by the public in dealing with government securities in Burma and especially as regards Burmese or Indian holders or purchasers outside Rangoon should be described, and information as to the annual value of transactions should be obtained if possible. *Similar enquiries should be made, if possible, in relation to other investments. The possibility of extending public debt office facilities to Rangoon and perhaps to other towns and the possibility of creating in Burma a money market on modern lines should be studied.*

Inconveniences and difficulties experienced in the transfer of government securities and in the working of the rules regarding endorsement should be enquired into; and the nature and history of any schemes which have been started or proposed to facilitate transfers of government securities, including the scheme of the Imperial Bank for sale and purchase on behalf of the public, should be described. Enquiry should be made about the arrangements proposed for the marketing of bonds issued by land-mortgage banks.

8. *Credit Facilities* (with reference to the attraction of internal capital).—In accordance with the general purpose of the survey the collection of information under this head should be directed to showing how far the credit facilities dealt with can be correlated with (a) the use of internal capital either directly by the owners or by banking institutions receiving deposits from the public, and (b) the bringing into circulation of such wealth as is in the condition of "dormant capital" in the possession of the people of the country.

An account should be given of the history of Government's agricultural advances for short and long periods in Burma, and of arrangements with co-operative banks for disbursement and recovery. With the aid of the Registrar of Co-operative Societies and of the officer employed in connection with land-mortgage banks a review can be made of the financial conditions of agricultural credit and the relations of long and short-term advances to deposits and to debentures or share capital in so far as co-operative institutions and the proposed land-mortgage system are concerned. Credit afforded to cottage industries by Government, and the place taken by co-operative banks in the arrangements should be described. An account should be given of the credit facilities afforded by Government and the banks to the rubber and tin-mining industries in Burma during and since the war, and later to the Burma Cotton Spinning and Weaving Company, and of other schemes undertaken or proposed for Government assistance in the financing of industries. Information should be given as to the other methods by which, and the other sources from which, industries in Burma (other than those owned by persons from, or by companies registered in, places outside India and Burma) are financed. The rice-mill and saw-mill industries, fisheries and ngapi-making and indigenous tobacco manufacture and engineering enterprises—for example motor repair shops—might be selected for this purpose. Reports on this subject can perhaps be obtained from the office of the Registrar of Co-operative Societies and could be supplemented by local enquiries by the officer in charge of the survey and his staff in towns and districts selected for detailed survey of the indigenous banking system.

The procedure adopted by banks and Chettiers in making advances and the part played by guarantors of such advances should be described.

The officer in charge of the survey should obtain statistics of the borrowings of the Rangoon Port Trust, the Rangoon Development Trust and of municipal and other local authorities including both government loans and non-government loans and

information regarding their borrowing powers, the security they are able to offer and statutory rules concerning sinking funds, rates of interests and periods of repayment.

Some examination of these seasonal variations in Burma of the demand for money and credit, and of the means by which the supply is adjusted to the demand, will be necessary because of the effects which these conditions may have upon the attraction of internal capital into circulation.

9. *The use of Negotiable Instruments for financing the Produce of Industry and Agriculture.*—This head would require local enquiries which could be made during the detailed surveys of selected towns and districts. *The nature of any inconveniences and difficulties affecting the negotiable instruments at present in use should be enquired into and explained.* The extent to which and the manner in which produce or goods placed in godowns or warehouses are used or are available for use as security in connection with such documents and the extent to which and the manner in which railway or steamer receipts are used in connection with credit should be examined. Specimens of documents used in giving advances for paddy, cotton, etc., (*sabape, wape, pepe*, etc.), and of other documents used in connection with indigenous credit should be obtained, and the methods of business in which they are used should be described with regard to possibilities of improvement.

10. *Vernacular Scripts and Banking Facilities.*—The officer in charge of the survey should seek any information that can be obtained from banks as to the use of cheques by persons who use vernacular scripts. The experience of the co-operative banks on this subject and of other banks managed by Indians or Burmans should be described.

11. *Government Supervision.*—*A review of bank failures or frauds upon the public committed in Burma by persons carrying on business of the nature of banking should be included in the survey with regard to the possibility of safeguarding the public by Government supervision.*

12. *Internal Capital in Burma.*—The officer in charge of the survey should enquire into the growth, distribution and circulation of internal wealth and capital in Burma. It is impossible to decide beforehand what information is relevant and can be obtained without unreasonable expense and delay. The officer must decide on the selection of information for his report. *It is advisable that general statistics and general information upon which conclusions regarding internal wealth may be founded should be supplemented and checked by enquiries in selected areas as suggested with regard to the survey of indigenous banking under Head 3. Such local enquiries however should not be enlarged into an elaborate collection of records regarding the standard of living and the income and expenditure of individuals or households.*

APPENDIX II.

Opinions which have not been adopted in the Proposals.

1. Several of those consulted expressed doubt as to the existence of any large amount of dormant capital in Burma.

2. Several of the replies (including that of the Burma-Indian Chamber of Commerce) suggested that the survey should include enquiry into the alleged discrimination between Europeans and Indians or Burmans in the granting of credit by the Imperial Bank and other banks under non-Indian management. We think that any tendency of this kind which may be observed, in so far as it is relevant to the objects of the general survey, would come within the scope of Head 2 of Appendix I. A special enquiry into racial discrimination in banking appears to be of doubtful relevancy.

3. One of those consulted expresses disagreement with the implication of Item IV of the Summary of recommendations in the Report of the External Capital Committee "that all the dormant capital can be developed by extending banking facilities or that it is desirable to attract it into banking." He considers certain other measures besides the survey of banking to be necessary including, "an industrial survey of the Province more or less on the lines on which it has been carried out in the United Provinces", enquiry into "the causes which at present prevent direct investment in industrial concerns" and "development of industrial banking." Industrial banking, in so far as anything of that kind exists at present or has existed in the past is

not excluded from the survey as described in the Appendix I; and direct investment in industries has been mentioned in Head 8. We think that though banking may be regarded as part of the general industrial atmosphere of a country it is not advisable that in the survey now proposed attention should be diverted from banking to the other subjects which would be involved in a general survey of industry.

4. The same critic of our draft note suggested the local enquiries regarding internal wealth which we have added under Head 12 of Appendix I, and also suggested that the enquiry should be further extended so as to include enquiry into the standard of living and the income and expenditure of the people of the locality. But the purposes of the proposed survey are to show the progress in banking already made and to indicate whether and in which direction further progress is required or possible; we think that for these purposes sufficient evidence regarding the growth, distribution and circulation of internal wealth can be obtained without any elaborate enquiries into the standard of living or the income and expenditure of the people.

APPENDIX III.

LIST OF PERSONS TO WHOM THE DRAFT NOTE ON THE PRELIMINARY SURVEY OF BANKING PROPOSED BY THE EXTERNAL CAPITAL COMMITTEE, 1925, WAS SENT.

1. The Manager, Burma Urban Co-operative Central Bank, Limited, 4, Maung Tawle Street.

2. The Manager, Dawson's Bank, Limited, Pyapón.

*3. The Agent, The Imperial Bank of India, Strand Road, Rangoon.

4. The Manager, The National Bank of India, Limited, 3, Phayre Street.

5. The Manager, The Netherlands Trading Society, 9, Merchant Street.

*6. The Manager, The Yokohama Specie Bank, Limited, 17, Strand Road.

*7. The Secretary, Burma Chamber of Commerce, Sharfraz Road.

8. The Secretary, Burmese Chamber of Commerce, Post Box No. 540.

*9. The Secretary, Burma-Indian Chamber of Commerce, 7, Mogul Street.

10. The Secretary, Chinese Chamber of Commerce, 17, Latter Street.

*11. The Secretary, Rangoon Trades Association.

12. The Secretary, Rangoon "Rice Brokers" Association, Merchant Street.

13. The Secretary, Rangoon Stock Exchange, Sooniram's Buildings, Merchant Street.

*14. J. C. MacKenzie, Esq., Commissioner of Income-Tax.

*15. G. B. Hall, Esq., C.A., 70, Phayre Street.

*16. Messrs. Stuart, Smith and Allan, 12, Phayre Street.

17. T. R. Narasimham, Esq., G.D.A., 69, Merchant Street.

18. J. E. DuBern, Esq., O.B.E., K.-I.-H., 5, Sule Pagoda Road.

19. U Ba Pe, B.A., M.L.C., Rangoon East.

*20. S. A. S. Tyabji, Esq., M.L.C., Rangoon East.

21. Adamjee Hajee Dawood, Esq., M.L.C.

*22. J. Hogg, Esq., M.L.C., Merchant Street.

*23. A. V. Ramasubba Iyar, Esq., B.A., G.D.A., etc., Commercial Accountant, Utilization Circle, 46A, Dalhousie Street.

*24. B. N. Kaul, Esq., University College, Rangoon.

25. M. A. Muthia Chettiar, C/o. S. M. R. M. M. of Mogul Street.

26. The Editor, "Rangoon Gazette".

27. The Editor, "Rangoon Mail".

28. The Editor, "Rangoon Times".

29. The Editor, "Star of Burma".

30. The Editor, "Rangoon Daily News".

31. The Editor, "New Burma".

32. The Editor, "Burma Exchange Gazette".

Serial No. 17.—LETTER FROM THE MANAGING GOVERNORS OF THE IMPERIAL BANK OF INDIA, No. 3013, DATED THE 6TH SEPTEMBER, 1926.

In our letter No. 1432, we wrote that we would address you separately at a later date on the subject of the development of the use of Negotiable Instruments.

The principal Negotiable Instruments in internal use in this country are :—

- (1) Hundie (a) Usance.
- (b) Demand.
- (2) Cheques.
- (3) Bank Drafts.

With regard to usance Hundis, there is no doubt but that the present high rate of Stamp Duty which these instruments attract has a detrimental effect on their use and we are of opinion that so long as these high rates are maintained any development of the use of usance hundis is improbable.

We have no suggestions to make regarding the development of the use of demand hundies : this form of negotiable instrument is being increasingly used for remittance purposes, as is clearly brought out on page 19 para. 23, of the Report of the Controller of the Currency for the year 1925-26.

With regard to cheques, the two chief obstacles in the way of the development of the use of cheques in this country are, we consider, the stamp duty and the number and variety of the vernaculars. The abolition of the stamp duty on cheques is recommended by the Royal Commission on Indian Currency and Finance, in para. 216 of their Report, and we would say that we are in entire agreement with the remarks in that paragraph.

As regards the other obstacle, the European Banks in this Country are unable to permit cheques made out in the vernaculars to be drawn on them freely (although they do permit it to a limited extent, with certain safe-guards) because vernacular signatures, at any rate to European eyes, lack, as a rule, the character which is usually inherent in signatures in English and forgeries are difficult to detect. We are, as you are doubtlessly aware, training a large number of Indians in Banking and as time goes on, and these men gain the necessary experience, it should be possible to extend the practice of permitting cheques to be drawn on the Bank in the vernaculars.

With regard to our remarks in our letter under reference on the subjects of Government Securities and the Public Debt Offices, we would say that in view of the Currency Commission's recommendations for the establishment of a Reserve Bank, which would take over the management of the Government of India Debt, we consider that further discussion had best be postponed until the general position is clearer.

With regard to the establishment of an Indian Institute of Bankers we enclose, for your information, a copy of a Circular letter which we recently addressed to the principal Banks in India on the subject. From the replies to our questionnaire which are now coming in it would appear that the necessary support will be forthcoming and that it will be possible to establish the Institute in due course.

COPY OF A CIRCULAR LETTER FROM THE MANAGERS OF THE IMPERIAL BANK OF INDIA TO THE PRINCIPAL BANKS IN INDIA, DATED THE 28TH JUNE, 1926.

With reference to our letter of the 30th December last and your reply of the , we have to advise that while Sir Norcot Warren has been in London on the Indian Currency Commission he has taken the opportunity to discuss with the Secretary of the English Institute of Bankers the proposal for the formation of an Indian Institute of Bankers, the question of the latter being made a *Branch* of the English Institute was brought up again for consideration but the Secretary of the English Institute was definitely of opinion that we should form our own Institute in India, the principal reason being that although the English Institute deals with matters concerning Banking in general it is not sufficiently in touch with Indian affairs and conditions to undertake successfully the management of a Branch there.

The Secretary of the English Institute has however given an assurance that in the event of an independent Institute of Bankers being formed for India we

can rely on the English Institute for any advice and assistance which may be found necessary including, if desired, assistance in setting the annual examination papers.

It would therefore appear desirable that the scheme outlined in our letter under reference should be proceeded with and that steps should now be taken to form an independent Institute of Bankers for India on lines analogous to those of the English Institute. The first step in this direction would appear to be the appointment of a Secretary to whom would be entrusted the duty of organising the Institute, drawing up the Constitution, framing Rules, etc., precisely on the lines of the English Institute of Bankers.

As the desire for an Institute appears to be strongest in Bombay, it is suggested that the Head Quarters of the Institute should, in the first instance at any rate, be established there: centres being opened elsewhere as experience may show to be desirable.

Appointment of Secretary.

The ultimate success of the Scheme will to a great extent depend on the Institute being started on a proper basis and it is therefore necessary that the Secretary should possess suitable qualifications. This matter was discussed with the Secretary of the English Institute who has offered to endeavour to obtain in England, if desired to do so, a suitable man of about 30 years of age as Secretary for the Indian Institute. The question of salary and terms of Agreement were also discussed and it was considered that in order to obtain the right type of man his salary should not be less than Rs. 1,500 per mensem, plus travelling and out of pocket expenses in cases where the Secretary has to leave his headquarters on visits to other Centres in India with a view to extending the activities of the Institute; and that the term of Agreement should be for 5 years with provision for extension of service subject to satisfactory service and the successful formation of the Indian Institute.

If it is decided to engage a Secretary from England, the Institute of Bankers in London will permit him to work in their Institute for say three months in order that he may acquire a thorough inside knowledge of the working of the Home Institute.

General Expenses.

In addition to the salary of the Secretary and his passage to India there will be considerable expenditure in respect of Establishment, Rent, Stationery, Lights and Fans, Periodicals, Nucleus of a Library, Lecturer's fees, Examination expenses, Magazines, etc.

It is not possible at this stage to estimate with any degree of accuracy what these items are likely to amount to but against them fall to be placed the sums to be received from the Members of the Institute in respect of Membership and Examination fees. It is, however, necessary to make an estimate as a basis on which to work and we suggest that Rs. 30,000 be taken as the probable total net annual cost of running the Institute in the initial stages of its existence.

On this basis we shall be glad to know if you will be prepared, jointly with the other Banks in India to contribute each year for a minimum of five years a proportionate sum sufficient to cover the net cost of running the new Institute. The amount of such contribution will depend entirely of course on the number of Banks willing to subscribe but we suggest that proportionate contributions with maxima of Rs. 1,500 down to Rs. 500 per annum would be reasonable amounts. We propose to fix the Imperial Bank of India's maximum contribution at Rs. 3,000 per annum—(the proportionate contribution would be calculated on the basis of the Maximum figures fixed for each Bank).

We shall be glad to know if this proposal commends itself to you and if you will be prepared to guarantee up to a maximum of Rs. _____ per annum for a minimum period of five years.

As funds will be required to commence the Institute it is suggested that all Banks might make an initial contribution for the first year of the maximum amount proposed: and there would therefore be no further call on them for that year.

We shall be glad, if you will kindly let us have your opinion on the questions raised in this letter in the form of replies to the short questionnaire attached.

On receipt of replies from the Banks who are being referred to, and in the event of there being an unanimity of opinion on the proposals set out herein, we propose to call a Meeting in Bombay of the Bank Managers in Bombay to have a general discussion on the subject of the formation of the Indian Institute of Bankers.

Similar letter(s) has/have been addressed to your Office(s) in _____

INDIAN INSTITUTE OF BANKERS.

Questionnaire.

1. Do you approve of the proposal to appoint an organizing Secretary as a preliminary step in the formation of an Indian Institute of Bankers.
2. Do you approve of the proposal that a suitable man should be sought for in England, with the assistance of the Secretary of the English Institute.
3. Do you approve of the proposal that the Secretary's salary should be not less than Rs. 1,500 per mensem, plus travelling and out-of-pocket expenses.
4. Do you approve of the proposal that the term of his Agreement should be for five years, with provision for extension of service subject to satisfactory service and the successful formation of the Indian Institute.
5. Are you prepared to guarantee a maximum contribution of Rs. _____ per annum for a minimum period of five years and to make an initial contribution for the first year of the above maximum amount.

Serial No. 18.—LETTER FROM J. K. MEHTA, Esq., M.A., SECRETARY, THE INDIAN MERCHANTS' CHAMBER, NO. T.-1839, DATED THE 15TH SEPTEMBER 1926.

With reference to the correspondence ending with my letter, No. T.-1222, dated 3rd June, 1926, regarding the proposal to reduce the one anna stamp duty on cheques, to the Government of Bombay, Finance Department, I am directed by my Committee to draw your attention to the recommendation of the Royal Commission on Indian Currency and Finance in paragraph 116 of their report regarding the abolition of Stamp Duty on Bills of Exchange.

My Committee trust that the Government of India will see their way to give effect to this important recommendation of the Royal Commission at an early date. (Acknowledged).

LETTER FROM THE FINANCIAL SECRETARY TO GOVERNMENT, CENTRAL PROVINCES, No. 4003/21/X, DATED THE 10TH NOVEMBER 1926.

