

Saturday, 16th September, 1933

THE  
**COUNCIL OF STATE DEBATES**

**VOLUME II, 1933**

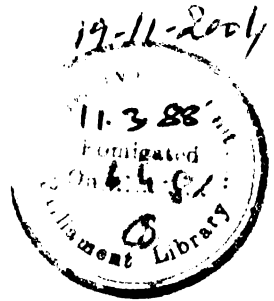
*(29th August to 16th December, 1933)*

**SIXTH SESSION**

OF THE

**THIRD COUNCIL OF STATE**

**1933**



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# CONTENTS.

PAGES.

## Tuesday, 29th August, 1933—

Members Sworn . . . . .	1
Questions and Answers . . . . .	1—72
Remarks by the Honourable the President <i>re</i> (1) absence of Members during Question time and (2) publication of their questions and resolutions before they appear on the List of Business . . . . .	72—73
Message from His Excellency the Governor General . . . . .	73
Committee on Petitions . . . . .	73
Governor General's assent to Bills . . . . .	73—74
Statements laid on the table . . . . .	74—76
Bill passed by the Legislative Assembly laid on the table . . . . .	77
Congratulations to the Honourable Sir Hormusji Mehta . . . . .	77
Motion for the election of two non-official Members to the Standing Committee of the Department of Industries and Labour—Adopted . . . . .	77
Motion for the election of two non-official Members to the Standing Committee of the Department of Commerce—Adopted . . . . .	77
Indian Arbitration (Amendment) Bill—Introduced . . . . .	78
Cantonments (House-Accommodation Amendment) Bill—Introduced . . . . .	78
Deaths of Raja Bijoy Sing Dudhoria of Azimgunge, Bengal, and Mr. C. H. F. Pereira . . . . .	78—79
Statement of Business . . . . .	79—80

## Wednesday, 30th August, 1933—

Address by His Excellency the Viceroy to the Members of the Council of State and the Legislative Assembly . . . . .	81—89
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## Thursday, 31st August, 1933—

Questions and Answers . . . . .	91—95
Short Notice Question and Answer . . . . .	95—96
Motion <i>re</i> future administration of Aden—Adopted . . . . .	96—123
Motion <i>re</i> levy in British India of dues in respect of lighthouses, etc.—Adopted . . . . .	124—25

## Monday, 4th September, 1933—

Members Sworn . . . . .	127
Questions and Answers . . . . .	127—31
Short Notice Questions and Answers . . . . .	131—32
Condemnatory speeches in connection with the assassination of Mr. Burge, District Magistrate, Midnapore . . . . .	133—34
Bills passed by the Legislative Assembly laid on the table . . . . .	134
Resolution <i>re</i> provision of privileges, powers and immunities to Legislatures in the new Constitution—Withdrawn . . . . .	134—41
Resolution <i>re</i> condition of agriculturists—Negatived . . . . .	141—55
Resolution <i>re</i> reduction of railway freights on the transport of Punjab wheat—Withdrawn . . . . .	156—60
Resolution <i>re</i> sale of silver—Moved . . . . .	160

	PAGES.
<b>Tuesday, 5th September, 1933—</b>	
Questions and Answers . . . . .	161—63
Short Notice Question and Answer . . . . .	163
Indian Arbitration (Amendment) Bill—Considered and passed . . . . .	164
Cantonments (House-Accommodation Amendment) Bill—Considered and passed . . . . .	164—65
Workmen's Compensation (Amendment) Bill—Considered and passed . . . . .	165—70
Statement of Business . . . . .	170
<b>Wednesday, 6th September, 1933—</b>	
Questions and Answers . . . . .	171—74
Bill passed by the Legislative Assembly laid on the table . . . . .	174
Resolution <i>re</i> sale of silver—Withdrawn . . . . .	174—83
Resolution <i>re</i> release of political prisoners and detenus—Negatived . . . . .	183—202
Resolution <i>re</i> Indian Civil Service—Moved . . . . .	202
<b>Thursday, 7th September, 1933—</b>	
Bill passed by the Legislative Assembly laid on the table . . . . .	203
Land Acquisition (Amendment) Bill—Considered and passed . . . . .	203—06
Indian Wireless Telegraph Bill—Considered and passed . . . . .	206—07
Indian Income-tax (Second Amendment) Bill—Considered and passed . . . . .	208—12
Indian Railways (Amendment) Bill—Considered and passed . . . . .	212—18
Nomination of Members for election to the Standing Committee of the Department of Industries and Labour . . . . .	218
Nomination of Member for election to the Standing Committee of the Department of Commerce . . . . .	218
Statement of Business . . . . .	218
<b>Monday, 11th September, 1933—</b>	
Member Sworn . . . . .	219
Questions and Answers . . . . .	219—31
Resolution <i>re</i> Indian Civil Service—Negatived . . . . .	231—43
Resolution <i>re</i> terrorist prisoners in the Andamans—Withdrawn . . . . .	243—59
Resolution <i>re</i> need for a further enquiry into the pharmaceutical action and production of the standardised alkaloids of cinchona, <i>i.e.</i> , totaquina—Withdrawn . . . . .	259—66
Resolution <i>re</i> reduction of land tax—Withdrawn . . . . .	266—81
Legal Practitioners Amendment Bill—Motion to circulate, adopted . . . . .	281—83
Election of two non-official Members to the Standing Committee of the Department of Industries and Labour . . . . .	283
Election of two non-official Members to the Standing Committee of the Department of Commerce . . . . .	283—84
Appendix . . . . .	285—86
<b>Wednesday, 13th September, 1933—</b>	
Questions and Answers . . . . .	287—88
Result of the election of two non-official Members to the Standing Committee of the Department of Industries and Labour . . . . .	288
Result of the election of two non-official Members to the Standing Committee of the Department of Commerce . . . . .	288

**Wednesday, 13th September, 1933—contd.**

Resolution re export duty on gold—Negatived . . . . .	299—98
Resolution re University Training Corps—Withdrawn . . . . .	299—300
Ajmer-Merwara Juveniles Smoking Bill—Motion to consider, negatived . . . . .	300—11

**Thursday, 14th September, 1933—**

Message from the Legislative Assembly . . . . .	313
Cotton Textile Industry Protection (Second Amendment) Bill—Considered and passed . . . . .	313—17
Statement of Business . . . . .	317

**Saturday, 16th September, 1933—**

Members Sworn . . . . .	319
Questions and Answers . . . . .	319—32
Statement laid on the table . . . . .	332—36
Message from the Legislative Assembly . . . . .	337
Bills passed by the Legislative Assembly laid on the table . . . . .	337
Motion re Joint Committee on the Reserve Bank of India Bill—Adopted . . . . .	337—64
Motion re Joint Committee on the Imperial Bank of India (Amendment) Bill—Adopted . . . . .	364—65
Statement of Business . . . . .	365

**Monday, 18th September, 1933—**

Message from the Legislative Assembly . . . . .	367
Bill passed by the Legislative Assembly laid on the table . . . . .	367
Motion re nomination of Members to serve on the Joint Committee to consider and report on the Reserve Bank of India Bill—Adopted . . . . .	367—68
Motion re nomination of Members to serve on the Joint Committee to consider and report on the Imperial Bank of India (Amendment) Bill—Adopted . . . . .	368
Murshidabad Estate Administration Bill—Considered and passed . . . . .	368—76
Indian Tea Control Bill—Considered and passed . . . . .	376—80
Indian Merchant Shipping (Second Amendment) Bill—Considered and passed . . . . .	380—82
Statement of Business . . . . .	382

**Wednesday, 20th September, 1933—**

Questions and Answers . . . . .	383—84
Short Notice Question and Answer . . . . .	385
Statements laid on the table . . . . .	385—87
Bill passed by the Legislative Assembly laid on the table . . . . .	387
Dangerous Drugs (Amendment) Bill—Considered and passed . . . . .	387—88
Statement of Business . . . . .	388

**Thursday, 21st September, 1933—**

Indian Medical Council Bill—Considered and passed . . . . .	389—404
Death of Dr. Mrs. Annie Besant . . . . .	405—06

**Thursday, 14th December, 1933—**

Members Sworn . . . . .	407
Questions and Answers . . . . .	407—43
Death of Mr. Vithalbhai Patel . . . . .	444
Message from His Excellency the Governor General . . . . .	445

**Thursday, 14th December, 1933—contd.**

Committee on Petitions . . . . .	445
Library Committee . . . . .	445
Governor General's Assent to Bills . . . . .	445—46
Reports of the Joint Committees on the Bill to constitute a Reserve Bank of India and on the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes laid on the table . . . . .	445
Statements laid on the table . . . . .	445—53
Announcement <i>re</i> laying of information on the table . . . . .	454
Bill passed by the Legislative Assembly laid on the table . . . . .	454
Motion for the election of one non-official Member to the Standing Committee on Emigration <i>vice</i> Mr. G. A. Natesan, resigned—Adopted . . . . .	454
Resolution <i>re</i> ratification of the Silver Agreement—Adopted . . . . .	455—64
Resolution <i>re</i> non-ratification and non-acceptance of the Draft Convention and Recommendation concerning fee charging employment agencies adopted at the Seventeenth Session of the International Labour Conference—Adopted . . . . .	455—66
Resolution <i>re</i> non-ratification and non-acceptance of the Draft Conventions and Recommendation concerning invalidity, old-age and widows' and orphans' insurance adopted at the Seventeenth Session of the International Labour Conference—Adopted . . . . .	456—69
Statement of Business . . . . .	469

**Saturday, 16th December, 1933—**

Member Sworn . . . . .	471
Questions and Answers . . . . .	471—74
Election of a non-official Member to the Standing Committee on Emigration . . . . .	474
Indian Tariff (Second Amendment) Bill—Considered and passed . . . . .	475—87

# COUNCIL OF STATE.

*Saturday, 16th September, 1933.*

The Council met in the Council Chamber at Viceregal Lodge at Eleven of the Clock, the Honourable the President in the Chair.

## MEMBER SWORN :

The Honourable Mr. Bertrand James Glancy, C.S.I., C.I.E. (Political Secretary).

## QUESTIONS AND ANSWERS.

### RETRENCHMENT IN THE OFFICES AND WORKSHOPS OF THE PORT COMMISSIONERS, CALCUTTA.

180. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Kumar Nripendra Narayan Sinha): Will Government be pleased to state :

- (a) Principle or principles on which retrenchment has recently been carried out in the offices and workshops of the Calcutta Port Commissioners ?
- (b) Constitution of the Committee, which settled the details according to which retrenchment has been effected there ?
- (c) Whether there were any Indians on that Committee ?
- (d) If so, their names ?

(For reply see under No. 181.)

### RETRENCHMENT IN THE OFFICES AND WORKSHOPS OF THE PORT COMMISSIONERS, CALCUTTA.

181. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Kumar Nripendra Narayan Sinha): Will Government be pleased to state :

- (a) Total number of men that have been retrenched from (i) the offices and (ii) workshops of the Port Commissioners of Calcutta ?
- (b) How many among them were (i) Europeans, (ii) Anglo-Indians, and (iii) Indians ?
- (c) How many among them were in receipt of a monthly pay of Rs. 250 and above ?
- (d) Whether anyone from the retrenched personnel has been recalled ?
- (e) If so, how many of them were (i) Europeans, (ii) Anglo-Indians, and (iii) Indians ?
- (f) Whether any men had their covenants cancelled for the sake of being retrenched ?

(g) If so, their total number ?

(h) Whether any reduction of pay or emoluments has been effected in the case of any Port Trust officer ?

**THE HONOURABLE MR. T. A. STEWART :** With your permission, Sir, I propose to answer questions bearing Serial Nos. 180 and 181 together.

The information asked for is being obtained and will be supplied to the Honourable Member when received.

**THE HONOURABLE MR. HOSSAIN IMAM :** May I know, Sir, if the statement will be laid on the table ?

**THE HONOURABLE THE PRESIDENT :** Of course, it will be laid on the table.

#### APPOINTMENT OF SHIPPING OFFICERS IN CALCUTTA.

182. **THE HONOURABLE MR. HOSSAIN IMAM** (on behalf of the Honourable Kumar Nripendra Narayan Sinha): Will Government be pleased to state :

(a) To what extent the recommendations of the Gow Committee have been followed in the matter of appointment of Indian officers in the shipping offices in Calcutta ?

(b) How many officers are there in the shipping offices in Calcutta ?

(c) How many of them are (i) Europeans, (ii) Anglo-Indians, (iii) Hindus, and (iv) Mussalmans ?

(d) Whether it is a fact that persons possessing no master mariner's certificate have been appointed shipping officers ?

(e) Whether it is a fact that persons having no experience of navigation or navigable districts have been appointed shipping officers ?

(f) Whether it was contemplated by the Gow Committee that customs office experience is to be considered enough qualification for a shipping office superior appointment ?

(g) How many officers and subordinate service men have been discharged from service on the ground of retrenchment from the Calcutta shipping offices recently ?

(h) What specific steps have been taken to cut down the establishment and other expenditure in view of the attenuation of resources ?

**THE HONOURABLE MR. T. A. STEWART :** (a) I presume that by Gow Committee the Honourable Member means the Clow Committee which was appointed in 1922 to examine the question of seamen's recruitment in India. If so, I am not sure to what recommendations of the Committee the Honourable Member is referring.

(b) Three.

(c) One of them is a European ; the others are Muhammadans.

(d) and (e). The Committee did not recommend that shipping masters should possess a master mariner's certificate or that they should have practical maritime experience.

(f) The Committee made no recommendations as to the qualifications to be required of persons holding superior appointments in shipping offices.

(g) One temporary clerk.

(h) The recommendations of the Retrenchment Advisory Committee in regard to special pay, overtime fees, compensatory allowances, etc., have been given effect to as far as possible.

STOPPAGE OF RECRUITMENT OF HINDUS BY THE CHIEF MINING OFFICER, GIRIDIH.

183. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Kumar Nripendra Narayan Sinha): Will Government be pleased to state:

(a) Whether it is a fact that the Agent, East Indian Railway, has recently confidentially communicated to the Chief Mining Officer in Giridih to stop recruitment of all Hindus?

(b) If so, whether such a direction is in respect to new or existing post?

(c) Whether it is a fact that there is a general circular from the Railway Board stating that in case of future appointments on the State Railways persons that have been retrenched before time should have invariably prior claims over others?

(d) If so, whether the confidential communication to the Chief Mining Officer is in supersession of the Board's circular referred to in part (c)?

THE HONOURABLE MR. M. W. BRAYSHAY: I have called for the information and will communicate it to the Honourable Member on its receipt.

PUNJAB MAIL.

184. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH: (a) Will Government state whether from the 1st October, the Punjab Mail will be directed to run *viâ* the Grand Chord instead of the main line?

(b) If the answer be in the affirmative how do Government propose to make up for the inconveniences thus caused to the passengers of the main line and loop line for the want of a fast train.

THE HONOURABLE MR. M. W. BRAYSHAY: (a) Yes.

(b) Nos. 5-Up and 6-Down Mails which at present run only between Moghalserai and Lahore will be extended to Howrah and will run *viâ* the main line (*viâ* Patna) practically to the same timings as the Punjab Mails now run.

To meet the convenience of through passengers a first and second class composite will be attached to No. 5-Up Mail at Patna and transferred to No. 1-Up Mail at Moghalserai for Kalka in the summer and Lahore in the winter. This through carriage will also run on No. 2-Down and No. 6-Down Mails.

Government consider that, so far as can be seen, and particularly in view of the fact that through carriages will run between Patna and Delhi *viâ*



Allahabad, the proposed changes in the East Indian Railway time-table will not result in inconvenience.

#### BOMBING OF KOTKAI BY AIR.

185. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : With reference to the answers to question No. 126, dated the 31st August, 1933, will Government be pleased to state :

- (a) Number of inhabitants of Kotkai ?
- (b) Area of land occupied by these inhabitants ?
- (c) Area in which bombs were thrown ?
- (d) Area in which each bomb produces destroying effect ?
- (e) Place or places where these inhabitants migrated ?
- (f) Source or sources through which information was obtained that nobody was killed by bombs ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Not more than 200 persons in all.

(b) I have been unable to obtain information on this point, but I may mention that from photographs taken a rough estimate of the size of the village itself is about a thousand square yards.

(c) Within the walls of Kotkai.

(d) No estimate of the area of effect can be given as this entirely depends on the nature of the object which bomb strikes.

(e) Neighbouring hamlets.

(f) Reports were obtained from the Political Agent, Malakand, and the Military Intelligence Officer, each of whom has many sources of information the reliability of which can be tested by a system of cross-checking.

#### MEERUT CONSPIRACY CASE.

186. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Will Government be pleased to state the names of the Meerut Conspiracy Case prisoners who were convicted by the lower court as well as of those against whom the conviction was set aside by the High Court ?

(b) What was the total expenditure incurred by the Government of India in connection with the case ?

THE HONOURABLE MR. M. G. HALLETT : (a) I lay a statement on the table giving the information required.

(b) Rs. 17,15,000 approximately.

*Statement giving particulars of the 31 accused in the Meerut Conspiracy Case who were committed for trial by the Additional District Magistrate, Meerut.*

Serial No.	Name of accused.	Sentence awarded by the Sessions Judge.	Result of appeal to the High Court.
1	Muzaffar Ahmad .. ..	Transportation for life ..	3 years' imprisonment.
2	Sripad Amrit Dange ..	Transportation for 12 years.	Do.
3	Phillip Spratt ..	Do. ..	2 years' imprisonment.
4	Sachhidanand Vishnu Ghate	Do. ..	1 year's imprisonment.
5	Keshav Nilkanth Joglekar ..	Do. ..	Do.
6	Raghunath Shivaram Nimbkar	Do. ..	Do.
7	Benjamin Francois Bradley ..	Transportation for 10 years.	Do.
8	Shanta Ram Suvlaram Mirajkar.	Do.	Do.
9	Shankat Usmani .. ..	Do. ..	3 years' imprisonment.
10	Sohan Singh Josh .. ..	Transportation for 7 years.	1 year's imprisonment.
11	Mir Abdul Majid .. ..	Do. ..	Do.
12	Dharami Kanta Goswami ..	Do. ..	Do.
13	Ajodhya Prasad .. ..	Transportation for 5 years.	Period already undergone in jail.
14	Gangadhar Adhikari ..	Do. ..	Do.
15	Puran Chandra Joshi ..	Do. ..	Do.
16	Motiram Gajanan Desai ..	Do. ..	Acquitted.
17	Gopendra Chakravarty ..	4 years' rigorous imprisonment.	7 months' rigorous imprisonment.
18	Gopal Chandra Basak ..	Do. ..	Period already undergone in jail.
19	Hugh Lester Hutchinson ..	Do. ..	Acquitted.
20	Radha Raman Mittra ..	4 years' rigorous imprisonment.	Do.

Serial No.	Name of accused.	Sentence awarded by the Sessions Judge.	Result of appeal to the High Court.
21	Shiavaksh Hormasji Jhabwala	4 years' rigorous imprisonment.	Acquitted.
22	Kedar Nath Sehgal ..	Do. ..	Do.
23	Shamsul Huda .. ..	3 years' rigorous imprisonment.	Period already undergone in Jail.
24	Arjun Atmaram Alve ..	Do. ..	Acquitted.
25	Gobind Ramchandra Kasle ..	Do. ..	Do.
26	Gauri Shankar .. ..	Do. ..	Do.
27	Lakshman Rao Kadam <i>alias</i> Lakshmi Narain Kadam.	Do. ..	Do.
28	Vishwa Nath Mukharji <i>alias</i> Biswanath Mukerjee.	Acquitted.	
29	Shib Nath Banerji ..	Do.	
30	Kishori Lal Ghosh ..	Do.	
31	Dhondi Raj Thengdi ..	Died during the Sessions trial.	

**COMPENSATION FOR MEERUT CONSPIRACY CASE PRISONERS WHO WERE ACQUITTED ON APPEAL.**

187. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) With reference to the previous question has the attention of Government been drawn to a representation of the Members of the Labour and Liberal Parties of the House of Commons to the Secretary of State praying for the grant of compensation to those who have been released by the High Court ?

(b) Is Government prepared to allow them any compensation ?