I am directed to reply to your letter No. D.-5121-F., dated the 22nd of December, 1925, forwarding two copies of the Report of the External Capital Committee of 1925. The Government of India desire to be supplied with any information or suggestion which the Local Government may be in a position to offer on the subject of the preparation of a survey of the whole field of banking and the best method of subsequent procedure. The External Capital Committee found that it would be more advantageous to India for its requirements of new capital to be supplied from internal than from external sources and that since it possessed a vast store of dormant capital, additional banking facilities should be provided to make this available for investment. The object to be secured is therefore the bringing into circulation the hoard of buried or dormant capital which it is notorious India possesses. In this province with its predominant agricultural interests it is therefore the drawing out of the agriculturist's dormant capital and the financing of his capital requirements which are the important features of the problem. So far as this is concerned, I am to point out that the whole subject will be exhaustively explored by the Royal Agricultural Commission now sitting and that its views and recommendations should, in the opinion of the Local Government, first be awaited.

2. At present in this province banking facilities are provided by large well organised banks, such as the Imperial and the Allahabad Banks, with their numerous branches, by indigenous bankers and financial houses varying in importance from firms like that of Rai Bahadur Bansilal Abirchand, to that of the local Saokar, by Co-operative Societies and Banks and lastly by the Post Office. So far as the agriculturist is concerned, it is principally to the indigenous private banker, who is also often a middle-man or trader for the disposal of the agriculturist's crops, or to the Co-operative Society that he must look for funds for financing his agricultural operations, and it is also to one or other of these institutions or to the Post Office that he would naturally look for an outlet for his surplus capital.

3. With these general provisions in view the Local Government desires to make the following suggestions with regard to the preparation of the proposed survey :

- (a) Information regarding the larger well organised banks and the co-operative movement can be obtained fairly easily from the various bank Directors.

and Registrars. Enquiries might also usefully be made to ascertain the extent to which Government treasuries are being made use of for making remittances, and for the sale of hundi stamps; and from the various stamp departments regarding the extent to which cheques are issued by bankers and the relative growth which has been occurring in recent years. Such information would be of value in considering the extent to which the banking and investing habit is developing in the India of to-day.

(b) For indigenous banks and financial houses, large and small, the collection of valuable information will be more difficult. One point that may be noted is that the larger private banks undoubtedly feel aggrieved at, or at least are envious of, the favoured position of the Imperial Bank from its having the use of Government balances and the prestige arising therefrom. So far as these firms are concerned, it is for consideration whether in the event of the Imperial Bank not being in a position to open a branch in any Tahsil or District Headquarters owing to the volume of business being insufficient to justify such extension, Government could under certain conditions allow a reputable local private bank the privileges enjoyed by the Imperial Bank. It is obvious that stringent conditions would have to be imposed and adequate safeguards adopted and that even then a certain amount of risk would have to be run. Subject to this, the experiment would appear in favourable circumstances to be worth a trial.

(c) As regards postal banking facilities, I am to suggest that the raising of the interest for Post Office Savings Banks deposits might be considered. How far also an extension of the system of Post Office Savings Banks in rural areas is feasible is a further matter for investigation, and inquiries might also be directed towards the development of cash certificates with a view to popularise these in rural areas. The onus for instance might be thrown on the postal authorities to see that matured certificates are promptly repaid to certificate holders and statistic showing the extent to which these have lapsed in recent years might be of interest.

4. In reply to the second question mentioned in your letter, namely, the best method of subsequent procedure, I am to state that the Local Government would favour a single select committee and that its appointment should be deferred till after the recommendations of the Royal Agricultural Commission have been received and considered by Government. In the meantime inquiries such as those suggested in the preceding paragraph of this letter might be undertaken so as to have information and material ready at hand when the Committee is finally appointed and on which it can decide how best to proceed with its investigations. All the subjects with which this committee will have to deal are, in the opinion of the Local Government, so interdependent that the functions of several committees to report separately on special problems are likely to overlap and it would be necessary to have some agency to co-ordinate the recommendations. A single thoroughly representative committee would therefore appear to offer the best procedure for the preparation of the proposed survey.

LETTER TO THE MANAGING GOVERNORS, THE IMPERIAL BANK OF INDIA, CALCUTTA,
No. F.-25-F.—26, DATED THE 13TH DECEMBER, 1926.

I am directed to invite a reference to the last paragraph of your letter No. 3013, dated the 6th September, 1926, regarding the establishment of an Indian Institute of Bankers, I am to enquire whether replies have been received from all the banks addressed on the subject, and when you propose to call the meeting for a general discussion on the subject of the formation of the Institute.

2. I am to take this opportunity of addressing you on the subject of obtaining statistics regarding banking facilities afforded by the indigenous banking system in India. Very little information is at present available on this subject and before a Committee can be appointed to ascertain whether this system can be adapted to modern banking conditions and used to supplement the facilities afforded by the Imperial Bank and by the joint stock banks constituted on western lines, it is necessary to collect some preliminary statistics regarding the present banking facilities in India. The Government of India, therefore, propose to define for this purpose a bank as an institution which receives deposits of money on current account subject to withdrawal by cheque or draft and to request Provincial Governments to obtain a list of such non-incorporated banks at places where there is no branch of the Imperial Bank of India and their places of business. I am to request that agents of the Imperial Bank may be asked to furnish the necessary information in regard to places where there are branches of the Imperial Bank.

LETTER TO ALL PROVINCIAL GOVERNMENTS AND MINOR LOCAL GOVERNMENTS,
No. F.25-F.—26, DATED THE 13TH DECEMBER, 1926.

SUBJECT :—*Report of the External Capital Committee—Indigenous Banking System.*

I am directed to address you on the subject of obtaining statistics regarding indigenous banking system in India. The External Capital Committee have recommended the appointment of a Banking Committee to examine whether the indigenous banking system can be adapted to modern banking conditions and used to supplement the facilities afforded by the Imperial Bank and by joint stock banks constituted on western lines. Before such an investigation is undertaken by a Committee, it is desirable to obtain all available information regarding the existing banking facilities in India afforded by indigenous banks. I am therefore to request that arrangements may kindly be made for obtaining through the district offices a list of all non-incorporated banks at places where there are no branches of the Imperial Bank of India together with their places of business and that the lists may be forwarded to this department before 1st May, 1927. For this purpose, a bank may be defined as an institution which receives deposits of money on current account subject to withdrawal by cheque or draft. Similar information for places where there are branches of the Imperial Bank of India is being obtained through the Imperial Bank.

LETTER FROM THE MANAGING DIRECTORS, IMPERIAL BANK OF INDIA, No. I.—10-4395,
DATED THE 17TH DECEMBER, 1926.

In reply to your letter No. F.25-F.—26 of the 13th instant we have the honour to say that we propose to call a meeting of the interested Banks, for a general discussion on the subject of the formation of an Indian Institute of Bankers, on our return to Bombay towards the end of February next year. As the headquarters of the Institute will most probably be in Bombay, where most interest is being displayed in the movement, we consider it desirable to hold the meeting there and not in Calcutta.

In reply to the second paragraph of your letter we have to say that we are circularizing our various offices for the required information and will furnish it in due course.

LETTER FROM THE CHIEF COMMISSIONER, ANDAMANS AND NICOBAR ISLANDS, No. 4530,
DATED THE 11TH JANUARY, 1927.

SUBJECT :—*Report of the External Capital Committee—Indigenous Banking System.*

With reference to your letter No. F.25-F.—26, dated the 13th December, 1926, I have the honour to state that there are no non-incorporated banks in existence in this Administration.

DISCUSSION OF TAXATION INQUIRY COMMITTEE'S REPORT.

152. ***Kumar Ganganand Sinha:** Will the Assembly have an opportunity of discussing the Report of the Taxation Inquiry Committee during the current session? If so, in what form will the recommendations be presented for discussion? If not, why?

The Honourable Sir Basil Blckett: The attention of the Honourable Member is drawn to the statement made in the Assembly by the Honourable the Home Member on the 19th August 1926.

CORR. TO INDIAN EXCHEQUER OF ROYAL COMMISSION ON AGRICULTURE.

153. ***Kumar Ganganand Sinha:** What allowances and concessions if any, are granted to the members of the Royal Commission on Agriculture from the Indian exchequer?

The Honourable Mr. J. W. Shore: A statement of the terms sanctioned for the Members of the Royal Commission on Agriculture is placed on the table.

STATEMENT.

- (a) Chairman and non-official Members from United Kingdom.
 (b) Official Members from United Kingdom.
 (c) Non-official Members from India.
 (d) Official Members from India.
 (1) If British, (2) If Indian.

Salary—

In United Kingdom.	In India.
(a) None.	None.
Payment of substitute if requested.	Payment of substitute if requested.
(b) Official salary.	Official salary.
(c) None.	None.
Payment of substitute if requested.	Payment of substitute if requested.
(d) (1) As for Deputation.	Substantive pay.
Substantive pay if not entitled to overseas allowance; if so entitled as for deputation.	Substantive pay.

Personal Allowance—

(a) None.	Rs. 1,500 per mensem. (£100 on voyages).
(b) None.	Ditto.
(c) £100 a month while detained for Commission (and on voyage).	Rs. 1,500 a month, if represented as necessary.
(d) (1) None.	None.
(2) None.	None.

Subsistence Allowance—

(a) £1-5-0 per diem subject to India Office travelling rules.	Rs. 10 per diem continuously.
(b) Ditto.	Ditto.
(c) £1-5-0 continuously while with commission.	Ditto.
(d) £1-5-0 per diem subject to India Office travelling rules or, alternatively 16-8 a day throughout for period of duty in England.	Ditto.

Travelling Fares—

In United Kingdom and on voyage.	In India.
For (a) to (e) First Class Fares.	Travelling expenses admissible to an officer of the first class under C. S. Regulations.

(N.B.)—For purposes of these rules London will be deemed Headquarters of the Commission, except for members of Class A who represent that their place of residence is in the provinces.

(NOTE.—The members have been exempted from paying income-tax on their personal and subsistence allowances. The baggage of the Chairman and those Members who came out from England was exempted from customs duty. The whole cost will be met from the Indian Exchequer.)

SALE OF REVERSE COUNCIL BILLS.

154. ***Kumar Ganganand Sinha:** Will the Government be pleased to state why Reverse Council Bills worth five millions have been issued? What effect, if any, has the issue had on the exchange ratio? Why was not the Legislature consulted before the Government took such a step?

The Honourable Sir Basil Blackett: No Reverse Council Bills have been offered for sale by Government in the current year. At the beginning of April, 1926, it was announced that the Imperial Bank of India were prepared to sell sterling without stated limit of amount on behalf of the Government at the export gold point corresponding to the ratio of 8.47512 grains of fine gold per rupee, that is, at 1s. 5½d. per rupee for telegraphic transfers. This offer was not taken advantage of until the beginning of December when sterling to the amount of £1,425,000 was sold. Since that date the Government have purchased sterling to the extent of £1,195,000 at higher rates so that these operations have not only served to maintain stability of exchange in accordance with the policy of Government as declared in August last but have also brought in an appreciable profit for the taxpayers' benefit.

The attention of the Honourable Member is invited to the Debates in the Assembly on the Currency Bill of August last. It was then made clear that the Assembly, by adopting the motion for the circulation of the Bill, accepted the position that Government would continue to take such steps as might be necessary to prevent the exchange value of the rupee from rising above or falling below the gold points.

Lieutenant-Colonel H. A. J. Gidney: Regarding the sale of Sterling in December, will the Honourable Member tell the House whether it was the result of the Currency League's agitation that led to it being done?

The Honourable Sir Basil Blackett: Yes, Sir, I think it was. I think we owe to the Currency League the profit that we have made.

CHARGES OF THE EMPLOYMENT OF A CONTINGENT BY THE GOVERNMENT OF INDIA IN THE MILITARY OPERATIONS IN CHINA.

***Mr. S. Srinivasa Iyengar:** (a) With reference to the agreement of the Government of India to co-operate in the military operations in China by contributing a contingent including Indian troops, will Government be pleased to state whether any arrangement has been come to with His Majesty's Government regarding the payment of the charges of the employment of the contingent in the said operation?

(b) If so, will Government be pleased to state whether any, and if so, what part of the charges is debitable to Indian revenues?

Mr. G. M. Young: (a) and (b). No special arrangement has been entered into with His Majesty's Government in regard to the contingent because the case is already provided for by section 22 of the Government of India Act under which no part of the expense can be charged to the exchequer of India without the consent of both Houses of Parliament.

UNSTARRED QUESTIONS AND ANSWERS.

CONSTRUCTION OF THE SINGHJANI-PINGNA RAILWAY.

4. **Mr. Dharendra Kanta Lahiri Chaudhury:** (a) Are Government aware that the Agent of the Eastern Bengal Railway submitted to the Railway Board early last year the report on the traffic survey for a line of railway from Singhjani, a station on the Mymensingh-Jagannathganj section of the said Railway, via Tangail, to Pingna, a point on the Jamuna river?

(b) Has the construction of the proposed line been sanctioned by the Railway Board?

(c) If so, when will the work of construction be taken in hand?

Mr. A. A. L. Parsons: (a) An estimate for carrying out a traffic survey of the proposed Singhjani-Tangail-Jamuna River Railway was sanctioned early last year. The report on the survey is awaited from the Agent, Eastern Bengal Railway.

(b) No.

(c) Does not arise.

HARDSHIP OF EXTRA PONTAGE CHARGE ON ACCOUNT OF BRAHMAPUTRA BRIDGE ON ASSAM BENGAL RAILWAY.

5. **Mr. Dharendra Kanta Lahiri Chaudhury:** (a) Are Government aware that an extra pontage charge of 10 miles has been levied on account of the Brahmaputra Bridge between Mymensingh and Sambhuganj on the Mymensingh Bhairab Bazar section of the Assam Bengal Railway?

(b) Have Government any information that this pontage charge is causing considerable hardship to the travelling public, especially to the poor passengers?

(c) Will the Government be pleased to state whether there is any likelihood of the pontage charge being abolished before long?

Mr. A. A. L. Parsons: (a) Yes.

(b) and (c). We have had representations to this effect, and in consequence took up the matter with the managing agents of the railway company, but it was ascertained that a reduction by half of the pontage charged on passenger traffic only and not on goods traffic would mean a loss of nearly Rs. 40,000 per annum without a prospect of any substantial increase in the number of passengers travelling. The financial condition of the Mymensingh Bhairab Bazar Railway is not at present such as to enable this loss to be faced, and the question has therefore had to be held over for the present.

CONSTRUCTION OF BHATKAL-MYSORE RAILWAY LINE.

6. **Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state whether the work of surveying the Bhatkal-Mysore Railway line has been completed?

(b) If so, when will the construction of the line commence, and how long will it take to open the same?

(c) How much money has been spent till now by the Bombay Government?

Mr. A. A. L. Parsons: It is presumed that the Honourable Member is referring to the Shimoga Bhatkal project.

(a) and (b). The traffic prospects of the project were investigated in 1920 and, as they were not hopeful, further consideration of the project was dropped.

(c) Government have no information.

AMALGAMATION OF COORG WITH THE MADRAS PRESIDENCY AND SOUTH KANARA WITH THE BOMBAY PRESIDENCY.

7. **Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state whether any proposals have been submitted either by the Madras Government or by the Bombay Government for the amalgamation of Coorg with the Madras Presidency and South Kanara with the Bombay Presidency?

(b) Is it a fact that a portion of South Kanara formed part of the Bombay Presidency before? If so, in what year was it separated and transferred to the Madras Presidency?

(c) Was it transferred to the Madras Government at the representation of the people of South Kanara?

(d) Will the Government be pleased to place the papers relating thereto on the table of this House?

The Honourable Sir Alexander Muddiman: (a) No.

(b) and (c). A conclusive answer to an historical question of this nature could be given only after reference to records stored in Calcutta, which Government has not, within the period of notice, been able to make. The Honourable Member however will see from page 357 of the fourteenth volume of the Imperial Gazetteer that the district as it now stands has always been under the Madras administration.

(d) If the Honourable Member desires that the historical records in the possession of Government be examined that will be done, and it will be considered whether they can be made available in the manner suggested.

ALTERATION OF FUNDAMENTAL RULE 87 WITHOUT CONSULTATION.

8. **Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Honourable Member for Finance be pleased to state whether it is a fact that a declaration has been taken from all the gazetted and non-gazetted officers to abide by the new Fundamental Rules?

(b) If so, when did these new Fundamental Rules come into force?

(c) Is it a fact that the note to Fundamental Rule 87 has been altered without either consulting the Local Governments or informing the gazetted and non-gazetted officers about the alteration?

(d) Have any memorials been received from the members of the non-gazetted service in the matter?

(e) Are Government prepared to cancel the said order of alteration and redress the grievances of the subordinates?

The Honourable Sir Basil Blackett: (a) The Honourable Member has not stated the position quite accurately. If he will refer to Fundamental Rule 58 he will find that, at the time of the issue of the Fundamental Rules, Government servants were given the option of coming under these rules or remaining under the leave rules to which they were then subject.

(b) The Fundamental Rules came into force from the 1st January 1922.

(c) The Honourable Member is referred to the answer given by me in this House on the 16th February 1925 to parts (3) and (4) of question No. 912 asked by Mr. Jeelani.

(d) The reply is in the affirmative.

(e) Provincial Governments have now full powers to deal with the case of their own employees. As regards the employees of the central Government, the matter is under consideration.

PROVIDENT FUND SYSTEM IN PLACE OF PENSION IN MADRAS.

9. **Khan Bahadur Haji Abdullah Haji Kasem:** (a) Will the Government be pleased to state whether it is a fact that the Government of Madras has submitted a report recommending the institution of a system of Provident Funds instead of the pension system in the case of non-gazetted officers?

(b) If so, what orders have been passed on the said report?

(c) If no orders have yet been passed do Government propose to pass orders at a very early date?

The Honourable Sir Basil Blackett: (a) No such report has been received from the Government of Madras.

(b) and (c). Do not arise.

POSTAL ADMINISTRATION IN THE NILGRIS.

10. **Khan Bahadur Haji Abdullah Haji Kasem:** (a) Has the attention of the Government been drawn to the article under the heading 'Administration in the Nilgris Division' published on page 1 of the All-India (including Burma) Postal and Royal Mail Service Union Madras Circle general letter for the month of November 1926?