(c) If the answer of part (b) is in the affirmative, what will be the amount of compensation per head.

THE HONOURABLE MR. M. G. HALLETT : (a) Government have no information that any such representation has been made to the Secretary of State.

(b) and (c). In view of the answer given to question (a) these questions do not arise.

**POSITION OF INDIANS IN KENYA.**

188. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Has the attention of Government been drawn to a statement of Mr. Tyebji M. Jivanji, President of the East African Indian Congress

and Mr. U. K. Oza, General Secretary, appearing in the *Hindustan Times*, dated 2nd September, 1933, regarding the growing influence of the white settlers and the danger that threatens the Indian community in Kenya?

(b) If so, what steps does Government propose to take to help the Indians of Kenya?

THE HONOURABLE MR. M. G. HALLETT: With your permission, Sir, I will answer this question for the Honourable Sir Fazl-i-Husain:

(a) Yes.

(b) The attention of the Honourable Member is invited to the reply given by the Honourable Sir Fazl-i-Husain on the 29th August, 1933, to his question No. 111. Government will watch the situation and will take such action from time to time as the protection of legitimate Indian interests might require.

ASSASSINATION OF MR. BURGE, DISTRICT MAGISTRATE, MIDNAPORE.

189. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Will Government be pleased to supplement the information regarding the dastardly attack on Mr. Burge, the District Magistrate of Midnapore, on the following lines:

(a) How many persons in all were arrested?

(b) Did any of the miscreants connected with the crime escape?

(c) How many houses were searched and was any material in connection with the outrage discovered?

THE HONOURABLE MR. M. G. HALLETT: The crime is under investigation and I am not in a position to give details of the action taken during the investigation.

LOAN OPERATIONS IN 1933.

190. THE HONOURABLE MR. HOSSAIN IMAM: Will Government give the following information with regard to their loan operations in the year 1933:

(a) Loans repaid and the dates of repayment?

(b) Loans taken and the dates on which floated and the rates of interest and the amount of the loans?

(c) Redemption yield on the date of flotation of the 1933 loans of the last 1932 loans?

THE HONOURABLE MR. J. B. TAYLOR: A statement is laid on the table.

Statement.

(a)	(1) 5% War Loan, 1920-47	..	15th of May, 1933	..	} Rupee loans.
	(2) 4% Conversion Loan, 1916-17	..	1st of July, 1933	..	
	(3) 6% Bonds, 1933-36	..	15th of August, 1933	..	
	(4) 5% Bonds, 1933	..	1st of September, 1933	..	
	(5) India 6% Bonds, 1933-35	..	15th of June, 1933	..	} Sterling loan.
	(Portions of this loan had been repaid on earlier dates.)				

(b)

Loan with rate of interest.	Issue price.	Date.	Amount.
			Rs.
Rupee loan { 4% Bonds, 1943 ..	98	23-1-1933 ..	14,97,17,700
{ 4% Conversion Loan, 1960-70.	..	1-2-1933 ..	33,80,55,700
{ 3½% Loan, 1947-50 ..	96	28-4-1933—	
		Cash ..	15,59,98,700
		Conversion ..	15,21,75,800
Sterling loan 4% Stock, 1948-53 ..	97½	10-5-1933 ..	£12,000,000

(c)

Loans.	Yield on			
	23-1-1933.	1-2-1933.	28-4-1933.	10-5-1933.
5½% Loan, 1938-40 ..	4·265— 4·547	4·265— 4·547	3·969— 4·319	4·067— 4·394
5% Loan, 1940-43 ..	4·215— 4·400	4·215— 4·400	3·989— 4·227	4·139— 4·342
5% Stock, 1942-47 ..	3·799— 4·123	3·740— 4·080	3·499— 3·925	3·684— 4·057

## TREASURY BILLS.

191. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state whether it is a fact that about the middle of June the treasury bills outstanding were less than 14 crores but now amount to nearly 30 crores ? Will Government state the reasons for this increase and how it is accounted for ?

THE HONOURABLE MR. J. B. TAYLOR : Yes ; the increase is largely due to the provision of funds to finance our sterling purchases.

## WHEAT AGREEMENT.

192. THE HONOURABLE MR. HOSSAIN IMAM : Will Government state whether India is a party to the Wheat Agreement ? If so, whether as an exporting or importing country ?

THE HONOURABLE MR. M. G. HALLETT : Sir, I will answer this question for the Honourable Sir Fazl-i-Husain.

The answer is " No ".

LEAVE RULES.

193. **THE HONOURABLE MR. HOSSAIN IMAM :** Will Government state whether they have taken any steps to modify the leave rules relating to Government servants ? If not, why ?

**THE HONOURABLE MR. J. B. TAYLOR :** Revised leave rules for new entrants to the Governor General's Services are under consideration and will, it is hoped, be issued shortly.

RAILWAY CLEARING ACCOUNTS OFFICE.

194. **THE HONOURABLE MR. HOSSAIN IMAM :** Will Government state :

(1) What was the expenditure on the Railway Central Clearing Accounts Office in the last three financial years ?

(2) Will Government lay on the table a statement showing the figures for the last three years in regard to the Eastern Bengal, East Indian, North Western, and Great Indian Peninsula Railways in respect of :

(a) Total credits, (b) total debits, (c) demand of one State-managed Railway on the other three, (d) credit of one State Railway from the other three Railways, (e) the net payments or receipts of the Railways from each other ?

**THE HONOURABLE MR. M. W. BRAYSHAY :** I am collecting the information and will lay it on the table in due course.

METRE GAUGE ENGINES ON THE EASTERN BENGAL RAILWAY.

195. **THE HONOURABLE MR. HOSSAIN IMAM :** Will Government state :

(a) Numbers and types of the heaviest metre gauge engines on the Eastern Bengal Railway ? What was their worked mileage in the year 1931-32, and 1932-33 ?

(b) What is the average mileage of metre gauge engines in general on the Eastern Bengal Railway ?

**THE HONOURABLE MR. M. W. BRAYSHAY :** The information is being obtained and will be supplied to the Honourable Member on receipt.

SPECIMEN BUDGETS SUPPLIED TO THE PERCY COMMITTEE.

196. **THE HONOURABLE MR. HOSSAIN IMAM :** Will Government state whether it is a fact that the Percy Committee was furnished with specimen Provincial and Central Budgets ? Who was responsible for preparing these budgets ? What were the exact figures for each province and how were they arrived at ? What were the figures and compositions of the expenses under the head Political Department in the Central Specimen Budget ?

**THE HONOURABLE MR. M. G. HALLETT :** The attention of the Honourable Member is invited to paragraphs 8 and 11 of the Report of the Federal Finance Committee. Government regret that they cannot give the Honourable Member figures supplied to the Committee for its own use and not published in the Committee's Report.

## OTTAWA TRADE AGREEMENT.

197. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state what steps they have taken or propose to take in order to make the Ottawa Trade Agreement a success?

THE HONOURABLE MR. T. A. STEWART: I am not quite clear as to what the Honourable Member means by his enquiry. I may, however, state for his information that the attention of the Local Governments, and through them of the Provincial Departments of Industries and the Chambers of Commerce and other trade organizations concerned, has been specifically drawn to the importance of the preferences secured under the Ottawa Trade Agreement in respect of certain Indian commodities, and they have been asked to make every effort to take full advantage of the preferences granted and to furnish the Government of India with periodical reports as to the results of the preferences on the trade in those commodities. Similar action has been taken as regards the Indian States concerned.

## REPAYMENT OF THE STERLING LOAN, 1933-34.

198. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state whether it is a fact that they have given notice of the re-payment of 1933-34 sterling loan? If so, will it be paid by the Secretary of State out of the treasury balances or by raising a loan?

THE HONOURABLE MR. J. B. TAYLOR: Yes. We hope to be able to pay it out of treasury balances.

## BALANCES WITH THE SECRETARY OF STATE FOR INDIA.

199. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state what were the balances with the Secretary of State for India at the end of each of the first four months of the new financial year and how were they held?

THE HONOURABLE MR. J. B. TAYLOR: The balances with the Secretary of State for India at the end of each of the four months of the current financial year were as follows:

	£
April .. .. .	6,941,916
May .. .. .	8,205,630
June .. .. .	10,674,109
July .. .. .	9,515,504

These are invested in British Government treasury bills except for a balance of slightly over £1,000,000 which is kept to meet current requirements.

## INCOME-TAX OFFICERS AND ASSISTANT INCOME-TAX OFFICERS IN THE INCOME-TAX DEPARTMENT, BENGAL, APPOINTED SINCE APRIL, 1922.

200. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Will Government be pleased to lay on the table a statement showing the total number of Income-tax Officers and Assistant Income-tax Officers appointed from April, 1922 to date in the Income-tax Department of Bengal?

THE HONOURABLE MR. J. B. TAYLOR: Twelve Income-tax Officers and fifteen Assistant Income-tax Officers have been appointed in the Income-tax Department, Bengal, since April, 1922.

**GAZETTED OFFICERS DISCHARGED FROM THE INCOME-TAX DEPARTMENT, BENGAL, SINCE APRIL, 1922.**

**201. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :**

(a) Will Government be pleased to lay a statement on the table showing the total number of officers (gazetted) discharged for failure to pass the departmental examination from April, 1922 up to date and the total amount of salary paid to the discharged officers during the tenure of their service in the Income-tax Department, Bengal ?

(b) Has any officer been confirmed during the said period though he could not pass completely the departmental examination ?

(c) How many Examiners of Accounts have been confirmed after having passed the departmental examination in due course within two years during the said period ?

(d) How many Examiners of Accounts have been confirmed with grace chances after two years and how many have been confirmed though they could not pass the departmental examination in spite of grace chances having been allowed to them ?

(e) How many Examiners of Accounts have been discharged for failure to pass the departmental examination during the said period ?

**THE HONOURABLE MR. J. B. TAYLOR :** (a) About six gazetted officers have been so discharged in the period named but the exact figure cannot be given without going through the records. As for the amounts of salary paid to them while in service, the answer to this, as also to part (c) of this question, is that the compilation of the information asked for would involve an expenditure of time and labour which would be incommensurate with the value of the results secured.

(b) No.

(d) Exact particulars could only be given at the cost of excessive labour, but the number is approximately six.