(b) If so, what action has been taken in the matter?

(c) If no action has been taken till now, do Government propose to inquire and to call for a report in the matter from the Post Master General, Madras?

The Honourable Sir Bhupendra Nath Mitra: (a) Yes.

(b) The Postmaster-General, Madras, has already taken up the matter and will submit a report to the Director-General.

(c) Does not arise.

TOTAL STRENGTH OF HIGH COURT AND CHIEF COURT JUDGES SHOWING NUMBER OF MUHAMMADANS.

11. **Khan Bahadur Haji Abdullah Haji Kasem:** Will the Government be pleased to state the total strength of High Court Judges and Chief Court Judges in each province in India and the number of Muhammadan High Court Judges appointed in such courts?

The Honourable Sir Alexander Muddiman: I lay on the table a statement giving the information required.

	Total strength including Additional Judges.	Number of Muhammadan Judges.
Madras High Court	14	Nil
Bombay " "	10	2
Calcutta " "	16	1
Allahabad High Court	11	2
Lahore " "	13	2
Patna " "	9	Nil
Bangoon " "	11	Nil
Oudh Chief Court	5	2

**THE ANDAMANS SETTLEMENT AND THE COLONISATION OF THE MOPLAHS,
ETC.**

12. **Mr. M. K. Acharya:** Will Government be pleased to state—

- (a) whether a Government committee with Sir Alexander Cardew as President was appointed in 1920 to examine and report on the suitability of the Andamans to be continued as a penal settlement:
- (b) whether that Committee reported against such suitability;
- (c) what the grounds were upon which the Committee so reported: and
- (d) whether the Government accepted the conclusions of that report and passed orders for discontinuing the Andamans as a penal settlement?

The Honourable Sir Alexander Muddiman: (a), (b) and (c). I would refer the Honourable Member to Appendix I and Chapter XXI of the Indian Jails Committee's report.

(d) Yes.

**THE ANDAMANS SETTLEMENT AND THE COLONISATION OF THE MOPLAHS,
ETC.**

13. **Mr. M. K. Acharya:** (a) What special reasons, if any, induced the Government to reopen the Andamans as a penal settlement for the Moplahs?

(b) Was it done by the Government of India *suo motu*, or at the suggestion of the Government of Madras?

(c) Are there any proofs that the Andamans since the date of the Cardew Committee's report have improved climatically, economically, or morally?

The Honourable Sir Alexander Muddiman: (a) The transportation of Moplahs was in the first instance permitted as a special measure to relieve the congestion in the Jails of the Madras Presidency.

(b) At the instance of the Government of Madras.

(c) The Committee's criticisms are not applicable to the Moplah Settlements, which are on different lines to anything in existence at the time of their report.

THE ANDAMANS SETTLEMENT AND THE COLONISATION OF THE MOPLAHS,
ETC.

14. **Mr. M. K. Acharya:** (a) Did the Government appoint a committee in 1925 to report upon the condition of the Moplah convicts in the Andamans?

(b) Is it a fact that three out of the four members of the committee reported against the continuance of the Andamans as a penal Moplah settlement?

(c) Were the grounds on which they so reported the same as those on which the Cardew Committee made their recommendations?

The Honourable Sir Alexander Muddiman: I must refer the Honourable Member to the reports presented by the Committee, which have been published.

THE ANDAMANS SETTLEMENT AND THE COLONISATION OF THE MOPLAHS,
ETC.

15. **Mr. M. K. Acharya:** (a) Is it a fact that the Honourable the Home Member to the Government of India visited the Andamans in advance of the committee appointed by Government in 1925?

(b) What was the object of his visit?

(c) Was any report submitted by him; and if so will the Government place it on the table of the House?

(d) Is it a fact that the Honourable the Home Member recommended that the Andamans should at whatever cost be made fit for free colonisation, and that the expenditure required for making it so fit should be borne by the Indian people?

(e) How much money has been spent up to date on this experiment of improving the conditions in the Andamans and making it fit for colonisation?

The Honourable Sir Alexander Muddiman: (a) and (b). The Honourable Member is referred to the answer given on the 15th February last to Mr. A. P. Sinha.

(c) and (d). The Honourable Member is referred to the answer I have given to-day to a similar question put by Khan Bahadur Haji Abdullah Haji Kasem.

(e) For many years expenditure has regularly been undertaken on improving conditions in the Islands, and it is not possible for me to state the total of these sums. During the current year about 8½ lakhs is being spent on anti-malarial measures.

THE ANDAMANS SETTLEMENT AND THE COLONISATION OF THE MOPLAHS,
ETC.

16. **Mr. M. K. Acharya:** (a) Is it a fact that Government are granting special concessions to induce Moplahs of Malabar to go and settle in the Andamans?

(b) Is it a fact that a batch of Moplah convicts were recently brought to Malabar from the Andamans and taken about in police custody and

forced to persuade their own wives and children and the families of other Moplah convicts to migrate to the Andamans?

(c) Were the Moplah convicts permitted to express their opinions to any one, otherwise than in the presence of their police guard?

The Honourable Sir Alexander Muddiman: (a) The concessions offered to Moplah settlers are the same as are offered to settlers of other communities.

(b) and (c). Government are not aware of the facts alleged by the Honourable Member. If he wishes, I will make inquiries from the Local Government.

**THE ANDAMANS SETTLEMENT AND THE COLONISATION OF THE MOPLAHS,
ETC.**

17. **Mr. M. K. Acharya:** (a) Has the attention of Government been drawn to the great indignation felt all over the Madras Presidency over the present attempts of Government to induce Moplah families to go and settle in Malabar?

(b) Has Government's attention been drawn to the resolutions passed at a public meeting held at Madras on the 19th of December, 1926, protesting against Government's present policy with regard to the Andamans?

(c) Are Government prepared to give up that policy in deference to public opinion?

The Honourable Sir Alexander Muddiman: (a) and (c). The Honourable Member is referred to the answer I have given to-day to Khan Bahadur Haji Abdullah Haji Kasem's question.

(b) Government have seen a newspaper report of the meeting.

**RECRUITMENT OF INDIAN RAILWAY OFFICERS UP TO 75 PER CENT. UP TO
END OF 1926.**

18. **Mr. M. K. Acharya:** Will the Government be pleased to state how far the Lee Commission's recommendation to recruit as Railway officers Indians up to 75 per cent. has been carried out up to 31st December, 1926?

The Honourable Sir Charles Innes: To give effect to the recommendation of the Lee Commission, Regulations for recruitment in India of Officers for the Civil Engineering, Transportation (Traffic) and Commercial, and Mechanical Engineering and Transportation (Power) Departments were issued with Government of India, Railway Department, Resolution No. 2058-E., dated 15th July, 1926, which was published in the *Gazette of India*, Part I, dated 17th July. Regulations for other departments such as Signal and Bridge Engineering, are under consideration. Examinations for the admission to the Engineering and Transportation Departments under the Regulations referred to above were held last November.

During the current financial year, *i.e.*, from the 1st April, 1926, we have recruited for the State-managed Railways (excluding those Royal Engineers who were transferred from the Army to the Railway Engineering Service) altogether 18 officers, of whom 9 were Indians. We have also taken 6 apprentices for the Mechanical Engineering Department. In addition to these, 18 Indian officers will be taken on the results of the competitive examinations referred to above.

Company-worked Railways have accepted the Lee Commission recommendations regarding Indianisation. For actual appointments made on these Railways the Honourable Member is referred to the answer given to Question No. 23 asked by Mr. B. Das on the 18th August, 1926. Government do not possess any later information.

NUMBER OF EUROPEAN AND INDIAN OFFICERS IN RAILWAYS AND INDIANS RECRUITED IN 1925 AND 1926.

19. **Mr. M. K. Acharya:** Will the Government be pleased to furnish—

- (a) the number of European and Indian officers in each Indian Railway, whether state or company-managed on the 31st December, 1926, together with the rank, pay and service of each: and
- (b) the number of Indian officers recruited in 1925, and in 1926 together with their rank, pay, and also the number of vacancies that have occurred during each year?

Mr. A. A. L. Parsons: (a) and (b). We only compile these figures for financial years, and as they are very voluminous I am afraid I cannot give them for a different period. The Honourable Member will find in Appendix F of Volume I of the Railway Board's Report on Indian Railways for 1925-26 a detailed statement showing the nationality of the Officers employed on Class I Railways on the 1st April, 1925, and the 1st April, 1926, in the various departments, and in Appendix G a statement showing by nationalities how new appointments and vacancies during 1925-26 were filled. The information with regard to the rank, pay and service of individual officers is given in the classified list of State Railway establishment and distribution return of establishment of all Railways. A copy of this list, as also the Railway Board's Report, will be found in the library.

INDIANS TO SUCCEED SHORT-TERM EUROPEAN OFFICERS ON MADRAS AND SOUTHERN MAHRATTA RAILWAY AND SOUTH INDIAN RAILWAY UP TO 75 PER CENT.

20. **Mr. M. K. Acharya:** Will the Government be pleased to state—

- (a) the number of temporary European officers recruited on short term contract on the Madras and Southern Mahratta Railway and on the South Indian Railway up to 1926, together with the contract period in each case:
- (b) the number of Indian probationers and temporary officers up to date on the said Railways; and
- (c) whether on the expiry of the short term contracts of the Europeans, Indians will be permanently appointed in their places until the 75 per cent. proportion is reached?

Mr. A. A. L. Parsons: (a) On the Madras and Southern Mahratta Railway, six on three years' contract; on the South Indian Railway, two on two years' contract. The figures are for the period from the 1st January, 1926, to the 31st December, 1926.

(b) On the Madras and Southern Mahratta Railway, thirteen temporary officers and three probationers; in the South Indian Railway, four temporary officers and seven pupil candidates.

(c) On the South Indian Railway vacancies against which Europeans have been appointed are of a temporary nature and the question does not arise. On the Madras and Southern Mahratta Railway vacancies will be filled by the best qualified officers both European and Indian. I may add that these railways have accepted the policy of Indianisation and will give effect to it.

EXISTING INCUMBENTS OF ASIATIC DOMICILE ENTITLED TO LEE CONCESSIONS IN THE SOUTH INDIAN RAILWAY.

21. **Mr. M. K. Acharya:** (a) Have the Lee concessions been extended to the South Indian Railway, and from what date?

(b) Is it not one of the conditions that the existing incumbents of Asiatic domicile should continue to draw their present scales of pay, etc., but that future entrants will be restricted to basic pay only and will not be entitled to any pay in lieu of overseas pay?

The Honourable Sir Charles Innes: (a) Yes, from 1st April, 1924.

(b) Yes.

REFUSAL OF LEE CONCESSIONS TO INDIANS AT PRESENT IN THE SOUTH INDIAN RAILWAY.

22. **Mr. M. K. Acharya:** (a) How many Indians are there in the South Indian Railway who are entitled to the Lee concessions, that is, to their scales of pay *plus* pay equivalent to the overseas pay?

(b) Have these Indians been admitted to the benefit of the concessions under reference? If not, why not?

(c) Has the Railway Board been addressed on this subject by any Honourable Members of the Assembly; and if so what action has the Board taken to set the matter right?

The Honourable Sir Charles Innes: (a) and (b). Lee Concessions, *i.e.*, concessions prescribed under the Superior Civil Services (Revision of pay and pension) Rules, 1924, are applicable only to officers of non-Asiatic domicile. No officer of Indian domicile can therefore be entitled to the concessions.

(c) No Member of the Assembly has addressed the Railway Board on the question of extension of Lee concessions to Indians on the South Indian Railway. The Honourable Member presumably refers to a letter written by Mr. R. K. S. Chetty on the subject of the grant of an equivalent to overseas pay to certain Indian Officers of the South Indian Railway and the position was explained to him. A question on the same subject was put in the Assembly by Dr. Lohokare at the August 1926 Session but was subsequently withdrawn by him.

INCLUSION OF INDIANS AMONG ASIATIC DOMICILES ENTITLED TO LEE CONCESSIONS.

23. **Mr. M. K. Acharya:** (a) Has the South Indian Railway given the benefits of these Lee concessions to Europeans and Anglo-Indians who as per statutory rules of the Government of India must be treated only as Asiatic domiciles?

(b) Has it been the intention of the Railway Board that the concessions as per clause 3 of the letter No. 341E./23, dated 14th February, 1926, to the Agent, South Indian Railway, should be restricted to Asiatic domiciles only as distinguished from Indians?

(c) If the answer to the above is in the negative, do the Railway Board propose to instruct the South Indian Railway to carry out all the conditions and modifications that accompanied the Lee concession with retrospective effect from the date that they came into force?

The Honourable Sir Charles Innes: (a) The benefits of the Lee Concessions have been extended to officers of non-Asiatic domicile only, and Europeans and Anglo-Indians domiciled in this country are not entitled to them. The South Indian Railway has not granted the concessions to any officer of Asiatic domicile.

(b) Paragraph 3 of Railway Board's letter No. 341-E./23 of 14th February, 1926, applies to all officers of Asiatic domicile, whether European, Anglo-Indian or India.

(c) Does not arise.

TRANSFER TO GENERAL SERVICE OF FORCED STATION SERVICE TELEGRAPHISTS.

24. **Mr. M. K. Acharya:** With reference to the reply of the Honourable Member in charge of Industries and Labour to the question No. 331 (b) answered in the Assembly on 27th January 1926, regarding forced station service telegraphists, do the Government of India now propose to reconsider their case and transfer them in a body to the general service as was done in the case of local service men?

The Honourable Sir Bhupendra Nath Mitra: By the expression "forced station service telegraphists" the Honourable Member is presumably referring to candidates who were under training for the Local Service at the time of the abolition of that service in 1920 and who were given the option of resigning or of accepting Station Service. Government have recently reconsidered the case of these men and they have come to the conclusion that the men have no claim for immediate transfer to the General Service. Claims for promotion to General Service of such of these Station Service Telegraphists as are fully qualified and who accept the liabilities of General Service will receive sympathetic consideration when the existing surplusage in the General Service has been worked off. It may be added that it is not a fact that all the Local Service Telegraphists in the Department were transferred in a body to the General Service as a result of the recommendation of Telegraph Committee of 1921. The transfer was contingent on vacancies in the latter Service and on the men transferred possessing the necessary qualification for employment as General Service Telegraphists.

APPOINTMENTS IN THE TELEGRAPH DEPARTMENT.

25. **Mr. M. K. Acharya:** (a) Will the Government be pleased to state how many appointments have been created in the Telegraph Department under each of the following heads with the number of Indians and non-Indians and rates of pay in each case:

(1) Inspectors of peons.

(2) Time-keepers?

(b) Is it a fact that the appointments mentioned in part (a) were treated as pensionable till 1919, and if so, will the Government be pleased to state the grounds on which these appointments were treated as non-pensionable after 1919?

(c) Will the Government be pleased to state the exact number of appointments in the above list reserved for retired servants, and the need for such reservation?

(d) Will the Government be pleased to state whether it is a fact that the Government of India gave an assurance that the remaining 100 clerical appointments of class II would be released in March 1927 and if so, will the Government be pleased to state when effect would be given to their assurance?

The Honourable Sir Bhupendra Nath Mitra:

(a)

	No. of appointments created.	Rate of pay.
Inspectors of peons	10	8 On Rs. 100—5—150.
		1 Season Inspector on Rs. 60 from November to March each year in Delhi.
		1 Assistant Inspector on Rs. 40.
Time-keepers	18	Rs. 60 at Calcutta, Bombay Madras, Rangoon and Karachi, and Rs. 50 at other stations. Four men get personal pay of Rs. 100 each as a special case.

All the appointments are filled by Indians, 4 Inspectors of Peons and 4 Time-keepers being statutory Indians.

(b) Yes. The reasons for making these appointments non-pensionable is that the work pertaining to these appointments is not properly of a clerical nature and can suitably be performed by retired servants.

(c) No specified number of appointments is reserved for retired servants, but whenever possible, such men are appointed to these posts. The second part of the question does not arise.

(d) Yes. Of the 100 appointments referred to, 8 were filled during 1925-26, and the rest will be filled in March next.

GRIEVANCES OF POSTAL RECRUITED TELEGRAPHISTS.

26. **Mr. M. K. Acharya:** Will the Government be pleased to state whether the grievances of the postal recruited telegraphists were taken up again by the Government of India after representation by the All-India Telegraph Union and if so what reply was given to the Union?

The Honourable Sir Bhupendra Nath Mitra: Yes. Government found no justification for modifying the previous orders.

PREVIOUS SERVICE CONSIDERED IN GRANTING INCREMENTS IN GOVERNMENT DEPARTMENTS.

27. **Mr. M. K. Acharya:** Will the Government be pleased to state whether in all the Government departments generally the previous services of subordinates are not taken into consideration in granting increments to them?

The Honourable Sir Bhupendra Nath Mitra: No.

EXTRA COST OF INCREMENTS TO POSTAL RECRUITED TELEGRAPHISTS.

28. **Mr. M. K. Acharya:** Will the Government be pleased to state whether it is a fact that the Director-General of Posts and Telegraphs had called for statements in the month of January 1926 as to the extra cost that might be incurred if increments were granted to the postal recruited telegraphists?

The Honourable Sir Bhupendra Nath Mitra: Yes.

OFFICIATING OR TEMPORARY SERVICE TO COUNT TOWARDS INCREMENTS IN POSTAL DEPARTMENTS.

29. **Mr. M. K. Acharya:** Will the Government be pleased to state:

- (a) whether it is a fact that the services of unpaid probationers of the Post Office are taken into consideration in granting them increments: and
- (b) whether it is a fact that the Standing Finance Committee in August 1926 considered the Government proposal to spend Rs. 52,000 during the year in order to give effect to the scheme of counting the total period of officiating or temporary service towards increments in the various time scales of pay sanctioned for the existing postal officials on the recommendation of the Postal Committee?

The Honourable Sir Bhupendra Nath Mitra: (a) The aggregate period of actual (paid) officiating or temporary service rendered by postal clerks, whether as clerks or branch postmasters, and by sorters as sorters prior to their confirmation in the Department is taken into account in determining their positions in the time-scales of pay sanctioned for them.

(b) Yes, except that as mentioned in reply to part (a) above the concession referred to is admissible only to the postal clerks and sorters.

PREVIOUS SERVICE OF POSTAL RECRUITED TELEGRAPHISTS TO COUNT TOWARDS INCREMENTS.

30. **Mr. M. K. Acharya:** Will the Government be pleased to state:

- (a) whether it is a fact that telegraphists and telegraph masters of local service who are transferred to the general service are given credit for purposes of pay and seniority according to the number of years they had served in the local scale:
- (b) whether the claims of the postal recruited men have been rejected while due recognition has been given to the other members of the different branches of the department: and

- (c) whether the Government of India are now prepared to reconsider the question of postal recruited telegraphists and grant them the increments prayed for in consideration of their hard earned postal service?

The Honourable Sir Bhupendra Nath Mitra: (a) Yes.

(b) and (c). The attention of the Honourable Member is drawn to the reply given on the 28th February, 1925, to part (d) of his unstarred Question No. 207 and also to the reply to his unstarred Question No. 91.

DIPAVALI DAY TO BE HOLIDAY FOR GOVERNMENT TELEGRAPH OFFICES.

31. **Mr. M. K. Acharya:** Will the Government be pleased to state:

- (a) whether it is a fact that Dipavali which falls every year in the month of October is a Government as well as a Postal holiday and if so, why a similar concession has not been given to the Government Telegraph Offices: and

- (b) whether the Government will be pleased to extend the concession to Telegraph offices all over India and Burma by fixing the Dipavali day as a holiday and treat it as a Sunday?

The Honourable Sir Bhupendra Nath Mitra: (a) Yes. Because it is not a Telegraph Holiday.

- (b) Does not arise.

DIPAVALI DAY TO BE HOLIDAY FOR GOVERNMENT TELEGRAPH OFFICES.

32. **Mr. M. K. Acharya:** (a) Are Government prepared to inquire from the Officer-in-charge of the Madras Telegraph Office as to how many men applied for leave on the last Dipavali day and how many of them were granted leave?

- (b) Do Government propose to call for statistics of the Madras Telegraph Office on the particular day so that the Government may judge whether the traffic necessitated the retention of all the men on the day in question?

The Honourable Sir Bhupendra Nath Mitra: (a) The enquiry has been made. 16 men applied for leave, and three were granted leave.

- (b) No, as in the opinion of the Government no useful purpose would be served by taking the action suggested.

INADEQUACY OF SCALES OF PAY OF MADRAS POSTAL CLERKS AND POSTMEN.

33. **Mr. M. K. Acharya:** Will the Government be pleased to state—

- (a) what the scales of pay of Madras postal clerks and postmen are, and those of similar employees at Bombay, Calcutta, Poona, Karachi and Ahmedabad: and

- (b) whether any public leaders of Madras expressed to the Member-in-charge that the present Madras scales were adequate; and if so who those leaders were?

The Honourable Sir Bhupendra Nath Mitra: (a) The scales of pay are:

	Postal clerks.	Postmen.
	Rs.	Rs.
Madras	40-5-140	20-20-20-1-38 <i>plus</i> house-rent allowance Rs. 3.
Bombay	60-5-160	27-27-27-1-45 <i>plus</i> house-rent allowance Rs. 8-8.
Calcutta	50-6-110-5-160	22-22-22-1-40 <i>plus</i> house-rent allowance Rs. 5.
Poona	50-5-150	27-27-27-1-45 <i>plus</i> house-rent allowance Rs. 3.
Karachi	50-5-150	27-27-27-1-45 <i>plus</i> house-rent allowance Rs. 4.
Ahmedabad	50-5-150	27-27-27-1-45 <i>plus</i> house-rent allowance Rs. 4.

(b) The Honourable Member is apparently referring to an account of an interview with me by the General Secretary, All-India Postal and R. M. S. Union, which I have seen published in certain papers without obtaining my acceptance to it and which is full of inaccuracies. At the same time it is a fact that when the revised rates of pay for Madras were before the Standing Finance Committee about this time last year and accepted by that body, it was never suggested by any member of the Legislative Assembly from Madras either in the House, or to me outside it, that the new rates of pay for Madras were inadequate. The only suggestion which I received was to increase the increments in the later years of service to Rs. 5, and this suggestion I found it possible to accept later on. It is obviously not possible for me to mention any names other than those that are available to the public from published debates of the House or published proceedings of the Standing Finance Committee.

UNPOPULARITY AND INEFFICIENCY OF ARMY CANTEN BOARD.

84. **Mr. Gaya Prasad Singh:** (a) With reference to my starred question No. 519 of the 2nd September 1925, and the reply of the Government that "the preference for the contractor is not universal", has the attention of the Government been drawn to the following passages in the Report of the Committee on the working of the Army Canteen Board?

- (i) "The present system is *intensely unpopular* with the people whom it is intended to benefit, and must therefore be regarded as inefficient".
- (ii) "The Board's canteens are condemned by the soldier on grounds of price and quality".
- (iii) "The auditor's report details the want of efficient accounting".

(iv) " The Canteen Board is constitutionally neither fish, flesh, nor good red-herring. It is not fully military, and lacks discipline, it is not fully Government, and yet it risks the tax-payer's money; it is not a proper commercial concern, and it lacks the incentive of self-interest, necessary for success "

(b) Will the Government kindly state who is responsible for the creation of the Army Canteen Board, and for the loss of the tax-payer's money?

Mr. G. M. Young: (a) Government have seen and considered the passages and have taken appropriate action on them. Although the large majority of units concerned expressed preference for the contractor system, the preference was not universal.

(b) Government must accept responsibility for the creation of the Army Canteen Board. The causes of its failure are a matter of opinion.

DEFALCATIONS IN THE ARMY CANTEEN BOARD.

85. **Mr. Gaya Prasad Singh:** (a) Has the attention of the Government been drawn to the following passage in the Report on the working of the Army Canteen Board:

" It is a poor tribute to the method of staff selection that seven European members of the staff should have been lodged in Jail? "

(b) Will the Government kindly give the names of the seven officers, and the circumstances under which they were lodged in Jail? If their offences relate to waste or misappropriation of money or stores, will the Government give the amount or value of such misappropriation or waste?

Mr. G. M. Young: (a) Government have seen the passage referred to.

(b) I would invite the attention of the Honourable Member to the statements which were laid on the table on the 23rd January, and the 7th September, 1925, in answer to unstarred question No. 81 and starred question No. 715 respectively. These statements give a full account of the various defalcations. Government does not consider it necessary or desirable to mention the names of those concerned.

DATE OF PASSING OF TRADE UNION BILL.

86. **Mr. Varahagiri Venkata Jogiah:** When was the Trade Union Bill passed into Law? Has the Act been put into force yet? If not, when will the Government be pleased to bring it into force?

The Honourable Sir Bhupendra Nath Mitra: Assent was given to the Indian Trade Unions Bill on 25th March, 1926. The date on which the Act can be brought into force will depend on the progress made by local Governments in promulgating the necessary regulations; but the Government of India hope that it will be possible to bring the Act into force on 1st April next.

OFFICIAL RECOGNITION FOR ALL RAILWAY EMPLOYEES UNIONS.

87. **Mr. Varahagiri Venkata Jogiah:** In view of the passing of the Trade Union legislation, are Government prepared to issue directions to the different Railway administrations to give official recognition to all accredited Railway Unions representing the employees?

The Honourable Sir Charles Innes: The matter is under consideration.

ALLOTMENTS FOR CONSTRUCTION OF QUARTERS FOR EUROPEANS, ANGLO-INDIANS AND INDIANS RESPECTIVELY ON DIFFERENT RAILWAYS.

38. **Mr. Varahagiri Venkata Jogiah:** 1. What was the amount sanctioned for the construction of staff quarters within the last two years in the following Railways:—

(a) Bengal Nagpur Railway, (b) Madras and Southern Mahratta Railway, (c) Eastern Bengal Railway, (d) Great Indian Peninsula Railway, (e) East Indian Railway, (f) North-Western Railway, (g) Bombay, Baroda and Central India Railway, and (h) South Indian Railway?

2. Out of these amounts sanctioned, how much was allotted in each of the Railways abovesaid for (a) European employees including officers, (b) Anglo-Indian employees including officers, (c) Indian employees including officers?

3. What is the number of quarters sanctioned for each of the abovesaid classes of employees of the Railways aforesaid, and what is the sum spent during the last two years on the quarters of employees European, Anglo-Indian and Indian respectively?

Mr. A. A. L. Parsons: (1), (2) and (3). The information is not available in the detail required by the Honourable Member, and it would not be possible to collect it, since ordinarily quarters are not built specifically for Europeans, Anglo-Indians or Indians, but merely for classes of employees irrespective of race. In the last two years the following sums were provided by the Railway Administrations mentioned by the Honourable Member in their programmes for the construction of staff quarters:

Figures in thousands of rupees.

	1925-26.	1926-27.
	Rs.	Rs.
(a) Bengal Nagpur Railway	30,85	12,16
(b) M. and S. M. Railway	3,78	19,00
(c) Eastern Bengal Railway	5,60	8,94
(d) G. I. P. Railway	12,88	17,99
(e) East Indian Railway	20,68	23,65
(f) North Western Railway	8,00	2,86
(g) B. B. and C. I. Railway	2,64	3,06
(h) South Indian Railway	1,25	6,86

INQUIRY INTO GRIEVANCES OF SUBORDINATE EMPLOYEES ON INDIAN RAILWAYS.

39. **Mr. Varahagiri Venkata Jogiah:** Were any steps taken to give effect to the Resolution of the Assembly passed on the 5th day of February, 1926, recommending an inquiry into the grievances of the subordinate employees on the Indian Railways? If not, are the Government prepared to give effect to it at a very early date?

The Honourable Sir Charles Innes: The Honourable Member's attention is invited to the answer given to a similar question No. 386 asked by Mr. M. K. Acharya on 1st September, 1925.

SCHEME FOR TRAINING OF OFFICERS AND SUBORDINATES ON INDIAN RAILWAYS.

40. **Mr. Varahagiri Venkata Jogiah:** Was the scheme for the training of Railway officers and subordinates for employment on the Indian Railways prepared by Mr. Cole under the orders of the Railway Board given effect to? If not, why not?

The Honourable Sir Charles Innes: Mr. Cole's report was received in 1928 and contained many valuable suggestions and recommendations for the training of railway officers and subordinates. Some of these suggestions were embodied in the scheme for training and recruitment of Railway Officers published with Resolution No. 2058-E., dated the 15th July, 1926, in the *Gazette of India* of the 17th of July, 1926. This scheme, however, was devised to carry out the policy recommended by the Lee Commission in regard to recruitment of the superior services and was decided upon with the sanction of the Secretary of State after discussion with the Central Advisory Committee for Railways. Schemes for the training of railway subordinates have been brought into existence on the State and other Railways, and information will be found in regard to these schemes in Chapter VI of the Report by the Railway Board on Indian Railways, a copy of which has been placed in the library.

PROHIBITION OF INDIAN GUARDS AND DRIVERS FROM RUNNING MAIL AND PASSENGER TRAINS.

41. **Mr. Varahagiri Venkata Jogiah:** (a) Is it a fact that all or any of the Railway Companies prohibit Indian Guards and Drivers from running mail and passenger trains on the main lines? If not, what are the names of the Railway Companies that permit the same?

(b) In case such a prohibition exists, in all or any of the Railway Companies, are Government prepared to issue directions to permit Indian Guards and Drivers to run mail and passenger trains equally with the European or Anglo-Indian Guards and Drivers?

Mr. A. A. L. Parsons: (a) Enquiries made from the principal Railway Administrations show that Indian Guards and Drivers are not prohibited from working mail and passenger trains on the main lines.

(b) Does not arise.

CRITERION FOR SELECTION OF HIGH COURT JUDGES.

42. **Mr. Anwar-ul-Azim:** Will the Government be pleased to state what criterion the Government impose in recommending the selection of the judges of the High Courts in India?

The Honourable Sir Alexander Muddiman: Permanent appointments to the High Courts are made by His Majesty under section 101 of the Government of India Act.

MUSSALMAN AND OTHER OFFICERS IN STATE RAILWAYS.

43. **Mr. Anwar-ul-Azim:** Will the Government be pleased to state what the total number of officers in the State Railways in India is and how many of them are Mussalmans?

Mr. A. A. L. Parsons: The Honourable Member is referred to the Railway Board's Classified List of Establishment corrected up to 30th June, 1926, and to the statistics given in Appendix F of Volume I of the Report on Indian Railways for 1925-26, copies of which he will find in the Library.

ABOLITION OF DIRECT RECRUITMENT TO IMPERIAL EDUCATIONAL SERVICES IN BENGAL.

44. **Mr. Anwar-ul-Azim:** Will the Government be pleased to state if they propose to abolish the direct recruitment of officers in the Imperial Educational Services in Bengal? If so, why?

The Honourable Mr. J. W. Shore: Recruitment for the Indian Educational Service ceased with effect from May, 1924, in all Governors' provinces in accordance with the recommendation made in paragraph 15 of the Lee Commission report. The object was to leave the way open to Local Governments in future to recruit and appoint the personnel required for this branch of administration.

TARIFF AND OTHER SOURCES OF IMPERIAL REVENUE IN INDIA.

45. **Mr. Anwar-ul-Azim:** Will the Government be pleased to state what the sources of Imperial Revenue in India are, and what amount is derived by a protective tariff?

The Honourable Sir Basil Blackett: The sources of Imperial revenue are shown in the annual Budget Statement presented to the Assembly and in the Finance and Revenue Accounts of the Government of India. The amount derived from protective duties varies from year to year and the monthly and annual figures are given in the monthly statement published by the Director-General of Commercial Intelligence and Statistics. I would however point out that the figures in question show the total proceeds of the protective duties and not simply the excess over the amounts that would be realised were the ordinary revenue tariff in force in respect of the items subjected to a protective tariff.

FUNCTIONS AND CONTROL OF RAILWAY BOARD.

46. **Mr. Anwar-ul-Azim:** Will the Government be pleased to state what the functions of the Railway Board at Delhi and Simla are? What control, if any, does the Board exercise over such of the railway systems as are not under the control of Government?

Mr. A. A. L. Parsons: The Honourable Member is referred to Appendices B and C of Volume I of the Report on Indian Railways for 1925-26 which contain notes on the relation of the Government to railways in Indian and on the organisation for Government control. Copies of the Report are in the Library of the Assembly.

LAST 5 YEARS' FIGURES FOR EXPORT AND IMPORT TRADE.

47. **Mr. Anwar-ul-Asim:** Will the Government be pleased to state for the last five years the volume of export and import trade between India and other countries of the world?

The Honourable Sir Charles Innes: The Honourable Member is referred to Volume I of the "Annual Statement of the Sea-borne Trade of British India with the British Empire and Foreign Countries" for the year 1925-26, copies of which are in the Library.

GOVERNMENT AID TO INFANT INDUSTRIES IN BELGIUM AND GERMANY.

48. **Mr. Anwar-ul-Asim:** Will the Government be pleased to state whether it is a fact that all infant industries are financed by Government in Belgium and Germany?

The Honourable Sir Bhupendra Nath Mitra: Government have no precise information on the subject.

STATUS AND PRECEDENCE OF MEMBERS OF LEGISLATIVE ASSEMBLY IN DURBARS.

49. **Mr. Anwar-ul-Asim:** Will the Government be pleased to state the status of the members of this Assembly in the Imperial, Provincial and Divisional Durbars in the matter of precedence?

The Honourable Sir Alexander Muddiman: If and when an Imperial Durbar is held the question will doubtless be considered with reference to existing circumstances.

2. The question of precedence at Provincial and Divisional Darbars is always left to the local authorities and is governed by orders of the Provincial Governments on the subject.

SWARAJYA ON "INDIANISATION ON THE SOUTH INDIAN RAILWAY."

50. **Mr. M. S. Sesha Iyengar:** Has the attention of the Government been drawn to an article that appeared in the *Swarajya*, dated 11th November, 1926, under the caption "Indianisation on the South Indian Railway"?

Mr. A. A. L. Parsons: Yes.

OMISSION TO EXTEND LEE CONCESSIONS TO SUPERIOR INDIAN OFFICERS OF SOUTH INDIAN RAILWAY.

51. **Mr. M. S. Sesha Iyengar:** (a) Will the Government be pleased to state if it is a fact that the Deputy Accountant General of Railways has reported to the Railway Board about the omission of the South Indian Railway to extend the Lee concessions to the Indian Officers of the superior service in the said Railway?

(b) If so, will the Government be pleased to lay the said report on the table?

The Honourable Sir Charles Innes: (a) No.

(b) Does not arise.

MINIMUM PAY OF POSTAL CLERKS IN MADRAS.

52. **Mr. M. S. Sesha Iyengar:** (a) Will the Government be pleased to state if the minimum pay of the postal clerks in the Madras Province has been fixed at Rs. 40 per mensem, while it is Rs. 45 in Bengal and Bombay?

(b) If so, why?

The Honourable Sir Bhupendra Nath Mitra: (a) The case is not as stated.

(b) Does not arise.

EXTRA HOUSE-RENT FOR POSTAL EMPLOYEES IN MADURA, ETC.

53. **Mr. M. S. Sesha Iyengar:** Will the Government be pleased to state if any action has been taken to provide extra for the "house" rent of the Postal employees at least in places like Madura where it is high?