(e) None.

**GAZETTED OFFICERS OF THE INCOME-TAX DEPARTMENT, BENGAL, WHO DIED WHILE IN ACTIVE SERVICE, ETC.**

**202. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :**

(a) Will the Honourable the Finance Member be pleased to lay on the table a complete list showing therein the names of officers (gazetted) in the Income-tax Department in Bengal who died in active service and their respective age and respective lengths of service in this Department at the time of their death from April, 1922 till now ?

(b) Will Government be pleased to lay on the table another statement showing the percentage of the discharged officers referred to in the previous question and the percentage of death rate of the officers separately compared with the total sanctioned strength of the Income-tax Officers in Bengal during this period ?

**THE HONOURABLE MR. J. B. TAYLOR :** (a) A statement is laid on the table.

(b) The number of discharged gazetted officers was seven (four Income-tax Officers and three Assistant Income-tax Officers). At the time, the sanctioned



strength of Income-tax Officers was 35; the total number of gazetted officers was 62, out of a sanctioned strength of 66, two posts being vacant and two having been surrendered to correspond with an increase by two in the number of Examiners, in accordance with the programme of gradual absorption adopted in 1927. The total number of deaths of gazetted officers of all grades has already been given and may be compared with the sanctioned strength already given.

*Statement showing the names of officers (gazetted) in the Income-tax Department, Bengal, who died in active service and their respective age and lengths of service in this Department at the time of their death from April, 1922 till now.*

Name of deceased officer.	Age in years.	Length of service in the Department from 1922 at the time of death.
1. Mr. J. N. Chatterjee ..	36	2 years and 4 months.
2. Mr. W. B. Kirkwood ..	Not known	4 years (approximately).
3. Mr. S. N. Roy .. ..	48	7 do.
4. Mr. K. H. Mazumdar ..	37	7 do.
5. Mr. N. Roy .. ..	46	6 do.
6. Mr. P. L. Adhikari ..	33	10 do.
7. Mr. N. C. Shaha .. ..	40	11 do.

#### RETRENCHMENT OF GAZETTED OFFICERS IN THE INCOME-TAX DEPARTMENT, BENGAL.

203. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will Government be pleased to lay on the table a list showing the names and lengths of service of officers who have recently been retrenched with a view to effecting economy in the Income-tax Department of Bengal? Is it a fact that the very same Government of India letter of June, 1933, which conveyed the sanction for the retrenchment of seven officers, also conveyed the sanction for the appointment of seven Examiners of Accounts to replace the seven officers retrenched with a view to the curtailment of expenditure?

THE HONOURABLE MR. J. B. TAYLOR : A statement is laid on the table. The answer to the second part of the question is in the affirmative.

*Statement showing the names and length of service of officers retrenched in the Income-tax Department, Bengal.*

1. Mr. R. Ghatak .. ..	Income-tax Officer .. ..	23 years.
2. Mr. F. C. Chopra .. ..	" " .. ..	13 "
3. Mr. P. L. Bhattacharji .. ..	" " .. ..	13 "
4. Mr. S. K. Datta .. ..	" " .. ..	13 "
5. Mr. Nefazuddin .. ..	Assistant Income-tax Officer .. ..	9 "
6. Mr. Abdul Majid .. ..	" " .. ..	8 "
7. Mr. B. B. Basu .. ..	" " .. ..	7 "

ANNUAL SAVING ANTICIPATED DUE TO RETRENCHMENT OF GAZETTED OFFICERS  
IN THE INCOME-TAX DEPARTMENT, BENGAL.

204. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to lay on the table a detailed statement showing the total amount of annual saving that Government anticipates by replacing the seven retrenched officers by seven newly appointed Examiners of Accounts after paying bonus, pension and earned leave pays for the retrenched officers ?

(b) Will Government be pleased to state the estimated additional expenditure that Government has to meet monthly from May, 1933, as a result of the reduction of 10 per cent. cut to 5 per cent. in the pay of the whole force of the Income-tax Department of Bengal ?

THE HONOURABLE MR. J. B. TAYLOR : (a) Exact figures as to bonus, pension and leave pay of the retrenched officers are not yet available, but the approximate figures are—for pension, Rs. 915 monthly and for gratuities, Rs. 18,750. The annual saving in pay on account of replacement of the seven retrenched officers by Examiners of Accounts is Rs. 28,332 on average cost basis.

(b) Rs. 53,000 approximately.

TOTAL RECEIPTS, ETC., IN THE INCOME-TAX DEPARTMENT, BENGAL.

205. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

Will Government be pleased to place on the table a statement in regard to the Income-tax Department, Bengal, showing :

(a) Total receipts in 1932-33?

(b) Total expenditure in 1932-33 ?

(c) Ratio of expenditure to receipts in 1932-33 ?

(d) Ratio of savings to total expenditure that Government anticipates by the retrenchment of the seven officers in the Income-tax Department, Bengal, referred to in the previous question ?

THE HONOURABLE MR. J. B. TAYLOR : (a) Rs. 428½ lakhs.

(b) Rs. 11½ lakhs.

(c) 2·6 per cent.

(d) The saving due to the abolition of seven posts of Income-tax Officers referred to in the previous question will be, on the average cost basis, 2·5 per cent. of the total expenditure in the Bengal Income-tax Department.

ABOLITION OF TWO POSTS OF ASSISTANT COMMISSIONERS OF INCOME-TAX,  
CALCUTTA.

206. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that the General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended (*vide* page 12 of Part I of the Report) the abolition of the two posts of Assistant Commissioners of Income-tax in Calcutta ? If so, have they been abolished ? If not, why ?

(b) Will Government be pleased to state the number of Additional Income-tax Officers who have been working or who have worked after confirmation

in the Department without any powers like Examiners and the period during which they had no such powers and has any of these additional Income-tax Officers, who have been working or who have worked without powers, been retrenched on account of their incompetency and inefficiency ?

THE HONOURABLE MR. J. B. TAYLOR : (a) Yes, but the posts have not been abolished. The pay of the posts was reduced to Rs. 1,000—100—1,500 with a special pay of Rs. 250 in 1927, but as the present incumbents were holding the posts before 1927, they are drawing the old scale of Rs. 1,500—100—2,000. The revised scale will be introduced as they retire. It is not part of the Government policy of retrenchment to discharge officers and replace them by officers of the same grade but on lower rates of pay.

(b) The information desired cannot be obtained without undue expenditure of time and labour but I may say that certain Additional Income-tax Officers have been working without powers from time to time for reasons of departmental convenience. That being the reason for their being so employed, the fact of such employment could have no bearing on the selection of individuals for retrenchment.

AMOUNT OF EXPENDITURE INCURRED ON TOURING BY ASSISTANT COMMISSIONERS OF INCOME-TAX AND INCOME-TAX OFFICERS, BENGAL.

207. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(1) Will Government be pleased to state the total amount of expenses incurred by Government for the touring of the Assistant Commissioners of Income-tax and the Income-tax Officers, in Bengal ?

(2) Is it a fact that the touring of the Assistant Commissioners of Income-tax, Bengal, was stopped for some time under Government orders, for effecting economy ?

(3) Will Government be pleased to state the approximate amount of saving effected thereby ?

(4) Is it a fact that the touring of the Assistant Commissioners of Income-tax in Bengal has of late been resumed ? If so, why ?

THE HONOURABLE MR. J. B. TAYLOR : (1) The information has been called for and will be furnished to the Honourable Member in due course.

(2) Touring was greatly reduced as a measure of economy.

(3) About Rs. 4,000 per annum.

(4) Yes, the reasons being that the saving to Government was unfairly disproportionate to the cost to appellants. It is also desirable that Assistant Commissioners should inspect Income-tax Offices.

STATEMENT LAID ON THE TABLE.

NOTIFICATIONS REGARDING EXEMPTION FROM INDIAN INCOME-TAX OF THE SALARIES OF THE HIGH COMMISSIONER, ETC.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I lay on the table the information promised in connection with the reply to question No. 159 answered on the 11th September, 1933.

No. 878-F.

GOVERNMENT OF INDIA.  
FINANCE DEPARTMENT.

NOTIFICATION.

Separate Revenue.

Income-tax.

*Delhi, the 21st March, 1922.*

In exercise of the powers conferred by section 22 of the General Clauses Act, 1897 (X of 1897), read with section 60 of the Indian Income-tax Act, 1922 (XI of 1922), and in supersession of the notifications of the Government of India in the Finance Department specified in the Schedule hereto annexed, the Governor General in Council is pleased to order:—

(a) that the following classes of income shall be exempt from the tax payable under the said Act and that they shall not be taken into account in determining the total income of an assessee for the purposes of the said Act—

(1) the official allowance which an agent of a Prince or State in India, who has been duly accredited to represent the Prince or State for political purposes in any place within the limits of British India, receives as such agent in British India from the Prince or State; and the official salaries and fees which a Consul General, Consul, Vice-Consul or Consular Agent of a foreign State, whether 'de carriere' or not and whether a British or a foreign subject or a representative or Consular employee of a foreign State, not being a British subject, receives in India from such foreign State in his capacity of Consul General, Consul, Vice-Consul or Consular Agent, representative or Consular employee.

"(1A) Sums paid in pursuance of Article 3 of the Agreement dated the 17th August 1825 between the British Government and the King of Oudh."

(2) the salary and allowances paid by a State in India during the period of deputation to any person deputed by the State for training in British India;

(3) scholarships granted to meet the cost of education;

(4) such portion of the income of a member of His Majesty's Naval, Military or Air Forces, British or Indian, or of the Royal Indian Marine as is compulsorily deducted from his salary by the orders, or with the approval of Government for payment to a mess, wine or band fund;

(5) the allowances attached to:—

the Victoria Cross;

the Military Cross;

the Order of British India;

the Indian Order of Merit;

(5A) 'Jangi Inams' awarded to Indian Officers, Indian other ranks and followers in respect of service in the Great War.

"(6) the interest on Government securities held by, or on behalf of, Ruling Chiefs and Princes of India as their private property."