The Honourable Sir Bhupendra Nath Mitra: From October 1st, 1926, the house-rent allowances already sanctioned for postmen and inferior servants (other than runners and boy messengers) were increased in certain cases, while house-rent allowances were granted to such officials in a large number of new cases. At Madura itself under that scheme the inferior servants receive a house-rent allowance at the same rate as that sanctioned for the postmen.

TOTAL AMOUNT OF REVERSE COUNCILS SOLD FROM APRIL TO DECEMBER 1926.

54. **Mr. M. S. Sesha Iyengar:** Will the Government be pleased to state the total amount for which Reverse Councils have been sold by the Government of India from April, 1926, up to the end of December, 1926.

The Honourable Sir Basil Blackett: The attention of the Honourable Member is invited to the reply given to starred question No. 154 put by Kumar Ganganand Sinha.

TOTAL COINAGE OF RUPEES FOR 1920 TO 1926.

55. **Mr. M. S. Sesha Iyengar:** Will the Government be pleased to state the total coinage of rupees for each of the years from 1920 to 1926 both inclusive?

The Honourable Sir Basil Blackett: The attention of the Honourable Member is invited to statement IX on page 59 of the Report of the Controller of the Currency for 1925-26, a copy of which is available in the library.

CONFLICTING OPINIONS AS REGARDS ELECTORAL RULES OF THE LEGISLATIVE ASSEMBLY.

56. **Lala Lajpat Rai:** (a) Are Government aware that in the Punjab, during the last elections, clause (a) of Rule 6 (1) of the Legislative Assembly Electoral Rules was differently interpreted by different Returning Officers? Is it a fact that in one place a Returning Officer upheld the nomination of a gentleman whose name was not entered on the electoral roll of the constituency for the Assembly, but whose name was entered on the electoral

roll of a constituency situated in the same Province and prescribed for elections to the Provincial Council? Is it a fact that in another district, the Returning Officer rejected the nomination of a gentleman similarly placed?

(b) Are Government aware that similar differences of opinion have been exhibited with regard to the interpretation of other rules regarding the validity or otherwise of nominations?

(c) If so, what do Government propose to do to remove the possibility of such conflicting decisions being given in future?

Mr. L. Graham: (a) and (b): The Government of India have no information.

(c) Government are of opinion that so long as Returning Officers are human no steps which Government can take will remove the possibility of conflicting decisions. They will however welcome any information as to conflicting decisions which any Member of the Assembly or of the public may furnish.

ADVISABILITY OF REMOVING RESTRICTIONS REGARDING THE USE OF CONVEYANCES BY CANDIDATES FOR ELECTION.

57. **Lala Lajpat Rai:** (a) Will the Government please state whether under clause 5 of Part II of Schedule V of the Rules relating to malpractices, the hiring, etc., of any boat, vehicle or animal usually kept for letting on hire or for carrying passengers on hire, by a candidate for his own use or for the use of his agents for the purpose of canvassing, and propaganda, before or on the polling day, is permissible?

(b) Are Government aware that a large number of candidates use the conveyances of their friends to carry their voters to the polling booths?

(c) Are Government prepared to consider the advisability of removing these restrictions?

Mr. L. Graham: (a) Government do not think that it would be proper that they should make a public declaration as to the meaning of any statutory rule or regulation. They must therefore leave the Honourable Member to form his own opinion regarding the construction of the provision to which he refers.

(b) Government have no information.

(c) Government would at any time be prepared to consider the amendment of the rule in the event of due cause for such amendment being shown to exist.

NEED FOR A GENERAL REVISION OF ELECTORAL RULES.

58. **Lala Lajpat Rai:** Are Government aware of conflicts of opinion about the interpretation of the Electoral Rules, and are Government prepared to consider the advisability of appointing a Committee to revise these Rules and others of a similar nature, with a view to remove doubts and to assure uniformity of practice during elections?

The Honourable Sir Alexander Muddiman: With the object which the Honourable Member has in view Government have been keeping a careful watch over the working of the electoral rules since they were last revised in 1923, but their information so far does not indicate that the time for another general revision has come. This must of course depend upon the extent to which the existing rules are shown to require clarification and Government will be prepared to consider the question of a general revision and the method of accomplishing it as soon as the necessity for it arises. Meanwhile they will be glad to consider any inconsistencies or obscurities which the Honourable Member may care to bring to their notice.

UNDESIRABILITY OF INQUIRY INTO BAD DEBT DEDUCTIONS BY INCOME-TAX OFFICERS.

59. **Lala Lajpat Rai:** (a) Is it a fact that in the Income-Tax Manual, edition 1925, Volume I, issued under the authority of the Government of India, at pages 97 and 98, instructions are given to Income-Tax Officers to the effect that bad debts written off as irrecoverable out of the book profits by a person or institution keeping accounts in the mercantile accountancy system should be allowed to be deducted out of the book profits of the year in which the same were actually written off?

(b) If so, have any instructions been given by the Government to the contrary, after the issue of the Income-Tax Manual, edition 1925, authorising the Income-Tax Officers to make inquiries into the grounds on which such debts were written off, and if necessary, to declare that any debt actually and in good faith written off at any time should not have been so written off?

(c) If the answer to part (b) is in the affirmative, will the Government please state if the Government satisfied itself that this procedure had the sanction of law and was supported by the opinion of their legal Advisers?

(d) Have the Government paid due attention to the effect which such instructions will have on the policy and practical working of the business of all Bankers in general, and Joint Stock Banks in particular?

The Honourable Sir Basil Blackett: (a) Yes.

(b) Instructions regarding such details are issued by the Central Board of Revenue. The Central Board of Revenue has issued no general instructions on this subject. It is the duty of the Income-tax Officer to determine the amount of an assessee's gross income and of the deductions from it that are permissible and that fact has no doubt been impressed on Income-tax Officers by the Central Board of Revenue when necessary in the course of its inspections.

(c) The Government have had no occasion, and see no necessity, to take legal advice on this subject.

(d) As already stated, no general instructions have been issued. The Government have no reason to suppose that the correct application of the existing law on the subject has caused, or can cause, any hardship to Banks or other classes of assessee.

**GRANT OF THE ROYAL HUMANE SOCIETY'S MEDAL TO TINDAL
EBRAHIM.**

60. **Mr. Jamnadas M. Mehta:** (a) Are Government aware that a public meeting of the Cutchies of Bombay has requested the Police Commissioner of Bombay to recommend to the Royal Humane Society of London to present a gold medal to Tindal Ebrahim for his bravery during the Vita tragedy incident?

(b) Are Government aware that the Vita Tragedy Committee had requested the Honourable the Agent to the Governor-General in the States of Western India, Rajkot, to recommend Mr. Ebrahim to the Royal Humane Society of London for a medal for his gallant deed of saving 32 souls at the risk of his life?

(c) Will Government be pleased to state whether any steps were taken to appreciate the services of Tindal Ebrahim of Cutch Mandvi for saving human lives during the Vita tragedy?

The Honourable Sir Alexander Muddiman: (a) No.

(b) Yes.

(c) Orders have been issued for the presentation of a pair of binoculars in a leather case to the Tindal and the question of recommending him for an award of the Royal Humane Society is under consideration.

COMMITTEE TO INQUIRE INTO CONDITIONS OF EMBARKATION AT PORTS.

61. **Mr. Jamnadas M. Mehta:** Have Government received a representation from the public meeting of the Cutchies of Bombay held under the auspices of the Vita Tragedy Committee and the Indian Merchants' Chamber to appoint a committee of inquiry?

COMMITTEE TO INQUIRE INTO CONDITIONS OF EMBARKATION AT PORTS.

62. **Mr. Jamnadas M. Mehta:** Will Government be pleased to inform when an inquiry committee with a majority of non-officials will be appointed to inquire into the matter of improving facilities in regard to embarkation and disembarkation of passengers at the various ports in India where ships have to lie out in the stream?

The Honourable Sir Charles Innes: I will reply to questions Nos. 61 and 62 together. The answer to the first question is in the affirmative. As regards the second question after careful consideration the Government of India have come to the conclusion that no useful purpose will be served by appointing the proposed committee. Local Governments have, however, been asked to consider whether any action can be taken to improve the existing facilities for the embarkation and disembarkation of passengers at places where ships have to lie out in a roadstead.

**RACIAL DISCRIMINATION IN LEAVE AND ALLOWANCES IN THE BOMBAY,
BARODA AND CENTRAL INDIA RAILWAY.**

63. **Rai Sahib M. Harbilas Sarda:** (a) With reference to my questions in the last session of the Assembly regarding differential treatment meted out on the Bombay, Baroda and Central India Railway as regards pay, annual increment and leave rules, will Government be pleased to inquire and let the House know—

(i) if Indian officers who had drawn consolidated pay before the introduction of the revised scale of pay, are denied the benefit

- of the overseas allowance while Anglo-Indian officers of Asiatic domicile of the same length of service are granted it?
- (ii) why, while the Anglo-Indian officers of Asiatic domicile are granted Rs. 50 per year as increment, the Indian officers of the same service and standing are granted Rs. 40 per year only?
- (iii) why Indian officers are denied the benefit of furlough leave and other privileges under the Leave Rules which are granted to their confreres of the Anglo-Indian community?

(b) Are Government prepared to direct that all racial distinctions be removed and the privileges granted to the Anglo-Indian Officers are also offered to their Indian brother officers of the same service and standing?

Mr. A. A. L. Parsons: Enquiries have been made and the information asked for will be supplied to the Honourable Member when received.

THROUGH 1ST AND 2ND CLASS BOGIE BETWEEN AJMER AND JODHPUR
FOR CONVENIENCE OF PASSENGERS.

64. Rai Sahib M. Harbilas Sarda: Are Government aware that First and Second Class passengers travelling from Jodhpur to Ajmer have to leave their carriages at 11 P.M., and stay at the Marwar Junction Station till 2-45 A.M., before they get the train to take them to Ajmer, and that passengers coming from Ajmer to Jodhpur suffer similar inconvenience, while Third Class passengers travelling by the same trains are saved this trouble as through Third Class carriages are attached to both the trains? Do Government propose to move the Bombay, Baroda and Central India Railway authorities to attach a composite carriage to the night trains running between Ajmer and Jodhpur to save First and Second Class passengers from this great inconvenience?

Mr. A. A. L. Parsons: The facts are as stated. I have sent a copy of the Honourable Member's question to the Agent, Bombay, Baroda and Central India Railway, so that he may consider the suggestion.

ELECTION OF DEPUTY PRESIDENT.

Mr. President: The Assembly will now proceed to the election of a Deputy President by ballot. I have to announce in accordance with sub-order (3) of Standing Order 5 that I have received ten notices duly signed, nominating the following four candidates for election, namely:

1. Mr. Kshitish Chandra Neogy.
2. Maulvi Muhammad Yakub.
3. Nawab Sir Sahibzada Abdul Qaiyum.
4. Mr. Tasadduq Ahmad Khan Shervani.

Sir Abdul Qaiyum has since withdrawn his candidature. There remain therefore three candidates, namely:

1. Mr. Neogy,
2. Maulvi Muhammad Yakub, and
3. Mr. Shervani.

[Mr. President.]

The names of the proposers and seconders are as follows:

For Mr. Kshitish Chandra Neogy:

Proposers.

Mr. Sarabhai Nemchand Haji.

Mr. Keshav Chandra Roy.

Mr. Dharendra Kanta Lahiri Chaudhury.

Seconders.

Mr. Bhabendra Chandra Roy.

Mr. Ambika Prasad Sinha.

Rai Sahib M. Harbilas Sarada.

For Maulvi Muhammad Yakub:

Proposer.

Raja Ghazanfar Ali Khan.

Secunder.

Mr. G. Sarvotham Rao.

For Mr. Tasadduq Ahmad Khan Shervani:

Proposers.

Pandit Motilal Nehru.

Mr. Fazal Ibrahim Rahimtulla.

Mr. Dattatraya Venkatesh Belvi.

Seconders.

Mr. S. Srinivasa Iyengar.

Khan Bahadur Haji Abdulla Haji Kasim.

Mr. Yusuf Imam.

There is one other notice on behalf of Dr. A. Suhrawardy, proposed and seconded respectively by Mr. Ambika Prasad Sinha and Mr. Anwar-ul-Azim, but since this notice was not handed to me by the proposer as required by sub-order (2) (ii) of Standing Order 5 I have rejected it.

The rules regulating the manner in which the ballot shall be held have already been circulated to Honourable Members.

Honourable Members will now come up to the table and receive the ballot papers from the Secretary in the order in which I call their names. After receiving the ballot paper each Member will record his vote at the table behind the President's Chair, and hand it to the Secretary. Sir Abdul Qaiyum's name appears on the ballot papers, but as he is no longer a candidate no vote should be recorded in his favour.

(The balloting then took place.)

There have voted for Maulvi Muhammad Yakub 53, for Mr. Shervani 40 and for Mr. Neogy 18. As no candidate has got a majority of the total votes recorded, we shall have, I am afraid, to go through the process again

and this time the ballot will be as between Maulvi Muhammad Yakub and Mr. Shervani.

(The balloting was again gone through.)

If any Honourable Member has not voted, he will kindly speak out and the Chair will give him an opportunity to record his vote. As no Honourable Member speaks out, I take it that all Honourable Members have voted. I now ask the Secretaries to open the ballot box and count the votes.

(The votes were counted.)

The result of the voting is as follows:

For Maulvi Muhammad Yakub—59 votes.

For Mr. T. A. K. Shervani—55 votes.

I therefore declare Maulvi Muhammad Yakub duly elected. The approval of His Excellency the Governor General is necessary by Statute for this election and it will be duly sought for.

The Assembly then adjourned for Lunch till Twenty-Five Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Twenty-Five Minutes to Three of the Clock, Mr. President in the Chair.

ELECTION OF PANEL FOR CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

The Honourable Sir Charles Innes (Member for Commerce and Railways): Sir, I beg to move:

"That this Assembly do proceed to elect in such manner as may be approved by the Honourable the President, a panel consisting of eight members from which six shall be selected to serve on the Central Advisory Council for Railways, as provided for in clause 6 of the Resolution adopted by the Legislative Assembly on the 20th September, 1924, on the subject of the separation of Railway Finance."

The motion was adopted.

Mr. President: I may inform the Assembly that for the purpose of the election of the Members of the Central Advisory Council for Railways the Notice Office will be open to receive nominations up to 12 Noon on Thursday, the 3rd February and the election will take place in this Chamber in accordance with the system of proportional representation by the single transferable vote on Monday, the 7th February.

THE INDIAN LIMITATION (AMENDMENT) BILL.

(AMENDMENT OF ARTICLE 182 OF SCHEDULE I.)

The Honourable Sir Alexander Muddiman (Home Member): Sir, I move for leave to introduce a Bill further to amend the Indian Limitation Act, 1908, for a certain purpose. That purpose is to amend Article 182 in Schedule I of that Act. This Bill, Sir, is indeed a very small one. It contains only one operative clause, but it is a Bill of considerable importance and it is based, as so many other small Bills I have been bringing in recently are, on the recommendations of the Civil Justice Committee. The Civil Justice Committee were much impressed, as indeed they might

[Sir Alexander Muddiman.]

will be, by the difficulties of decree holders in obtaining anything more than a decree. It was said many years ago that when you win a civil suit in India your troubles really begin because execution is so difficult. Those of us who have had experience in trying civil cases will probably agree that execution is one of the most difficult things to obtain in this country, i.e., execution in realization of a decree, not the other kind of execution. This Bill is not based on the original recommendations of the Civil Justice Committee. They made two proposals. They first of all considered a reduction in the period of limitation and they themselves were rather in favour of that. Well, Sir, we went into the matter at considerable length and we preferred in the end to take their second recommendation. That had this advantage for, as they pointed out, on the question of the amendment made by this Bill opinion was unanimously in its favour. The other proposal was a more difficult one and there was some difference of opinion. Put very briefly, our present proposal is that the period of limitation provided for in Article 182 of the Act should begin not from the date of the last application for execution, but from the date of the last Order on a previous application. That, Sir, is the purpose of this very short Bill which I ask for leave to introduce.

The motion was adopted.

The Honourable Sir Alexander Muddiman: Sir, I introduce the Bill.

THE INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

The Honourable Mr. J. W. Bhoré (Member for Education, Health and Lands): Sir, I beg to move:

"That the Bill further to amend the Indian Merchant Shipping Act, 1923, be referred to a Select Committee consisting of Raja Ghazanfar Ali Khan, Mr. F. W. Allison, Sir Walter Willson, Nawab Sir Sahibzada Abdul Qaiyum, Mr. S. N. Haji, Mr. M. A. Jinnah, Maulvi Muhammad Yakub, Maulvi Muhammad Shafi, Mr. Mohammad Ismail Khan, Maulvi A. H. Natiq, Dr. A. Suhrawardy, Khan Bahadur Haji Abdullah Haji Kasim and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be six."

Sir, I think I ought to explain that this Bill owes its genesis to a promise given in this House on the 5th March 1925 by the Honourable Sir Muhammad Habibullah that a Bill—or rather, that legislation on the lines of this Bill would be introduced as soon as possible. That promise, Sir, in its turn was the result of strong representations made by many Moslem Members of this House who brought to notice the very serious hardships and inconvenience imposed on pilgrims by the action of pilgrim ship owners who, after notifying a definite date for sailing, delayed the despatch of their vessels until it suited their convenience to let them sail. In such cases, Sir, pilgrims who gather from all parts of India in expectation of sailing on a definite date are forced to stay on indefinitely at the port of embarkation drawing upon their very slender resources, running the risks that strangers—and ignorant strangers at that—must inevitably run from the hordes of sharpers and crooks who regard them as their natural prey, and crowding the serais and rest houses to the menace of public health generally. It was found, Sir, on enquiry that these complaints had a solid foundation and this Bill has been introduced in the hope that it will go some way towards meeting the evil complained of.