(7) the yield of Post Office cash certificates;

(8) the interest on deposits in the Post Office Saving Bank;

- (9) the income of a university or other educational institution existing solely for educational purposes and not for purposes of profit ;
- (10) the salaries of His Majesty's Trade Commissioner in India ;
- "(10A) the salary of the Canadian Government Trade Commissioner in India at Calcutta."
- '(10B) the salary of the Trade Commissioner in India of the United States of America, and of any members of his staff who are citizens of the United States of America and have been detailed for duty with the said Trade Commissioner by the Government of the said States."
- "(10C) the salaries of the Correspondent of the International Labour Office, New Delhi and his staff."
- (10D) the salaries of the Organizer and Manager of the Branch Office of the League of Nations, Bombay and his staff ;
- (11) the gratuities which are granted to officers and others in respect of wounds or injuries received either in action or in the performance of duty otherwise than in action in His Majesty's Naval, Military or Air Forces, British or Indian or in the Auxiliary Force, India, or in the Indian Territorial Force, or in the Royal Indian Marine ;
- (12) the gratuities which are granted to the widows, children or other relatives of officers and others who are killed in action or suffer violent death due directly or wholly to war service, or are killed or die of injuries sustained on flying duty or while being carried on duty in air craft under proper authority, or die within seven years from wounds or injuries so received ;
- (12A) gratuities sanctioned under Army Instruction (India) No. 223, dated the 21st March, 1922, for regular Royal Engineer Officers on the Indian establishment belonging to the Survey or Railway Department and regular Indian Army Officers of the Survey Department ;
- (13) gratuities which are granted by the Railway Board or under general orders issued by the Railway Board to employees on death while in service, to their widows or children or other members of their families ;
- (13A) extraordinary gratuities which are granted by Government or by Railway Administrations to Government or railway servants (or to their widows, children or other representatives, as the case may be) who are injured or killed in the execution of their duties or who suffer injury or death owing to devotion to duty ;
- (14) the allowance or salary paid in the United Kingdom to officers on leave or duty in that country whether such allowance or salary is paid in sterling in the United Kingdom or by means of negotiable rupee drafts on a bank in India ;
- (15) the leave allowance or salary drawn from any Colonial Treasury by an officer on leave or duty in the Colony ;
- (15A) leave salaries or leave allowances paid in the United Kingdom or in a Colony, to the employees of Companies or private employers on leave in the United Kingdom or in such Colony ;
- (15B) vacation salaries paid in the United Kingdom or in a Colony to Judges of High Courts or of Chief Courts, to Judicial Commissioners, or to other officers of Government, when on vacation therein ;
- (16) the pensions of officers drawn from any Colonial Treasury or paid in the United Kingdom, whether such pensions are paid in sterling or by means of negotiable rupee drafts on a bank in India ;
- (16A) the salaries of the light house keepers of light houses in the Red Sea ;

- (17) the interest on the Mysore Durbar twenty years  $6\frac{1}{2}$  per cent. Bonds of 1920, ten years 7 per cent. Bonds of 1921, 20 to 30 years  $6\frac{1}{2}$  per cent. Bonds of 1921 ;
- (18) Pensions granted to officers of His Majesty's Naval, Military or Air Forces, British or Indian or of the Auxiliary Force, India, or of the Indian Territorial Force, or of the Royal Indian Marine or to members of the Indian Police Forces in respect of wounds or injuries received in action or in the performance of their duties as members of such forces otherwise than in action."
- " (19) pension granted to members of His Majesty's Naval, Military or Air Forces, British or Indian or of the Auxiliary Force, India or of the Indian Territorial Force or of the Royal Indian Marine, who have been invalided from service with such forces on account of bodily disability attributable to or aggravated by such service ;
- " (19A) value of rations issued in kind or money allowances paid in lieu thereof, to any officer or other rank in His Majesty's Naval, Military or Air Forces, British or Indian or in the Auxiliary Force, India, or in the Indian Territorial Force, or in the Royal Marine, and "
- " (19B) value of rent-free quarters occupied by or money allowances paid in lieu thereof, to Indian Officers British Warrant and Non-Commissioned officers and men of His Majesty's Military or Air Forces, and British and Indian Warrant officers of His Majesty's Naval and Marine Forces ; in all cases irrespective of whether the individual concerned is married or single."
- " (19C) conservancy allowance granted in lieu of free conservancy to non-departmental Warrant and non-commissioned officers of the India Unattached List, departmental Non-Commissioned officers of the India Unattached List not in receipt of consolidated rates of pay and Warrant and Non-Commissioned officers of the permanent staff of Auxiliary and Territorial Forces."
- (19D) the value of the free education provided for the children of British Warrant and Non-Commissioned officers and any-grants-in-aid made to British Warrant and Non-Commissioned officers in lieu of the provision of free education for their children.
- (20) the income derived from the manufacture of indigo for a period of 4 years commencing with the 1st April 1921.
- (b) that the following classes of income shall be exempt from the tax payable under the said Act, but that they shall be taken into account in determining the total income of an assessee for the purposes of the said Act :
- (1) the interest on Government securities purchased through the Post Office, and held in the custody of the Accountant General, Posts and Telegraphs ; and
  - (2) sums received by an assessee on account of salary, bonus, commission or other remuneration for services rendered, or in lieu of interest on money advanced, to a person for the purposes of his business,
- where such sums have been paid out of, or determined with reference to, the profits of such business,
- and, by reason of such mode of payment or determination, have not been allowed as a deduction but have been included in the profits of the business on which income-tax has been assessed and charged under the head " business " :
- Provided that such sums shall not be exempt from the payment of supertax unless they are paid to the assessee by a person other than a company and have already been assessed to supertax.

## SCHEDULE.

## Number of Notification.

## Date of Notification.

774-F.	..	..	..	28th March, 1918.
1189-F.	..	..	..	3rd May, 1918.
662-F.	..	..	..	6th March, 1919.
687-F.	..	..	..	4th March, 1919.
920-F.	..	..	..	1st April, 1919.
1719-F.	..	..	..	9th July, 1919.
1319-F.	..	..	..	28th April, 1920.
2404-F.	..	..	..	25th August, 1920.
67-F.	..	..	..	6th January, 1921.
2529-F.	..	..	..	7th September, 1921.
3507-F.	..	..	..	21st December, 1921.

G. G. SIM,

*Joint Secretary to the Government of India.*

## GOVERNMENT OF INDIA.

## FINANCE DEPARTMENT (CENTRAL REVENUES).

*Simla, the 16th June, 1928.*

## NOTIFICATION.

## Income-tax.

No. 24. In exercise of the powers conferred by section 60 of the Indian Income-tax Act, 1922 (XI of 1922), the Governor General in Council is pleased to direct that the following further amendment shall be made in the Notification of the Government of India in the Finance Department, No. 878-F., dated the 21st March 1922, namely:—

In paragraph (a) of the said Notification, after clause 10, the following Clause shall be inserted, namely:—

“(10A) The salary of the Canadian Government Trade Commissioner in India at Calcutta.”

A. TOTTENHAM,

*Joint Secretary to the Government of India.*

## GOVERNMENT OF INDIA.

## FINANCE DEPARTMENT (CENTRAL REVENUES).

*Simla, the 20th October, 1928.*

## NOTIFICATION.

## Income-tax.

No. 43. In exercise of the powers conferred by section 60 of the Indian Income-tax Act, 1922 (XI of 1922), the Governor General in Council is pleased to direct that the following further amendment shall be made in the Notification of the Government of India in the Finance Department, No. 878-F., dated the 21st March 1922, namely:—

In paragraph (a) of the said Notification, after clause (10A), the following clause shall be inserted, namely:—

“(10B) The salary of the Trade Commissioner in India of the United States of America, and of any members of his staff who are citizens of the United States of America and have been detailed for duty with the said Trade Commissioner by the Government of the said States.”

A. H. LLOYD,

*Joint Secretary to the Government of India.*

## MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL : Sir, a message has been received from the Legislative Assembly. The message runs as follows :

"I am directed to inform the Council of State that the following motion was carried in the Legislative Assembly at its meeting held on Thursday, the 14th September, 1933, and to request the concurrence of the Council of State in the said motion :

'That this Assembly do recommend to the Council of State that the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, be referred to a Joint Committee of this Assembly and of the Council of State with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 28 members.'

## BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 14th and 15th September, 1933, namely :

A Bill further to amend the Indian Merchant Shipping Act, 1923, for certain purposes (Second Amendment) ;

A Bill to provide for the appointment of a Manager on behalf of the Secretary of State of the properties of the Nawab Bahadur of Murshidabad and to define the powers and duties of the Manager ; and

A Bill to provide for the control of the export of tea from India and for the control of the extension of the cultivation of tea in British India.

## MOTION RE JOINT COMMITTEE ON THE RESERVE BANK OF INDIA BILL.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) : Sir, I move :

"That this Council do concur in the Resolution passed in the Legislative Assembly recommending that the Bill to constitute a Reserve Bank of India be committed to a Joint Committee of the Council of State and of the Legislative Assembly with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 28 members."

Sir, I think that this motion can fairly be described as one of the most important Resolutions which has been brought before this House for some years, and in the first place, I wish to express the regret of Sir George Schuster, the Honourable Finance Member, that he is not able to be present in person today. Unfortunately he cannot be in two places at once, and in another place this morning he is in charge of two Bills and there is also an important debate in which he will probably have to participate. I am, therefore, to express his regret for his absence here today.

The importance of this Resolution, Sir, is not only financial but constitutional, and I hope that this House will give it the consideration which it merits as an attempt to follow up the line of thought, adumbrated at the Round Table Conferences and more clearly developed in the White Paper, that a transfer of financial responsibility at the Centre is a practical proposition



[Mr. J. B. Taylor.]

provided that proper arrangements are made for the separation of the administration of currency and finance. I do not wish at this stage to go into too much detail. The subject is familiar to all Members of this House, but I think it desirable that before launching the discussion I should endeavour to put the various elements of the problem in their proper perspective. The most important proposal in the present legislation, as I see it, is the separation of certain important executive functions and their delegation to a separate body. The separation of governmental powers is no new idea. Everybody is familiar with the arguments for the separation of the judicial from the executive, and, though the parallel is not complete in every respect, I think that it affords a very valuable illustration of what we have in mind in the present Reserve Bank legislation. Laws are framed by Governments but the actual administration of law is just as important, if not more important, than its framing, and the same applies to the administration of currency and finance. It is not proposed that the Reserve Bank should be a law to itself: it will operate within clearly defined lines and these lines must be laid down by the Legislature, but even within these lines legislation is useless unless the administration is effective and responsible. To take a single instance, there are many actions of the highest importance, which must be taken, if action is not to be too late, before it would be possible to consult anybody. The greatest care must therefore be taken to ensure that the body which administers currency legislation is of such a character as to command the confidence of the country. The proposed bank will also have a wider constitutional function. The object of all constitutional separation is to allow check to operate on counter-check: that is why there are two Chambers in the Legislature; and the broad purpose of the White Paper, as I see it, is to replace outside checks by internal ones. In matters of currency therefore it is desirable that there should be a body outside the Legislature which will represent the financial interests of the country and which can make their voice heard if they consider that any policy is being adopted without due consideration of all the interests involved. The universal experience of all countries is that this check can be most suitably applied by an institution which represents a wide and influential body of shareholders.

It is true that if we were looking at this matter purely from the financial standpoint we would probably not have chosen this particular moment to alter our arrangements for currency administration, though even this statement is not completely correct without qualification. As a result of various developments in the recent past which have been frequently discussed in this House and which I need not elaborate, the credit of India has improved in a manner which would have been considered quite impossible 24 months ago, and we can now fairly say that we have sufficient gold and sterling within our grasp to bring within easy reach the reserve of 50 per cent. in external assets which the proposals of 1927 indicated as sufficient to enable a Reserve Bank to begin to function. A much stronger argument for early action is however the constitutional developments indicated in the White Paper. There it has been laid down that a Reserve Bank must not only have been created but must be functioning successfully before the new constitution comes into being at the Centre. It would obviously be unfair to the new

Directorate to launch the Bank simultaneously with the reformed constitution; they must be given reasonable time to find their feet before they can assume the position reserved for them in the constitutional proposals. For these reasons the earlier action is taken the better, and we consider that our proposals afford opportunity for the maximum amount of consultation combined with speedy execution.

Sir, I move.

THE HONOURABLE THE PRESIDENT: I may point out to Honourable Members that they will be entitled in connection with this motion and the following motion to discuss the principles of the Bill only. This is not the time to go into the details of the several provisions of the Bill, but the general principles can be discussed by Honourable Members, because once the Bill is remitted to the Select Committee this Council commits itself as regards the principles of the Bill. Honourable Members must also bear in mind that they will get other abundant opportunities of discussing the details of this Bill and therefore I trust their observations this morning will be confined to the broad principles of the Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I am thankful to you for having given me the opportunity of addressing this House at this stage. It seems to me that we should be grateful for the gracious goodwill of the other House that we are, at all, able to discuss this proposal for a Joint Committee. I purposely refer to this matter as I heard only the other day in the lobby of the other House, and it looked at one time that the Members there did not consider it worth their while to have representatives from this House on the Committee. Some of them suspected that the addition of the Members from this House on the Committee would render the Committee subservient to the wishes of the Executive Government; while others thought that the Members of this House were hardly competent to deal with matters connected with the Bill under discussion. I would, Sir, most strongly protest against either of these insinuations.

Sir, it was trite to say that the Members of this House are men tried and versed in public affairs, successful in business, and in no wise incapable of sturdy judgment of their own. If I could but refer to some instances, may I without impertinence ask, where can we find another man like yourself or Rai Bahadur Lala Ram Saran Das with qualification and equipment just apt for a deliberation of this kind? I confess, Sir, that I am neither a banker, nor a financier, nor a banking or financial expert. I am at best a student of public finance and somewhat of public affairs. The remarks I venture to offer on this occasion, therefore, are made with all humility and may I say with hesitancy and diffidence of such a student.

The task before the Joint Committee will be of a momentous and arduous character and their main problem will be so to shape and mould the Bill that it will evoke popular support on all hands. Their single-minded efforts should be to remove from the public mind the shadow of any suspicion with regard to the proposed Bank.

The controversy whether the Bank should be a Shareholders' Bank or a State Bank is still agitating the public mind. This is one of the matters which

[Mr. Bijay Kumar Basu.]

has to be threshed out in the Joint Committee. A State Bank should not be understood as an institution controlled by the Government. In such a Bank the Directors would be chosen on a plan analogous to that which is followed for choosing members of the Port Trust or the Improvement Trust in different centres. The Directorate would be a perfectly independent body just as the members of a Port Trust or an Improvement Trust are or at any rate are expected to be. These appointments will be like the appointments of High Court Judges; although they are appointed by the Executive they are in no way controlled by them. All that is wanted in this connection is that the Directorate or Management should be independent and free from any control, political or governmental, and that such a body should be essentially Indian in character.

There is also a suspicion in the public mind that the control of the Bank may be subjected to interests representing British finance. I think that it was to banish such suspicion that the majority of the London Committee advocated and supported a Shareholders' Bank with restrictions on voting and distribution of shares on regional basis and further to avoid the risk of the Bank being run for the shareholders' benefit a limit on dividend was prescribed. If the Joint Committee find that it is not possible to free the Bank either from political or from British influence, unless it was a Shareholders' Bank, I think the Committee will have to consider whether some further restrictions should be inserted in the Bill—for example, that none but nationals should be permitted to become shareholders. But if it is found that in the present state of the country it is not possible to exclude Britishers from holding shares, it may be necessary to impose some further conditions. Mere residence in India should not be enough qualification.

In this connection, Sir, I beg to add my support to the proposal that has already been approved that the Government should have the option of buying back the shares after a specified period at a specified price. This suggestion emanated from my friend Mr. C. S. Rangaswami and I find that it has been accepted on all hands. If I may venture to make a suggestion, the addition of an expert like Mr. Rangaswami to the Joint Committee would considerably strengthen its personnel. I believe that some means could be found for getting him in either of the two Houses for this purpose and I am confident that all groups, including that represented by my friend, Mr. Henderson, will warmly welcome my suggestion.

The Joint Committee will have further to consider (1) whether some regulations will be necessary with regard to the transfer of shares from one register to another with a view to ensure that the registered shareholders in any one region do not fall below any specified minimum; (2) whether the Head Office of the Bank should be permanently in Bombay; (3) whether of the Governor and Deputy Governors, one at least should be an Indian; (4) whether the appointment of the four Directors by the Governor General should be made now on the recommendation of the Finance Member, and hereafter on the recommendation of the Federal Finance Minister; (5) whether the first Constitution of the Central Board will be according to clause 15 of the Bill, or whether the nominated Central Board of Directors should vacate office as soon as the allotment of shares is made and elections of the Local Boards are completed.

The 1928 Bill provided for a gold bullion standard, but at the present moment it is inevitable that we can only have a sterling exchange standard. But the Joint Committee knowing that it is only tentative and provisional should devise the steps that should be taken to pave the way for a standard of a more permanent character. The London Committee has suggested that the minimum gold reserve should be Rs. 35 crores. It is, however, generally recognised that the emphasis in such a standard is not on gold, but on sterling assets. This is true to a certain extent. But there is a larger question. Do we not find that England even after she went off the gold standard has, far from frittering away her gold resources, in fact increased her gold holdings since September, 1931. The fact is that, whether on gold or off gold, all countries have yet the same old passion for the yellow metal. In deciding upon the minimum amount of gold in our reserve and upon our future policy as regards gold exports as also of gold purchases by the Government, the Joint Committee will have to bear in mind three distinct factors :

- (1) The reserve in gold required against our paper notes.
- (2) The reserve in gold required against our silver notes.
- (3) The margin required for Home Charges in the contingency of any year or two proving unpropitious for remittances by the Government to the Secretary of State by means of purchase of sterling in the open market.

Sir, I do not want to enter into the thorny question of the ratio. Suffice it to say that we shall certainly look into this question—whether India should not have the same discretion as Australia or New Zealand within the sterling area and use depreciation of currency as a potent lever to raise prices—an objective which was put forward in the Ottawa Conference and reaffirmed in London by the Empire Delegates after the World Economic Conference. This is a matter which concerns us very vitally and so should engage the serious attention of the Joint Committee.

Further the Committee will have to preserve very jealously the character of the Bank as a Bankers' Bank and to see that such facilities as may be possible may be given to qualified and approved Indian Joint Stock Banks to enable them to prosper on their own lines. From this point of view, the duty of the Joint Committee will be to examine very carefully and meticulously the terms and conditions that should be imposed in the agreement with the Imperial Bank of India and to guard against the Imperial Bank of India developing into an even more formidable rival to the Indian Joint Stock Banks than is now the case.

The Joint Committee will have further to examine in this connection whether the emoluments proposed to be given to the Imperial Bank are justified under the present circumstances which are widely different from those existing in 1927.

I exhort the Joint Committee to put out their best efforts to shape the Bill in such a way as would ensure its acceptance by the country and a smooth passage through the Legislatures, bearing in mind all the time that the establishment and working of the Reserve Bank has been made one of the conditions precedent in the White Paper for the long-promised and long-delayed reforms.

**THE HONOURABLE MR. J. S. HENDERSON** (Bengal Chamber of Commerce): Sir, in rising to support the motion, I should like to express as briefly as possible what, I think, may fairly be taken to be the view of European Commerce on the question of a Reserve Bank for India. In our opinion, the importance of, and indeed the necessity for such a Bank can hardly be called in question and scarcely be over estimated. It is of the most vital importance from the constitutional point of view because, as we all know, the establishment of a Reserve Bank is one of the principal pre-requisites to Federation, and it is a necessity because the functions which have hitherto been carried out by Government in the shape of the control of currency, employment of funds, flotation of loans, and other cognate services, are really those of a Central Bank and can more properly and effectively be dealt with by such a medium. Then, Sir, take the financial point of view. The establishment of a Reserve Bank will surely mark one of the biggest and most significant turning points in Indian financial history, as it will place the question of Indian currency and credit in the hands of an Indian institution responsible to an Indian Federal Government. As things are in the world today it is a happy circumstance that at the time the Bank is being inaugurated the rupee has been linked to sterling and India is enjoying the benefit of the advantages which are accruing as a direct result. Sterling has all the backing of the British Government's credit behind it and is working in the widest possible field, for London has once more become the financial centre of the world.