I ought, Sir, further to explain that the proposed new section 209-B is a re-enactment with some modifications of certain provisions of the Bombay and Calcutta Protection of Pilgrims Acts. It was thought that it would be convenient if the scattered provisions of the existing law relating to this subject, with such modifications as might be necessitated by present-day conditions, were brought together in a single legislative enactment, and this, Sir, we are now doing. Sir, I move.

Mr. K. C. Roy (Bengal: Nominated Non-Official): Sir, I propose that the name of Mr. Fazal Ibrahim Rahimtulla be added to the Committee.

The Honourable Mr. J. W. Bhore: I have no objection at all, Sir.

Mr. President: The question is that the name of Mr. Fazal Ibrahim Rahimtulla be added to the Select Committee.

The motion was adopted.

Sir Walter Willson (Associated Chambers of Commerce: Nominated Non-Official): Sir, I feel rather more hesitation than usual in addressing the House on the subject of this Bill. It has, as Mr. Bhore has just pointed out, been introduced as the result of a promise given to the House by Sir Muhammad Habibullah in deference to a feeling which was very definitely expressed by many Moslem Members, and the Government have been bound by that promise. As there are so many new Members in the House I might perhaps trespass upon their time just to explain my personal attitude in regard to the pilgrim question.

It is one, Sir, in which I have been interested for more than thirty years both indirectly and directly; and if I were to claim, as I think I almost might, that I was the first person to suggest the introduction of compulsory return tickets as the only means of solution of the difficulties which have been experienced in the Hedjaz I think it would be hard for anybody to contest that claim. I visited Java in the year 1910 and found that the return ticket system was in use there with great success and I first urged it in India in the year 1912. That, Sir, is my personal interest in the start of this question. I am fully aware of the great scandals that occurred in Bombay over many many years in which unfortunate pilgrims were induced to come down to Bombay to undertake their holy pilgrimage to Mecca and when they got to Bombay, they found neither ships to take them nor tickets available at the prices at which they had been informed. Feeling as I did that this whole question had been subject to such abuses in the past, I have naturally supported any legislation that has come before this House to improve the pilgrims' lot; and that is still the attitude I wish to adopt to-day. I want Honourable Members therefore to understand that any remarks I have to make now against this Bill are against a certain outstanding and, in my opinion, very dangerous principle which is in this Bill. But I do not want them to think for one moment that anything I say is aimed against the betterment of the pilgrimage conditions. I would like to say that I have known a case of a ship advertised to sail from Bombay with pilgrims on a given date and that on that date I saw that ship in dry-dock at Calcutta, unrepared, unready even to leave Calcutta, and the unfortunate passengers were hanging about Bombay at their own expense. They are a very poor class of men; to have any portion of their means eaten up by sharks in Bombay is extremely hard upon them and nobody will be more pleased than I am if we are able to improve those conditions. But, Sir, I think I have been perhaps rather to blame to this House, that I did not on a previous occasion say what I am going to say now, in which case perhaps Sir Muhammad Habibullah might not have been so ready to commit himself to introduce

[Sir Walter Willson:]

this Bill. It is simply this, Sir. This Bill itself is in many ways a bad Bill, but it may be possible to improve it tremendously in Select Committee; so I am not at the present moment wanting to oppose that. But I do say that the principle of penalising a shipowner—in other words of fining him for any failure on his part to sail at a given time—has no parallel, so far as I know, throughout the whole world. There is no parallel to it. You cannot fine a railway company if its trains run late and the passengers are delayed. You cannot fine a barrister if he fails to appear in court to defend a client, and you cannot fine a doctor if he fails to arrive at the bedside in time to save the life of a patient. In my view you ought not to attempt to fine a shipowner whose ship is delayed. Those who know anything about shipping know that despatch is one of the most important of its considerations, and no shipowner wilfully delays his ship.

What has happened in the past is that unprincipled ship agents have advertised ships to sail on dates on which they knew they could not sail, and if I am willing to let it go to the Select Committee, I want it recognised that the principle of this Bill is to stop *mala fide* advertisements and not to introduce the principle of penalisation of a shipowner. The contract is between the shipowner and the passenger, and it should not, in my opinion, be possible for Government to step in and order a fine to be paid. I think the Assembly would be ill-advised to start a precedent and interfere arbitrarily and capriciously in private contracts of this nature or to regulate from Delhi the activities of industries upon whose free and unhindered development the prosperity of this country largely depends. What I have said so far, Sir, is to that extent opposing what might be regarded as one principle of this Bill. There are many things in the Bill which I do not like, but I do not want to carry my opposition to it any further than that. In the Select Committee on previous occasions I found with the greatest pleasure that my Muhammadan colleagues thoroughly understood the traffic and evolved our last Bill which was a very good one, but this particular principle is one that I do not wish to see introduced by a backdoor or under special circumstances which require treatment of another kind. I would like to develop that point just a little bit further and would ask the House to consider for a moment what would happen in a place like Calcutta. Now, Calcutta has only been thrown open as a pilgrim embarkation port last year. The fact is that Calcutta is not popular with pilgrims, and they much prefer to go to Bombay where they can do the shorter journey by sea. I want to tell the House that the opening of Calcutta last year has so far proved an absolute fiasco in spite of all that was done to try and popularise it. There were only two steamers on berth there, and one of them was ready, clear of inward cargo and to leave on the 13th of March, and yet, because the pilgrims did not come forward,—mind you, the pilgrims did not come,—the owners kept the ships in Calcutta until the 8th of May when she sailed with only 268 pilgrims, while her carrying capacity was 1,485. The second ship had a capacity of 1,600 pilgrims and she sailed at a later date with only 614 pilgrims. Now, that was a creditable attempt on the part of two different shipowners to cover the berth in Calcutta and to give pilgrims an opportunity of sailing from there if they so wished. But what would be the result of a Bill like this? Supposing that first ship was in Calcutta altogether for 56 days, if you multiplied the number of passengers by 56, you would see the amount of fine that would have been paid. Under those

liabilities it is perfectly obvious that there would have been no ship at all. I understand that Government are holding an inquiry into the question as to whether Calcutta should be kept open as a pilgrim port or not, but pending a decision on the point, it is open as a pilgrim port and it is advisable that the berths should be covered and passages obtained if pilgrims wished to get them.

Now, Sir, I think I have shown that the particular principle of this Bill is dangerous. Nevertheless, there are so many points worthy of consideration that so long as I am not taken to be accepting as a principle of this Bill the fining of shipowners but only the stoppage of *mala fide* advertisements which are the root of all this trouble, then, Sir, I am quite willing that this Bill should be referred to a Select Committee, and in that Select Committee on which I serve I shall be happy to do anything I can to improve what otherwise looks like a rather dangerous Bill.

Maulvi Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, I rise to support the Bill. I am glad that the Government have at last been able to introduce this Bill. In fact it has taken such a long time for the Government to introduce it that some people outside the Assembly were getting suspicious as to whether the Government is going to fulfil the promise which was made on the floor of this House or not. As the Honourable the Mover of the Bill has explained before the House, this Bill is a supplement to the last Merchant Shipping Act of 1925 by which return tickets were made compulsory for the pilgrims to Mecca. At that time it was clearly pointed out that the hardships of poor pilgrims will not be removed only by making the purchase of return tickets compulsory because the pitiable condition to which the hajis were reduced at Jeddah and Bombay was due not only to the fact that they had no return tickets but to a great extent it was due also to the fact that generally the poor people, who travel in the third class, and for whom these return tickets have been made compulsory, belong to a class who have just sufficient money to make both ends meet. Now, when they reach Bombay or on their return journey when they arrive at Jeddah, they have to wait there for weeks and months before starting on their journey, their scanty provisions are exhausted and they are reduced to a state of beggary. So only the purchase of return tickets would not have removed the evil which was aimed at by the previous Bill and therefore it was suggested that until some measures were adopted to make the starting of the ships regular the object of the previous Bill would not be attained and it was for this reason that the Government promised to introduce this Bill as a supplement to the last one.

Now, Sir, my Honourable friend Sir Walter Willson has objected to the principle underlying this Bill. I am thankful to him for the considerate speech that he has delivered in the House. He has not objected to the stopping of *mala fide* advertisements; he only objects to the principle that penalising the shipowners should not be permitted generally for the sake of the convenience of the passenger or for the regularity of the starting of the ships. But I submit, Sir, that by introducing this Bill it was never intended, and it is not meant in fact on this side of the House to establish a general principle.

We quite agree with the Honourable Sir Walter Willson that shipowners should not be penalised generally in this way. We are quite at one with him when he says that penalising the shipowners should not be allowed in a free and unscrupulous manner. But no general principle is involved in the present Bill. This is a particular measure for particular

[Maulvi Muhammad Yakub.]

persons and at particular times and in special circumstances. Therefore, my friend Sir Walter Willson will realise that we are not establishing a general principle of penalising the merchant ships. On the other hand, the object of this Bill is only to remove the difficulties of the pilgrims to holy places and if he finds that some of the provisions of the Bill are not so happily worded as he wants, then I hope that, as he is one of the members of the Select Committee on this Bill, we will be able to have the benefit of his sound advice and thus to improve the Bill in the light of the observations which he has just now made.

With these few observations, Sir, I beg to second the motion that the Bill be referred to a Select Committee.

The Honourable Mr. J. W. Bore: Sir, I quite recognise that the arguments of my Honourable friend Sir Walter Willson cannot be ignored and I should like to say that while the Government of India are very averse to embarking on any legislation which may involve interference with the ordinary course of commercial and business practice, in this particular case, Sir, they have clear justification for their action. I do not know, Sir, whether my Honourable friend, Sir Walter Willson, drew his inspiration from the Bengal Chamber of Commerce or whether the Bengal Chamber of Commerce drew its inspiration from Sir Walter Willson, but the case he has put forward agrees generally with the objections which have been raised by that Chamber in a letter to the Government of India and I should like very briefly to consider those objections, firstly because of the authoritative source from which they emanate, and secondly because they appear to me to exhaust all that might reasonably be said against this Bill. The first point that the Calcutta Chamber of Commerce makes is that the carriage of pilgrims is a commercial venture just as much as the carriage of any other class of passengers. The Chamber then goes on to remark:

"In fact, in the majority of cases, the sole reason for postponing the . . .

Mr. President: Order, order. The Honourable Member cannot introduce altogether new matter by way of reply. He must confine himself to the arguments advanced by Sir Walter Willson and by Maulvi Muhammad Yakub. The matter he is referring to is entirely new.

The Honourable Mr. J. W. Bore: I am sorry, Sir. I need refer only to the one point raised by my Honourable friend Sir Walter Willson, that never to his knowledge has the principle of penalising a shipowner for delay in sailing ever been introduced in legislation before.

Sir Walter Willson: I should have said "*per capita*."

The Honourable Mr. J. W. Bore: All I need say to that is that we are not now for the first time embodying in legislation the principle of imposing a penalty on a pilgrim-shipowner for failure to sail on an advertised date. If the House will refer to the provisions of the Bombay Protection of Pilgrims Act, 1887, as amended by Act V of 1915, it will observe that these delays are already penalised. All that we are now seeking to do in the present instance is that we are endeavouring to make it possible to pay that penalty to the person who really suffers, namely, the pilgrim, instead of into the coffers of Government. That, I think, Sir, covers the objection raised by my Honourable friend. He also mentioned the case

of Calcutta. I admit that Calcutta is a special case in view of the fact that it was only opened to pilgrim traffic last year. But, Sir, it seems to me highly improbable that we shall be able to apply the provisions of this Bill this season to Calcutta and in this case, Sir, I think an adequate moratorium will have been given. I trust that in view of what I have said my Honourable friend will not press his objections and that we shall have the benefit of his very wide experience in shipping matters in Select Committee.

Mr. President: The question I have to put is:

“That the Bill further to amend the Indian Merchant Shipping Act, 1923, be referred to a Select Committee consisting of Raja Ghazanfar Ali Khan, Mr. F. W. Allison, Sir Walter Willson, Nawab Sir Sahibzada Abdul Qaiyum, Mr. S. N. Haji, Mr. M. A. Jinnah, Maulvi Muhammad Yakub, Maulvi Muhammad Shafi, Mr. Mohammad Ismail Khan, Maulvi A. H. Natiq, Dr. A. Suhrawardy, Khan Bahadur Haji Abdullah Haji Kasim, Mr. Fazal Ibrahim Rahimtulla and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be six.”

The motion was adopted.

THE NEGOTIABLE INSTRUMENTS (AMENDMENT) BILL.

The Honourable Sir Basil Blackett (Finance Member): I move:

“That the Bill further to amend the Negotiable Instruments Act, 1881, for a certain purpose, be taken into consideration.”

This is a Bill containing 17 clauses but it is very simple in its purpose. Its object is to provide that negotiable instruments including cheques and bills of exchange which are expressed on the face of them as drawn to bearer shall not in any circumstances lose their character as bearer instruments on account of their having been indorsed. A judgment of the Bombay High Court has led to difficulty in this matter because it has made it clear that under the law as it stands at present it is possible to alter the character of a bearer document and make it into an order document. That is not merely inconvenient from the point of view of the banks and business houses but it has the disadvantage of threatening the development and the extension of banking facilities and the banking habit in India. It is very important that whenever we find a defect of this sort in our law we should not be slow to correct it for fear that the result might be to check what I know many in this House regard as I do as being one of the most important services that we can render to India in the next decade and that is the great development of banking facilities. The Bill is in a sense a technical one. I was under the impression that with the exception of some questions in regard to particular kinds of bills of exchange there was no point of controversy which was likely to arise and I still believe that is the position. I should myself be prepared to attempt with the help of the Honourable the Law Member to explain in this House in the course of the discussion the points that might rise but there is, I understand, some desire to have the Bill examined in Select Committee and I do not propose on behalf of Government to object to such a motion. I move.

Sir Purshotamdas Thakurdas (Indian Merchants Chamber: Indian Commerce): The Bill which is now before the House is an amending Bill. Since 1881, when the Negotiable Instruments Act was passed, an

[Sir Purshotamdas Thakurdas.]

amendment of the nature that is now put before the House for its consideration was not considered necessary. As the Statement of Objects and Reasons says, the amendment is necessary in the eyes of the Government owing to a ruling of the Bombay High Court. As the Honourable Member has agreed to the reference of this Bill to Select Committee I do not wish at this stage to take up the time of the House by going into the special point of view urged by the Indian Merchants' Chamber of Bombay against what the Associated Chamber wanted. As I read the Bill, it strikes me that the Government of India have accepted the view of the Associated Chamber and appear to have rejected the view of the Indian Merchants Chamber. I think that the right place in which to consider this fully may be the Select Committee, but I wish to make it clear that the object of the Bill is to provide that "a negotiable instrument originally made payable to bearer shall be negotiable by delivery notwithstanding that it has been indorsed in full." I do not know, Sir, whether you would rule that even in an amending Bill, if the Bill is committed to Select Committee, the House commit themselves to the principle of the amending Bill. If that be so, and unless the Honourable Member is prepared to leave that open, in a Bill which is not a new one but an amending one, I am afraid it would be my painful duty to oppose this Bill at this very stage. There are very serious reasons why, in the light of the information that I have till now either from the legal point of view or the practical point of view, any such acceptance of principle by this House is very undesirable.

Therefore before I put the details of my reasons before the House, which would take me the best part of half an hour at least, I would like to know whether the Honourable Member in charge is prepared to allow this Bill to go to the Select Committee without the House committing themselves to the principle which is involved in this Bill. I do not know, Sir, what the legal aspect is. I do not know whether the principle is as strictly enforced in an amending Bill as in a new Bill and I wish to put this technical inquiry before I proceed further.

Mr. S. Srinivasa Iyengar (Madras City: Non-Muhammadan Urban): Sir, in supporting this motion for the Select Committee without surrendering my right or the right of the Members of the House to discuss the principle, I would point out that it is impossible really to discuss legal points of this technical character without first having the matter fully threshed out by a Select Committee. And we do not get the necessary conveniences of books here. I tried to obtain two copies of the Negotiable Instruments Act but they contained sections as originally enacted and did not contain the amendments introduced in 1914-19. And other Members of this House find equally serious inconvenience in being unable to get the necessary assistance, without which technical legislation of this description cannot be satisfactorily put through in a popular representative House. I would therefore cordially support Sir Purshotamdas's motion for a Select Committee while at the same time reserving my right to question the changes in the law which are indicated in the statement of objects and reasons. For by reading the Bill I understand nothing. It says: "Insert or omit certain words in certain places", and when I refer to the Act I do not find those places there. We must get some other editions of the Act. I do not know whether the Legislative Assembly Office will make it convenient for Members of the House to get on payment copies of the Act or whether motions like these should not be made in sufficient time even for legal men to understand the business put before

the House. For these reasons I support the motion for the Select Committee.

Mr. President: Has the Honourable Member from Bombay moved his motion for Select Committee?

Sir Purshotamdas Thakurdas: No, Sir, I have not. I was speaking on the motion before the House, namely, that the Bill be taken into consideration. I would not like to move the motion for Select Committee unless I know what the legal rights are as far as the acceptance of the principle of the Bill is concerned.

Mr. President: It is not for the Honourable the Finance Member to say whether the House would be committed to the principle of the Bill if it accepts the motion for a Select Committee. Whether it is a new Bill or an amending Bill the principle is the same, namely, that the House commits itself to the principle involved in the Bill if it refers it to a Select Committee.

The Honourable Sir Basil Blackett: I do not know that I am capable of saying how far the Bill has as its principle that all the documents referred to should become bearer documents once for all if the Bill is passed. But I think it is quite clear, at any rate so far as my intention goes, that the object of this Bill is to declare that certain negotiable instruments ought to be made to bearer once for all, and I believe that would really meet Sir Purshotamdas's difficulty.