And now, Sir, I would like to draw special attention to the third paragraph of the preamble to the Bill, which envisages two things; first of all that the existing ratio is to be recognised as a temporary one, and, secondly, that a review of the ratio may be called for when the International monetary position has become sufficiently clear and stable to make it possible to frame permanent measures. In this connection, Sir, the interests which I represent feel most strongly that there should be no present alteration in the ratio, and that if and when the review envisaged in the preamble takes place, it should not take the shape of a Currency Commission, which always has an unsettling effect on trade and commerce and is the cause of speculation all over the country, but should take the form of an expert enquiry conducted by the Government with the assistance of the expert opinion which will by then be available in the person of the Executive and Directorate of the Reserve Bank. As I have already indicated, and as I would stress strongly once again, we hope most earnestly that Indian and European opinion alike will refuse to countenance any attempt to re-open at present the ratio issue with all the uncertainty that will thus be caused. As has been ably pointed out in a recent issue of a leading financial weekly, India's long established connection with the London Market, her financial dependence on that Market, and her enormous trade within the British Empire, are all factors that rule out the possibility at the present time of any Exchange policy not in conformity with that of London.

On the point as to whether the Reserve Bank should be a State or a Shareholders' Bank, there has been considerable difference of opinion. The controversy at the moment is largely an academic one but we would be inclined to favour the choice of a Shareholders' Bank as provided for in the Bill, if for no other reason than that most Central Banks are so constituted and have

been found in practice to give entire satisfaction. A further reason is that the London Committee after, no doubt, the fullest investigation, have almost unanimously decided in favour of a Shareholders' Bank. I am not inclined to share the apprehension which has been expressed in some quarters as to the danger of the control of the Bank passing into the hands of a group of capitalists or other interested persons under the proposed shareholders régime. I believe that it will always be possible, if not indeed necessary, in the Committee stage to devise such safeguards as will effectively prevent what my Indian friends would call *benami* holdings of shares. The real danger will lie in the possibility of any syndicate or clique trying to secure voting power by the distribution of shares amongst a numerically large body of nominees of their own. Once manipulation of this kind is made impossible, however, it may safely be said that the Bank will be in proper and worthy hands. There is much to be said in favour of the proposal that a provision should be inserted in the Bill under which Government would have the option of buying back the shares at a certain specified price at the end of say 10 or 15 years. We must, I think, recognise that fundamental changes are taking place in the testing times through which we are passing, and that we should therefore be in a position to meet these changes should such developments in world technique of Central Banking render it necessary for India to adopt like changes. If this option is exercised, it is essential that a suitable constitution for the Directorate should first be devised so as to ensure the completest freedom from political influences. The period should be sufficiently long to enable adequate experience to be gained, and the option, after that period, should be exercised by a responsible Federal Government.

I now come to the question of the location of the Central Office of the Reserve Bank, which, under the provisions of the Bill is to be established in Bombay. We hold very strongly that the Central Office should not be definitely located at one centre but that it should change throughout each year to different centres such as Bombay, Madras and Calcutta, as is done at present in the case of the Central Office of the Imperial Bank of India. If the Head Office of the Bank is fixed in any one place, the sectional interests of that place must be supreme, and the whole scheme of election defeated. The Imperial Bank system in this matter is the only one possible if the interests of India as a whole are to be served, and I desire to stress this point with all the emphasis possible and sincerely trust it will be given further consideration.

And now, Sir, in closing, I would like to take advantage of this opportunity to pay our tribute to the unremitting and splendid work which has been put in by the present Finance Member and his predecessor in office, as also by the London Committee in bringing this Bill into being. We believe that if the Bank is constituted on the basis of a Shareholders' Bank, that, as in the case of the Local and Central Boards of the Imperial Bank today, so in the future there will be found on the Boards of the Reserve Bank eminent financiers of the type of Sir Purshotamdas Thakurdas, Sir Dinshaw Wacha, Sir Rajendranath Mookerjee, the Raja of Chettinad, and others whom I need not mention but whose names are familiar to us all.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, I rise to support the motion of the Honourable Mr. Taylor. At this stage of the consideration of the measure I do not think it is

[Mr. Mahmood Suhrawardy.]

either advisable or expedient to enter into a detailed examination of the fifty odd clauses of the Reserve Bank Bill. We have to bear in mind that the proposal for the establishment of a Reserve Bank has received the sanction of responsible representatives of the people and that, on the strength of this sanction, the Secretary of State for India has proceeded with plans which have resulted in the Bill now before this House. One cannot also ignore the fact that the establishment of a Reserve Bank is a condition precedent to the introduction of the new reforms. This House, I am sure, will not take the responsibility of taking any steps in the consideration of the Reserve Bank Bill which may have the effect of delaying the dawn of a new constitution in India. To my mind, it is essential that we should keep prominently before our mind's eye the *very salutary condition adumbrated by the Federal Structure Committee*; namely, that the Bank should be established on sure foundations and that it should be *free from any political influence*. I think we may even go further than that and see to it that when the Bill finally emerges from the Joint Committee of the Legislature it may be so framed that it may infallibly ensure the protection of all interests in India without any discrimination.

Sir, I support the motion on behalf of my party.

THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH (Bihar and Orissa : Non-Muhammadan) : Sir, at the outset I must confess that I am in complete agreement with the principle underlying the Bill and consequently I support the motion for the reference of the Bill to the Joint Select Committee. But, Sir, in supporting the motion I would like to make a few observations which I would request those Members of the House who will go to the Joint Select Committee to consider if they are likely to remedy some of the defects to make the Bill more attractive to the people and to disarm the criticisms that are being levelled against the Bill at present. Sir, it is no use repeating that India is mainly an agricultural country. I think the establishment of a Reserve Bank will help agriculturists in obtaining better prices for their produce by the easy circulation of the currency throughout the country, through the establishment of a Bank as proposed. At present when revenue, rents and taxes are collected, generally the vast amount of currency remains locked up in the treasuries, thereby bringing in the contraction of currency which ultimately brings down the price of agricultural produce and consequently the poor agriculturists are the worst sufferers. At present Government do not do banking business and therefore they are not in a position to know exactly at what particular periods of the year, the expansion of currency is needed or when its contraction is necessary. It is the Bank and the Bank alone, of the kind proposed which will be working like a barometer showing the brisk season or a dull season when currency is to be contracted or expanded.

Sir, I have nothing to say against making this Bank a Shareholders' Bank provided the Bill is armed with clauses bringing down the proposed value of each share from Rs. 500 to Rs. 100. The idea underlying my suggestion is to make it as popular as possible and the voting right should be given to any person who holds five shares. Sir, I would like to suggest further that at least three-fourths of the shares to be floated for the Bank must be held by natural born Indians. I agree with the Finance Member that the Bank should be made

free from all political influence. Sir, I do not see any reason why the Government should have such a predominating influence on the Directorate of the Bank. I would suggest that the number to be nominated should be substantially reduced whereas the number to represent the agriculturists should on the other hand be increased either by giving a larger share of representations to the Cooperative Banks or by any other means to be devised by the Joint Select Committee. I would then suggest that the proposed five crores value of shares should be raised to at least ten crores, so that there may be a wide variety of interests who could hold shares in the Bank.

Last but not least important is the point to consider seriously the ways and means to encourage gold currency and provide India with gold reserves, but if the present arrangement of the Directorate and tagging the proposed Bank to the Bank of England making it subservient to the London Bank is given effect to, then, Sir, I am afraid the Bank will be run by men who would never allow methods to be adopted for the accumulation of gold in India lest such accumulation might disturb European money markets.

Before I conclude I would like to bring to the notice of the House that the proposed arrangement of carrying on the work of our Reserve Bank, in London, through the Bank of London deserves serious consideration. To my mind we should open a branch in London as Indians working in that branch will get the opportunity of becoming experts in the line like some British experts and will get the chance of studying the world monetary markets. We should not lose the rare opportunity of training some of our men in this line of currency and banking for which there is so much dearth in the country in comparison with other countries of the world.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, I rise to support the motion but with trepidation not because I do not agree with the principle of the Bill for establishing a Reserve Bank but because the Bill contains certain provisions to which I can not subscribe. I do not deny for a moment that the Bill when passed will be a landmark in the history of Indian Legislature but, Sir, I do not like this landmark to be blackened with specks of tar. Sir, in the words of the Honourable the Finance Member the present Bill does not contain any provision limiting the holding of shares by a single individual shareholder but there is a provision which limits the voting power limiting the number of votes permissible to ten. To my mind, Sir, there should be a limitation to the number of shares that an individual may be allowed to hold and that the number of votes to be permissible to a single individual or a body should in no circumstances exceed five. If there be no limit of the holding of shares then a time may come when big capitalists will raise the share value in the market and will purchase almost all shares from small investors and I say it might be possible that these few capitalists will make a combine, it does not matter whether such a combine consists of the brown capitalists or the white. I for one can never agree to a course which ultimately may take such a turn as is envisaged by me. Then, in the course of the speech by the Honourable the Finance Member in the other House, he stated that a new arrangement is to be made with the Imperial Bank and the period for which the arrangement is to be made is also to be considered. Again, further on he stated that the question of paying the



[Mr. Jagadish Chandra Banerjee.]

compensation to the Imperial Bank will have to be considered as well. Sir, all these years by the system of monopoly given to the Imperial Bank they have made the shareholders and the Directors of the said Bank more rich than they expected. Further the transactions of banking has been performed by them in such a way that money was never made available for the development of indigenous industries. Indian Banks have never been helped to develop. That being so, Sir, I would be the last person to agree to any future arrangements to be entered into with the Imperial Bank. In 1928, when the Gold Standard and Reserve Bank was brought before this House the position with regard to the Imperial Bank was quite different in so far that the ten years agreement by Government with the Imperial Bank was still in force but whereas since 1930 that agreement is over and now they are working under an annual agreement from year to year. Therefore, at the end of the present agreement the contract should not be renewed. I would like to see either branches of the Reserve Bank to be established all over India or arrangements should be tried with Indian-managed stable banks. If Government comes forward with the argument that there are no stable Indian banks I would blame the Government for such a state of affairs after a British rule of about two centuries.