Sir Purshotamdas Thakurdas: I thank the Honourable Member. I am quite agreeable to certain instruments being declared payable to bearer, so long as it is clear that this does not apply to all instruments. What I want can now be considered in the Select Committee. On that understanding, Sir, I wish to move the amendment standing in my name, namely:

"That the Bill be referred to a Select Committee consisting of the Honourable Sir Basil Blackett, the Rev. Dr. E. M. Macphail, Mr. L. Graham, Mr. R. K. Shanmukham Chetty, Mr. M. S. Aney, Mr. Fazal Ibrahim Rahimtulla, Mr. Anwar-ul-Azim, Mr. G. D. Birla, Mr. A. Rangaswami Iyengar, Mr. Jannadas M. Mehta, Mr. Vidya Sagar Pandya, Sir Walter Willson and the Mover, with instructions to report not later than the 15th February 1927, and that the number of Members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

I wish, Sir, before sitting down to make one observation. Unfortunately owing to a misunderstanding between me and the Legislative Department, the name of Mr. V. K. Aravamudha Ayyangar which I had intended to come in, has not been put on the paper. I wish, therefore, as I intended, to add the name of Mr. V. K. Aravamudha Ayyangar on the Select Committee, and I wish to ask that his name be added. But to-day, Sir, I find that three more new Members have taken their oaths. Whilst I do not wish to make the Select Committee an unwieldy one I feel that if the House are disposed to add three more names consisting of persons who would be particularly interested in this question, I would suggest Rai Bahadur Tarit Bhusan Roy, Mr. Kikabhai Premchand, and Mr. Harchandrai

Mr. President: Order, order. The Honourable Member himself cannot go on adding names. That can be done by way of amendment. He is at liberty to add the name of Mr. Ayyangar because it was omitted by a mistake of the Department according to him, but he cannot go on adding other names.

Mr. L. Graham (Secretary, Legislative Department): Sir, before the debate proceeds, might I ask Sir Purshotamdas Thakurdas to explain

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precisely the mistake which he says I made. I think it was really a misunderstanding on his part.

Sir Purshotamdas Thakurdas: The mistake that has been made is that I put in the name of Mr. A. Ayyangar. I did not know then that confusion was likely to arise between Mr. A. Rangaswami Iyengar and Mr. V. K. A. Aravamudha Ayyangar. It is a mistake due to a certain similarity of names.

Mr. President: The Honourable Member may add the name of Mr. Ayyangar but he cannot add any other names.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, I propose that the names of Mr. S. Srinivasa Iyengar and Pandit Motilal Nehru be added.

The motion was adopted.

Lala Lajpat Rai (Jullundur Division: Non-Muhammadan): I would suggest the addition of the name of Mr. Harchandrai Vishindas.

The motion was adopted.

Mr. K. C. Roy (Bengal: Nominated Non-Official): Sir, this Bill is very important to my Presidency and I am therefore very anxious that the name of a Member from Calcutta representing Commerce, Rai Bahadur Tarit Bhusan Roy, be added, as also the name of Mr. Kikabhai Premchand, who is a well-known authority from Bombay in connection with the operation of the Negotiable Instruments Act.

The Honourable Sir Basil Blackett (Finance Member): I trust the Committee Room is a large one.

Mr. President: Order, order. The Honourable Member may, if he chooses, oppose the motion. The question I have to put is that the names of Mr. Kikabhai Premchand and Rai Bahadur Tarit Bhusan Roy be added to the list of the Select Committee.

The motion was adopted.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): I propose that the name of Mr. Nirmal Chunder Chunder be added.

The motion was adopted.

Mr. President: The question I have to put is:

"That the Bill further to amend the Negotiable Instruments Act, 1881, for a certain purpose, be referred to a Select Committee consisting of the Honourable Sir Basil Blackett, the Rev. Dr. E. M. Macphail, Mr. L. Graham, Mr. R. K. Shanmukham Chetty, Mr. M. S. Aney, Mr. Fazal Ibrahim Rahimtulla, Mr. Anwar-ul-Azim, Mr. G. D. Birla, Mr. A. Rangaswami Iyengar, Mr. Jamnadas M. Mehta, Mr. Vidya Sagar Pandya, Sir Walter Willson, Mr. V. K. A. Aravamudha Ayyangar, Pandit Motilal Nehru, Mr. S. Srinivasa Iyengar, Rai Bahadur Tarit Bhusan Roy, Mr. Kikabhai Prem Chand, Mr. Nirmal Chunder Chunder, Mr. Harchandrai Vishindas and the Mover, with instructions to report not later than the 15th February 1927, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

THE INDIAN SECURITIES (AMENDMENT) BILL.

The Honourable Sir Basil Blackett (Finance Member): Sir, I beg to move:

"That the Bill to amend the Indian Securities Act, 1920, for certain purposes, be taken into consideration."

The purposes for which it is desired to amend the Indian Securities Act in this matter are two. In the first place, owing to the passage of the Indian Succession Act, 1925, a defect has been found in the protection at present or previously prescribed in regard to Government loans in the matter of the replacement of lost securities. Elaborate arrangements are made in the Indian Securities Act with a view to protect the tax-payer against the liability to pay more than once in respect of the same sum which has been borrowed by the Government. The arrangement there laid down is that a duplicate is not issued for a period of 6 years so that when the duplicate is issued, the Government are protected by the statute of limitations from any liability on the original. It has been found that under the Indian Succession Act it is now possible in the case of securities standing in the name of a deceased person for a demand to be made for the issue of a duplicate immediately, so that Government are no longer protected, the tax-payer is no longer protected, against the liability to pay twice over in respect of the same sum. That is one purpose of this Bill. The other is to remedy a defect which has been found to exist which was not known to exist until a judgment known as the Baipuli case judgment was issued a year or two ago. The intention of the present law was that, once the Government had announced their intention to repay a terminable loan and give notice that they would repay, from the date in respect of which they gave notice or from the date on which the terminable loan became due under the original contract interest ceased to run as against the Government or against the tax-payer. It is obviously necessary in case of terminable loans which are usually borrowed at rather higher rates of interest, the intention being to convert them at a later date at a lower rate of interest, that the Government as a borrower should be able after a given date to offer repayment in full and no longer have interest at that high rate running against them. The statute also laid it down that after a period of three years in the case of certain loans and six years in the case of others, the Government had no liability for the principal if the principal had not been claimed by the holder of the security. That did not mean that the Government did not in practice honour any demand that was proved after the period of limitation had expired. But that was a matter of grace and favour just as exactly is the case in regard to currency notes, promissory notes of Government. There is no liability on the Government to honour a lost note or a defaced note or a note which cannot be proved to be genuine, but the Government do as a matter of grace and favour under elaborate regulations make arrangements for giving the value for these notes.

Similarly, in the case of Government securities, after the period has expired when they are liable for the principal as a matter of law, they do, as a matter of grace, regularly honour any claim that is clearly proved, but they are protected against any legal liability after the expiry of a given period, and it is obviously necessary that there should be a period after which they are protected, because otherwise eighty, ninety, or one hundred years after the date, a document may be brought forward, books may be destroyed, and it may be very difficult to prove that payment has already

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been made, and the tax-payer will be asked to pay a second time a claim which has previously been discharged.

Mr. M. A. Jinnah (Bombay City: Muhammadan Urban): What is the present period?

The Honourable Sir Basil Blackett: The present period is six years.

Mr. M. A. Jinnah: From the date of demand?

The Honourable Sir Basil Blackett: Not from the date on which the holder of the security makes the demand but from the date which is laid down either in the original contract or, in a case where notice has to be given, the date fixed in that notice. In the case of a terminable loan the date is usually fixed by the original contract, and it is after a period of six years from that date that any legal liability expires. In the case of a non-terminable loan where it depends on notice given by Government for the discharge, the period of legal liability ends three years from the date fixed by that notice. Six years is the general case and three in the particular case. This Bill proposes to fix the period at six years in all cases, that is, it has taken the longer of the two periods.

Mr. M. A. Jinnah: What is the period of the promissory note?

The Honourable Sir Basil Blackett: Three years in the case of a promissory note.

Two points are perfectly clear, one is that all we are asking to do is to restore the law so that it may protect the tax-payer, not quite so much as regards period but in the same way, in regard to fact, as it did before that judgment which I referred to was delivered two or three years ago, and before the passage of the Indian Succession Act last year.

Sir, I move.

Mr. M. S. Aney (Berar Representative): Sir, I beg to move the motion that stands in my name:

“ That the Bill be referred to a Select Committee.”

My reasons for doing so are briefly these. In the first place, I believe that the House must have felt very great difficulty in following the speech of the Honourable Sir Basil Blackett. This is one justification for asking this House to refer this Bill to a Select Committee. It is really a matter of a technical nature. One has to understand fully the bearings of the amendments which are proposed to be made in the existing Act. The Bill introduces important alterations in two points. Anybody who will peruse section 18 of the present Act will find that that section is entirely different from the one which it is proposed to substitute for it. In the first place I shall, for the benefit of the House, read out that section:—

“ Save as otherwise provided in this Act :

- (i) on payment of the amount due on a Government security on or after the date on which payment becomes due, or
- (ii) when a duplicate security has been issued under section 10, or
- (iii) when a renewed security has been issued under section 12 or section 13, or a new security or securities has or have been issued upon conversion, consolidation or sub-division under section 15,

the Government shall be discharged from all liability in respect of the security or securities so paid or in place of which a duplicate, renewed, or new security or securities has or have been issued :

(a) in the case of payment—after the lapse of six years from the date on which payment was due;”

and so on.

Now the first part of this section goes out altogether and will be omitted if the present Bill is passed. The real position in my opinion is that the liability of the Government under the Securities Act of 1920 stands so long as payment is not made. That is the position existing, while here, if I have understood the Bill aright, under the proposed Bill the liability of the Government to pay is altogether absolved if the demand is not made by the claimant within six years of the date on which payment is due. There is a permanent liability on the Government to pay the amount due on the security, whether the demand is made or not made. But under the proposed Bill, if the demand is not made within six years after the date on which the security becomes mature for payment, then the liability of the Government for the entire payment, including the principal advanced on the security, ceases. That is what is sought to be done by the present amending Bill. This has to be considered not merely from the point of view of the tax-payers, as the Honourable Member in charge seems to think, but also from the point of view of the creditors who have helped the Government in times of difficulty. So this is a matter which is not one of a formal nature. Nor can the proposed amendments be called mere verbal alterations in the Act which could be considered in the House merely on a motion of consideration immediately after the Bill was introduced a few days before. It is really a question which has to be clearly threshed out in the Select Committee, and all the bearings of that change on the position of the creditors and tax-payers must be properly understood by the House before it could give its assent to the Bill. Secondly, I also have some doubts about the alterations that are sought to be made in section 10. As those who are lawyers practising in the civil courts know, the Succession Certificate Act is an Act that gives a right to the claimant to sue for the debts against the debtors including even the Government. Now here in this Act the succession certificate is sought to be declared null and void so far as the right of the claimant to sue for debts against the Government is concerned. That is the position created by this amendment. The reasons which have been assigned in the Statement of Objects and Reasons have, so far as I am concerned, not quite convinced me. I do not think that the safeguards which are mentioned here in section 10 are of such a nature that they are not capable of being properly protected by an inquiry made under the Succession Certificate Act. On the other hand, I feel that the very points which are to be inquired into by the prescribed officer under section 10 of the Securities Act of 1920 have to be inquired into even by the District Judge when he holds an inquiry under Chapter X of the Succession Certificate Act. And if that is so it is necessary for the House to see whether we should empower the prescribed officer to declare the rights created by the Succession Certificate Act null and void so far as Government securities are concerned. I do not see satisfactorily myself as to why Government should stand in a better position than other debtors. At any rate I am not satisfied that these points are not covered by the Succession Certificate Act. If they are not, the position will remain as it is; but that is a matter again which we must go through carefully after a careful comparison of the sections of the Indian Succession

[Mr. M. S. Aney.]

Certificate Act with the provisions in section 10 of the Securities Act mentioned as safeguards in this Bill. So these are the two points which I believe the House will have carefully to consider, and the proper place for them to be considered in is the Select Committee.

For these reasons I move the amendment which stands in my name. There is also one more reason which I may commend to this House for the acceptance of this motion, and it is this. One of the objects of the Indian Securities Act of 1920—which was a consolidating measure—was the intention of the Government to facilitate ordinary people going in for Government loans and thus attract what is called the shy capital of the people, and make it fluid. That was one of its objects. Sir, if any impression goes out that the debts which Government have incurred from the people are not likely to be paid off if no demand within 6 years is made, it is likely to create a feeling which is bound to affect the tendency of the people to go in for Government loans hereafter. It is a matter to be seriously considered and from that point of view also I think the House will appreciate the motion for referring the Bill to a Select Committee, which I now formally move and commend to the House for acceptance.

Mr. S. Srinivasa Iyengar (Madras City: Non-Muhammadan Urban): Sir, here also the Government made a mistake in not putting this Bill before a Select Committee. A Bill of this character should be word-perfect and it will not do in technical matters like this to rush a Bill like this and take it up for consideration according to the rules of business. The Honourable Member who spoke before me was perfectly right in saying the tendency of this Bill will be to depreciate Government securities. As the law is stated in the Statement of Objects and Reasons, it is now open to a person to make his demand whenever he chooses and Government is not discharged unless 6 years elapse from the date of the demand when he makes one. The result of this Bill which is now proposed is that, irrespective of any demand, it discharges the Government security as soon as 6 years elapse from the date for payment mentioned in the security. It is not proper for Government, I think, to plead a limitation in any case, but certainly it is highly improper to plead limitation in the case of Government securities which are really regarded as readymoney assets by people. They may be illiterate people, there may be widows—so many persons who imagine that it is really so much liquid property; but it will after 6 years be waste-paper, if the Bill is to pass, just like an ordinary promissory note passed by ordinary persons. Therefore it is necessary that this measure should be carefully examined and whatever the policy indicated in this Bill may be, members of the Select Committee should have an opportunity of examining whether really the policy which is proposed is sound in conception, and whether it is carried out in a manner which will give just so much effect as is necessary for the purpose. Here again we have not had the opportunity of examining the provisions of this Bill with as much care as it requires. Therefore, for all these reasons, I support my Honourable friend Mr. Aney's motion to refer the Bill to a Select Committee.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): Sir, regarding the amendment proposed I understood the Honourable Mover of the Bill to mean that it will be open to anybody to claim interest on the amount even after the period of the loan is over. That is, if the loan is up to a

a particular year and the party does not care to take back the amount of the loan he may go on claiming interest on the amount for an indefinite period. But from the old Act, section 18, it appears that the interest ceases after the due date of payment; and the effect of the amendment would be that all the loans which are not claimed within six years of the date on which the amount falls due, the whole of the amount will be forfeited to the Government. No party can claim the amount. What is the total amount which will accrue in that way on the present loans outstanding which have not been claimed in the last 6 years? Similarly, what is the amount of the interest which has not yet been claimed by the public on the several loans during the last 6 years? For, as soon as the Bill comes into effect all the amounts due to these parties will remain in the hands of the Government. And they have not told us whether that amount will go towards cancellation of the loans, or whether the Government will allow us to decide as to what should be done with that amount—whether it will be used for any productive works or whether it would be disposed of according to the wishes of the Assembly; and unless we know what is the total effect of this Bill—how much amount Government or rather the Finance Member is able to get in order to balance his budget, it will be very difficult for us to decide whether we should support this Bill or not. I would also like to know whether it is the intention of the Honourable Mover of the Bill next to claim the unclaimed balances in the Postal Savings Bank for the last six years!

The Honourable Sir Basil Blackett: I would ask, Sir, whether all this is in order.

Mr. President: The Honourable Member must confine himself to the motion before the House.

Mr. T. Prakasam (East Godavari and West Godavari *cum* Kistna Non-Muhammadan Rural): Sir, this is a measure that has been misconceived and badly drafted, without the least knowledge of the consequences, without knowing where it leads the Government as well as the unfortunate men who lend their monies to this Government. When money was wanted, advertisements were put up all over—"Well, people, come along and give us money. Your money is absolutely secure. Where is the security?" Having got the monies and having assured the public that they were a charge upon the revenues of the Government and that everything was safe and secure in the hands of the Government, this Bill is now introduced to wipe off the section that is already on the Statute-book and substitute in its place a provision that tells the people: "If you do not claim your money within six years you are out of court." The Honourable Member who has introduced the Bill was kind enough to say that as a matter of grace or concession the Government may still pay that money. Having taken the money, that the Government itself should have thought it advisable to say that it would be barred by limitation after six years, if not claimed within that period, is really the most extraordinary thing that I can think of. Let us examine section 2 of the Act, just for a minute. In section 2 of the Securities Act, X of 1920, the definition of "Government security" is as follows:

" 'Government security' means promissory notes (including treasury bills), stock certificates, bearer bonds, and all other securities issued by the Governor General in Council or by any Local Government in respect of any loan contracted either before or after the passing of this Act but does not include a currency note."

[Mr. T. Prakasam.]

All these, Sir, are amongst the securities which are supposed to constitute one section of the reserve of the Government of India finances. Now it is proposed that, if any Government security is not presented within six years after it has become due, the claimant is out of court. Then what becomes of all the securities that are offered as a guarantee of the currency notes that have been in circulation? By inflation and deflation no doubt you have fortified yourself under the provisions of another Act to do just as you please, but at least with regard to backing the notes there must be some definite principle, there must also be some justification for proposing such a measure as this. If any such securities are not presented within six years and happen to form part of the Reserve, and if all of them are barred and are not payable, then currency notes may be outstanding without any guarantee at their back. I may be wrong,—I hope to be corrected,—but I would challenge the Honourable Member to seek advice from the Honourable the Law Member and find out whether by passing a measure of this character the Government would not be going back upon their promise that the loans are a charge on the Revenues.

Another point, Sir. With regard to currency notes there is a provision that up to a hundred rupees, they may be presented for payment in forty years, and those above hundred rupees in hundred years and that, even if the notes are not presented within the prescribed period there is still a liability that attaches itself to the Government and also to the revenues of the Government. Even after 100 years, if the currency note is presented, the Government treats it as a charge upon the revenues. Are not these securities on the same footing? Is not the liability underlying these securities the same as in the case of the Government currency notes? Why should any difference be made between these two classes of securities? I cannot really understand why it is proposed to introduce this measure. Again, on the Succession Certificate Act, my friend Mr. Aney pointed out that the Government would like to have power even to ignore the provisions of the Succession Certificate Act, so far as it affects its own powers. A succession certificate given by a Court of law, after examining witnesses, after hearing the whole evidence, and after ascertaining who is the person that is entitled to it, is an adjudication, and it is proposed in this Bill that the judgment of the court should count for nothing so far as the right of the holder of the securities is concerned. Really, Sir, this is a serious matter and is fraught with very serious consequences. This measure even without a Select Committee ought to be thrown out by this House, but it may be considered by a Committee, so that everybody may understand whither we are going.

Mr. M. A. Jinnah: Sir, I do not wish to carry on this debate any further, but I should like to know whether the Honourable Member has really any serious objection to this Bill. If he has not, then I have got nothing more to say.

The Honourable Sir Basil Blackett: Sir, I have not had an opportunity of saying that, if the House really want a Select Committee for this Bill, I have no objection, except a general one. We have already got the Standing Finance Committee and other Committees which are sitting, and they are already taking up a great deal of time, and it seemed to the Government that a simple Bill of this sort might well be decided quite quickly on the floor of this House. If Honourable Members would take a little

trouble before they came to the House to read the Bills that were coming up, they would not have to set to work on the floor of the House to invent beautiful arguments which have no doubt very many merits but have the one demerit of being entirely irrelevant and unconnected with the matter under discussion. This Bill proposes to restore the law to the position that we thought was the legal position until a year or two ago. That is all that is proposed. All the beautiful pictures that have been drawn are really not relevant in view of the fact that all that we are suggesting is that the law should be restored to the position in which it was believed to be when practically all the securities in the hands of the public were issued. The public were not frightened from taking those securities by the existence of the law in that form. However, if there is a real desire to have this Bill referred to a Select Committee, I think it is far preferable that we should refer it to a Select Committee than continue, as we have been doing, to discuss it in this House.

Mr. President: The original question was:

“That the Bill to amend the Indian Securities Act, 1920, for certain purposes, be taken into consideration.”

Since which an amendment has been moved:

“That the Bill be referred to a Select Committee.”

The question is that that amendment be made.

The motion was adopted.

THE INDIAN LIMITATION (AMENDMENT) BILL.

(AMENDMENT OF SECTIONS 20 AND 21.)

The Honourable Sir Alexander Muddiman (Home Member): Sir, I move:

“That the Bill further to amend the Indian Limitation Act, 1908, for certain purposes, be taken into consideration.”

I do not think that Honourable Members can complain that this Bill has taken them by surprise. It was passed in the last Session of the Council of State and it has already been debated on one occasion in this House, and I trust that Honourable Members found no difficulty in getting copies of the Indian Limitation Act. I gather from the fact that no amendments have been put down except a proposal to omit clause 2 that it is unnecessary to speak on the other clauses, for they are in the same position as when they last came up before the last Assembly, that is to say, no one has criticized them. I will say a word or two about clause 2 to which apparently there is some objection felt by Honourable Members. Clause 2 changes the proviso to sub-section (1) of section 20 of the Indian Limitation Act. As Honourable Members know much better than I do, the effect of section 20 of the Indian Limitation Act is to allow a fresh period of limitation from the date of payment of interest on a debt or legacy or part payment of a debt before the prescribed period. The existing proviso provides that in the case of part payment of the principal of a debt, the fact of the payment should appear in the handwriting of the person making

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the same. That is a condition precedent to the section operating. That section was commented on by the Civil Justice Committee. They said:

“With regard to section 20, we think that the provisions of clause (1) as they stand lead to a number of frivolous suits long after the period of limitation prescribed.”

They go on to say:

“It is easy, in the first place, for the plaintiff to say that within the time fixed the defendant paid him Rs. 1 or 2.”

And, finally, they say that they really cannot see why part payment of the principal of a debt and payment of interest should not be put on the same footing. Well, Sir, when the Bill came up before in this House, it was objected, on the one hand, that these alterations in the law of limitation might affect people who had not due notice of them and it was further argued that it was not necessary that the payment should actually appear in the handwriting of the person making the same. We have accepted the criticism of the House on both these points and we have altered our clause and provided for the insertion of a new proviso to section 20, which runs as follows:

“Provided that, save in the case of a payment of interest made before the 1st day of January, 1928.....”

this is important; it will give people plenty of time to know the change in the law of limitation. And secondly we provide that:

“an acknowledgment of the payment appears in the handwriting of, or in a writing signed by, the person making the payment,”

that is to say, a signed statement is sufficient.

I trust, Sir, that the House will accept my motion that the Bill be taken into consideration.

Mr. President: The question is:

“That the Bill further to amend the Indian Limitation Act, 1908, for certain purposes, be taken into consideration.”

(Mr. S. Srinivasa Iyengar stood up).

Mr. President: Does the Honourable Member wish to speak?

Mr. S. Srinivasa Iyengar (Madras City: Non-Muhammadan Urban): Yes. I wish to object to clause 2 of this Bill on one main ground.

Mr. President: There is an amendment for the omission of clause 2, when the Honourable member can speak. The question is:

“That the Bill further to amend the Indian Limitation Act, 1908, for certain purposes, be taken into consideration.”

The motion was adopted.

Mr. President: Clause 2.

Mr. D. V. Belvi (Bombay Southern Division: Non-Muhammadan Rural): I have given notice of an amendment to clause 2. I object very strongly to the substitution of the new phraseology for

sub-section (1) of the present section 20 of the Indian Limitation Act. Section 20 of the present Limitation Act runs thus:

"Where interest on a debt or legacy is, before the expiration of the prescribed period, paid as such by the person liable to pay the debt or legacy, or by his agent duly authorised in this behalf,

or where part of the principal of a debt is, before the expiration of the prescribed period, paid by the debtor or by his agent duly authorised in this behalf,

a fresh period of limitation shall be computed from the time when the payment was made:

Provided that, in the case of part payment of the principal of a debt, the fact of the payment appears in the hand-writing of the person making the same."

This is the original wording of sub-section (1) of section 20 of the present Limitation Act. Now, it is proposed to introduce an innovation into this sub-section. It is sought to make it compulsory that, when payment of interest is made by a debtor to a creditor, the payment shall be evidenced by writing, either in the writing of the man who makes the payment himself or in the writing of somebody else but bearing the signature or an equivalent mark of the debtor himself. It seems to me that this proposed innovation is very objectionable. The present Limitation Act is modelled after the Limitation Act in England. I do not find any such provision in the English Act at all. There is no provision even in the American Act. Members who are desirous of consulting the provisions of the law in England and America may consult the books that are available in the library, but so far as I have been able to examine the law bearing on the point I am in a position to assure the House that we do not find any such provision either in the English law or in the American law. Even so far as the part payment of the principal is concerned, the English law does not require that that payment should be evidenced by writing. That is also an innovation by which it is sought to improve our law even beyond the provisions of the English Act. Such a provision is very objectionable. In the first place, the position that any creditor would be willing not to claim his interest during the time that is available to him but will put forward a false plea of payment of interest is very hard to understand. I have not come across a single case in the course of my practice at the bar, and I may tell the House that my practice has ranged over more than 30 years, in which it was pleaded by a creditor that his claim was in time because he had received the interest and the debtor in such a case ever pleaded to my knowledge that he had not paid the interest. This is all a figment of the imagination of the members of the Civil Justice Committee. The Civil Justice Committee has made a very large number of suggestions and I find that piecemeal legislation is undertaken by the Honourable Member in charge of these Bills from time to time. We find that this is a small Bill and, as the Honourable the Home Member put it last time, it is a bye-product of the Civil Justice Committee's report. There are many such bye-products.

The whole genesis of this Bill is to be found in a small paragraph in the report of the Civil Justice Committee, paragraph 5 on page 4 P.M. 489 of their report. The reason which they give is this:

"With regard to section 20, we think that the provisions of clause (1) as they stand lead to a number of frivolous suits long after the period of limitation prescribed."

We have not got any statistics whatever. We are not told that the Civil Justice Committee ever came across any number of suits in which

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such a plea had been falsely set up by the creditor and in which the plea was overruled by the court:

"It is easy in the first place for the plaintiff to say that within the time fixed the defendant paid him one rupee and two rupees as interest. He attempts to prove such payment by adducing oral evidence which takes up much valuable time, but ultimately the suit is, in most cases, dismissed."

There is no warrant for this supposition at all. This is only a figment of the brains of the learned members of the Civil Justice Committee.

We must take into consideration the position of the rural population of the country. Ordinarily debtors in villages, and also most of the creditors, are illiterate people. The debtor finds it difficult to get a writer to write his money bond. And whenever a bond is written, the writer charges four annas or eight annas or even one rupee; and if the creditor is compelled to have it in writing from the debtor that he has received a certain amount of interest, there will be a further charge put upon the shoulders of the debtor, for it will be the debtor who will have to make good the payment to the writer. Unfortunately for us in India the percentage of literacy is much smaller than it is in England. In England we know that there is compulsory education throughout the country, but even there the law does not require the payment of interest to be evidenced in writing. But in India the percentage of literacy does not exceed 10, even after the lapse of 150 years or so of British rule, and yet we are called upon to improve our Code and make it compulsory that every payment made by the debtor, either in the shape of principal or interest, shall be evidenced by writing. I submit that this is a piece of unnecessary legislation and it should be thrown out. We are here to safeguard the interests of the ignorant people who live in villages. We should not suppose that every man in India is able to read and write and that there will be no difficulty on the part of debtors to put payments down in writing. If the Members of this House take into consideration the illiteracy of the people at large and take into consideration the fact that this Bill proposes to go even further than the law in America and in England, they will not find it difficult to throw out this particular clause which it is now proposed to substitute for sub-section (1) of section 20 of the Indian Limitation Act. It would have been much better if this Bill had been published broadcast in the vernaculars of the country. I do not know whether that has been done, but it seems to me that the proposed amendment of the law will not serve any useful purpose. It will be against the interests of the debtor. It will be much more difficult for the debtor to get a loan. It is all very well to say that the proposed change is to safeguard the debtor, but this professed sympathy is merely a matter of words. You will in fact be making it more difficult for the debtor to get loans. With these few observations I move my amendment and I would request the House to kindly accept it.

Mr. S. Srinivasa Iyengar: I have a difficulty, Sir, which I wish to bring before the House. That difficulty arises because the Bill substitutes the word 'acknowledgment' instead of the original words of the Limitation Act—"the fact of payment." The Courts have held that, if a debtor or a mortgagor enters into an agreement with a simple creditor or a mortgagee, that the rents and profits may be taken in lieu of interest, that is, a payment which will avail the creditor, whether he is a mortgagee or a simple creditor, and give him a fresh starting point. Now the Indian Limitation Act, as

it stands and as it has been construed by judicial decisions, allows that to be done. The words that exist in the Act are 'the fact of the payment.' The word 'acknowledgment' being introduced, it is clear that you cannot refer to this anticipatory direction to take rents and profits in lieu of interest which is treated as payment of interest. Of course, as the law now stands, no question of handwriting or signature is required for payment of interest as such, but, in the case of part payment, handwriting is required, but there the wording is 'the fact of the payment'. It may be that, under the wording as it stands in connection with part payment, you can bring the class of cases I referred to under those words, so that, even if this requirement of writing is now to be insisted upon by this House, it will enable creditors to avail themselves of the fact that, under a direction given by the debtor or by the mortgagor, at the time when the contract was entered into, to take rents and profits in lieu of interest, he adjusted rents and profits in lieu of interest, and therefore that was a payment within the meaning of the Statute. That was, I think, made really impossible by the words 'an acknowledgment of the payment'. This acknowledgment must necessarily mean 'after the payment is made'. Therefore, I do not think that our Courts will be able to construe the thing—of course one cannot say, in the conflict of decisions, what the Courts will do—but certainly I feel pretty confident that there is no Court that will be able to construe the words 'acknowledgment of payment' so as to cover the case that I put for which the law now provides. A legitimate and a very frequent mode of payment of interest is by putting the creditor in possession of lands, as oftentimes happens even under mortgage bonds, and directing him to take the lands and profits. These Bills were circulated only a short time ago and I could not give any notice of amendments till I got the Limitation Act; fortunately I got a genuine copy. For this reason, apart from other reasons, I do not wish to go into the policy as to whether it is wise to insist upon writing or not—that is a different matter. On this short ground I must oppose the Bill, unless of course the Government introduces words or alters the words so as to provide for that class of cases for which there is now no provision.

Mr. Nirmal Chunder Chunder (Calcutta: Non-Muhammadan Urban): Sir, the difficulties which I feel with regard to this amendment are two. In the first place, one is not required when contracting a debt to put down the debt in writing. There may be debts contracted—and debts are contracted in the market—by mere entries in books of account, but still, when payments have to be made of interest, if this Bill is passed into law, we have got to have the payment acknowledged in writing. That means practically, at least to my mind it means, that no debt could henceforth be contracted except by means of a *hat-chita* or by means of negotiable instruments and all that. I do not think that we should restrict credit transactions in such a way as that. And the second difficulty which I feel is, as Mr. Srinivasa Iyengar has put it, that the change of wording, "acknowledgment of the payment appears in the hand-writing of or in writing signed by the person making the payment" would amount to this that, in a case where the mortgagee being in possession was taking the usufruct, he would not be entitled to enter in his books the fact of payment or the appropriation, but he would have to go to the mortgagor in each instance and get an acknowledgment from him, because you cannot acknowledge a debt or acknowledge a payment to yourself. However, these are very technical questions. I wish the matter could be taken to a Select

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Committee. As it is too late for it now, the best thing is to throw this clause out and, if hereafter the Government is so advised, it can redraft the clause and bring it up before this House.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Sir, I regret I differ from eminent lawyers of the three Presidencies, Bengal, Madras and Bombay. In my opinion this is a very wholesome provision which, though I have not had 30 years' practice but only 25 years in the mofussil courts, I have found necessary. This will put a stop to unscrupulous creditors extending the period of limitation to an indefinite time by saying that "I received Re. 1 on such and such a date, then again so much and so on". This will prevent fraud and I think this is a wholesome provision and I think it ought to be passed.

Pandit Nilakantha Das (Orissa Division: Non-Muhammadan): Sir, of course, after hearing my Honourable friend, Mr. Srinivasa Iyengar, I do not know exactly, not being a practising lawyer myself, what this word 'acknowledgment' actually means in practice, and whether it ought to be changed. Apart from that, I do not find that there is anything objectionable in this Bill, for, as I represent the rural people, I have often found, though cases do not go to Court always, generally our labourers are oppressed as debtors. Suppose for instance, some payment is made to a labourer by the employer on some bond, the labourer has a debt hanging over his head throughout his life. This limitation is there and such debtors are always, for fear of being dragged to Court, made to work as slaves. Therefore, I think this Bill,—the word 'acknowledgment' may be changed if it is technically objectionable—should be passed into law.

Mr. F. W. Allison (Bombay: Nominated Official): If, Sir, I say a few words in support of this Bill, it will be with regard to the remarks made by my Honourable friend, Mr. Belvi. In particular he said that there was no practical necessity for clause 2 of this Bill. Well, Sir, the Members of the Civil Justice Committee have been criticised on many grounds, but it cannot be denied that they had individually very long experience of conditions in the law courts of India, and they had before them a wealth of evidence which enabled them to arrive at a just conclusion. I may state that cases of this kind are numerous; I think the House can take that statement of mine as correct. I have lived in a judicial atmosphere very similar to that of Mr. Belvi for many years. From my own personal experience I have found many such cases. In fact, Sir, in the last two months, I have spent two days on this particular point which was the principal point of an appeal which I had to decide. As for the other points which Mr. Belvi raised, I consider—and I think everyone with practical experience of law courts in the mofussil will agree with me—that the principle of this clause is of invaluable benefit to the illiterate cultivator, and it is the interest of the illiterate cultivator that this House ought particularly to consider. Sir, I support the Bill.

The Honourable Sir Alexander Muddiman: Sir, I don't think I need say very much in reply. My Honourable friend, Mr. Belvi, has been demolished by Honourable Members, both on this side and that side of the House.

I might point out that it is quite obvious that, if anybody is going to create a fresh point of commencement of limitation, there is no question

as to oppression of the poor for it is to the advantage of the creditor, not of the debtor; we are endeavouring to prevent that. With regard to the argument that this Bill is putting the debtor in a worse position than those who so argue have not grasped the purport of the Bill.

Secondly, another point which was raised was that the change of words from "the fact of payment" to "acknowledgment of payment" will have the effect of excluding the operation of sub-section (2) of section 20. Sub-section (2) stands; we have not amended it. I submit to this House that no change has been made in the law at all in this respect, and I think the House, and indeed a court, would find it extremely difficult to conclude from the use of the word "acknowledgment" that any change has been made in the application of sub-section (2) of section 20.

With these observations I leave the matter and trust that the House will pass clause 2.

Mr. President: The question is that clause 2 of the Bill be omitted.

The motion was negatived.

Clauses 2, 3, 4, and 1 were added to the Bill.

The Title and Preamble were added to the Bill.

The Honourable Sir Alexander Muddiman: Sir, I move that the Bill be passed.

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 1st February, 1927.