Then, Sir, I come to the remarks by the Finance Member that the question of whether the existing monetary system should be changed is a matter which will have to be dealt with differently and separately. I would ask the Government why they should not take the present opportunity just before establishing the Reserve Bank to examine how far the present monetary system requires a change.

Sir, the net result of the proposed arrangement of the Reserve Bank will be to hand over the administration of finance of the country to a West English Company consisting of the Governor General, his nominees and the Secretary of State in place of the East India Company of old days. Sir, unless and until the Reserve Bank be made a national concern it would be better if we drift with our monetary policy tagged with English sterling. Because in that case if there be a financial crash and credit is lost the blame attaches to the present bureaucracy. By the establishment of the Bank in its proposed form the bureaucracy is trying to camouflage the world opinion that the Indian currency policy is being handled by the Indian Reserve Bank conducted by Indian Directors. But in actuality these nominees of the Governor General will be dancing at their masters' bidding and will be reproducing their masters' voice, that is, the voice of the Bank of England.

Lastly, in coming to the point of political influence over the Bank my nervousness about the future of the proposed Bank is all the more increased by the statement published only yesterday by no less a person than Sir Purshotamdas Thakurdas, who is one of the very few Indians whom India can claim as experts on the subject of finance and currency and who was present in almost all the stages of the Round Table Conference where this question was first mooted and thrashed. Sir, he denounces the recommendation of the Expert Committee as contrary to the intention of the agreement reached at the third Round

Table Conference. According to him the Secretary of State on June 28th qualified the broad principle accepted with the following words :

“ the Reserve Bank should be free from political influence so far as we can make it ”.

The main underlying idea, according to Sir Purshotamdas, is that the institution (board and management) should work from day to day as a commercial organisation pure and simple on lines laid down for the purposes of policy by the Indian Legislature. According to him the Secretary of State is going back on the agreement arrived at before and in the circumstances, Sir, the State Bank becomes an imperative necessity.

With the words, Sir, I close my remarks.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central : Non-Muhammadan) : Sir, I join in my expression of the sense of gratitude with Mr. Basu for the Members of the Assembly as well as Government in referring this Bill to a Joint Select Committee of both Houses. Sir, we have made complaints on several occasions on the floor of this House that it is being treated with scant courtesy in that respect. Bills are not referred to Joint Select Committees, nor any Members of this House nominated on them, and I am glad that for once the Government has realised the importance of referring this Bill to a Joint Committee of both Houses.

As some speakers have said, the Government had made the establishment of the Reserve Bank a condition precedent to the introduction of the new reforms. So we were all anxious for its establishment and we are glad that Government have brought it before the Legislature at an early date. Sir, certain conditions were also imposed for the establishment of the Reserve Bank and we thought that they were so stiff and beyond control that it might take 10 or 15 years before it could be brought into existence. They were as follows : firstly, that the Indian budgetary position should be assured ; secondly, that the existing short term debt both in London and in India should be substantially reduced ; thirdly, that adequate reserves should be accumulated ; and fourthly, that India's normal export surplus should have been restored. These were the four conditions precedent to the establishment of the Reserve Bank. It is sheer good luck that not one or two, but almost all of them have practically been fulfilled in such a short time and the time has come now for the establishment of the Reserve Bank.

Sir, we are glad to find from the report of the Committee on Indian Reserve Bank legislation which sat in London that they were unanimous on several points, but yet there was difference of opinion on many fundamental points and some of the Indian members representing the national point of view got their dissent recorded here and there. Sir, as you have remarked before the commencement of the discussion that we should not go into the details of the Bill, the time will come when the Bill emerges out of the Select Committee and nobody knows what changes are to be made in the Committee ; but, Sir, we must draw the attention of the members of the Select Committee to some of the important features of the Bill, so that it may help them in re-shaping it. As we know, three full days have been spent in the Lower House on the question whether the Reserve Bank should be a Shareholders' Bank or a State

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Bank. Divergent views have been placed before the Assembly and also in the press. I for one, Sir, have not been yet able to decide which will be the better in the present circumstances, and so I will keep an open mind till the report of the Select Committee is received. Sir, there are several advantages and disadvantages in both the schemes and we also know that there are in some foreign countries where the bank is a Shareholders' Bank while in others where it is a State Bank. The Bank of England, the Federal Bank of the United States and the Bank of France are all Shareholders' Banks, while the Bank of Australia and the Bank of Sweden are State Banks, although it is said that they are also considering their position very seriously. To my mind it is not of particular importance for this poor country whether it is a Shareholders' Bank or a State Bank. What is most important is the spirit in which it is to be worked. Both types of banks can be successful if there is a will to make them so.

Sir, the report of the Committee on the Reserve Bank which sat in London has laid stress on the point that the Reserve Bank should be free from political influence. It is a very laudable wish, but as I find from the scheme, it has been reduced to a pious wish. On page 1 they say :

"We fully accept the principle that the Reserve Bank should be free from any political influence. The best device which the practical experience of other countries has evolved for achieving this object is that the capital of the Bank should be held by private shareholders and we recommend that this plan should be adopted in the case of India."

But, Sir, as we go into the report we find certain recommendations which go at the root of this expression that it should be free from political influence. What I find is that the Governor General and the Secretary of State will practically mould the policy. It may be said that they do not represent any political party but I, for one, think that they represent the biggest political party in the country. The Governor and the Deputy Governors will be appointed by the Governor General and as they will be the chief executive officers they will be practically moulding the policy of this Bank; besides, Sir, there will be four nominated Directors on the Board in addition to one officer of the Government sitting at meetings. So, Sir, I do not think that from these recommendations it can safely be said that the Bank will be free from political influences.

Sir, the recommendations have gone to a limit when they say that the Governor General will fix the rate of dividend to be given to shareholders. In that respect, Sir, too the Directors will be practically helpless. I refer Honourable Members to page 6 of the report of the Committee. They say :

"The appropriate rate for the fixed dividend must depend to some extent on the return on comparable securities at the time of issue of the shares. We recommend that the Bill should empower the Governor General in Council to fix this rate, subject to a maximum of 5 per cent. Provision should also be made, on the lines of the Third Schedule to the 1928 Bill, for a gradually increasing dividend up to a maximum of 6 per cent."

So, Sir, by these recommendations I find that the Directors will be helpless in the declaration of the rate of dividend. I hope that these points will be seriously considered by the Select Committee.

Then, Sir, I being an agriculturist myself as well as belonging to a class of agriculturists, find that there has been shown absolutely no consideration so far

as their interests are concerned. The report only says this much that for the sake of keeping the representatives or bringing the representatives of agricultural interests, power to nominate four Directors has been given to the Governor General. If the agriculturists are not returned by the shareholders, the Governor General may be pleased to nominate one or two out of them. But, Sir, we also find from the report that certain recommendations have been made by which it is very difficult for the agriculturist as such to get representation on the Board of Directors out of the share capital of Rs. 5 crores. The value of a share has been fixed at Rs. 500. I think that it is too much and the agriculturist may not be able to purchase a large number of shares to be able to return their representatives. I think it should not be more than Rs. 100 and I draw the attention of the Select Committee to this very particular item.

Then, Sir, the qualifications of a Director have also been fixed at holding shares of a value of Rs. 10,000. I think it is a very high figure and should also be lowered and should not be more than Rs. 5,000.

Sir, the system of election as suggested in the report is also not of the best type for the agriculturist and I would also draw the attention of the Select Committee to that matter. The whole of India has been divided into five centres and at each centre it is proposed to have a Board more or less, called an Advisory Board. The qualifications of the Directors of that Board as well as their election is the same as that of the Central Board. So if the qualifications of the Directors of these Boards as well as the shareholders as I have said are reduced the agriculturist may be able to get into these Boards although they have no executive powers and they are merely advisory bodies. For this, Sir, I would draw the attention of the House to page 2. There they have said :

" Apart from their functions in the machinery by which Directors are appointed, the Local Boards would have no executive duties, except as may be delegated to them by the Central Board. Otherwise they would be purely *advisory bodies* ".

Sir, I would ask the Select Committee to increase the number of these local Advisory Boards from five to ten and out of which at least half should be reserved for the representatives of the agriculturists as well as cooperative institutions and the remaining half may be left open for the general public or the capitalist and the commercial interests as they may call them. They say that the Central Board will have power to coopt three additional members on the Local Boards. I would submit, Sir, that instead of giving these powers to the Central Board to coopt three and increase the number of the Local Boards from five to eight, provision should be made that their number should be fixed at ten.

Then, Sir, another point which has struck me as very important is in regard to the relations of the Reserve Bank with the Imperial Bank of India and from their recommendations I find that extreme favouritism has been shown to the Imperial Bank. On page 7, paragraph 29, they say :

" We recommend that the Reserve Bank should be required to enter into an agreement with the Imperial Bank on the general lines of clause 45 of the 1928 Bill, but we consider that the period of 25 years prescribed in that clause is too long, and we suggest that this point should be further considered by the Government of India ".

Then, Sir, later on they say that the Imperial Bank should be made sole agent of the Reserve Bank of India. I would certainly protest against this

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

recommendation and would submit for the consideration of the Select Committee that tenders should be invited from well-established and recognised banks in India and if the Reserve Bank gets a better tender from an established bank there is absolutely no reason why it should be made the sole agent of the Reserve Bank. They say in this connection, Sir :

“ With regard to the Second Schedule to the 1928 Bill, we approve of the provision that the Imperial Bank should be the sole agent of the Reserve Bank at all places in British India where there is a branch of the Imperial Bank of India and no branch of the Banking Department of the Reserve Bank ”.

Later on they have said, Sir, that where there is no branch of the Imperial Bank of India the choice will be left to the Reserve Bank to appoint anybody as their agent. If it can be proper and safe at places where there are no branches of the Imperial Bank of India to employ other banks as agents, I fail to see, Sir, why it should not be proper and safe at places where there are branches of the Imperial Bank of India, provided the other banks give better rates to the Reserve Bank ?

Then, Sir, one peculiar recommendation has been made regarding the compensation to be paid to the Imperial Bank of India. This is what they say :

“ It was submitted to us that, apart from the question of remuneration for services to be rendered, the Imperial Bank of India has a moral claim for compensation in respect of its disappointed expectations and of commitments which it undertook, by arrangement with Government, before the institution of the Reserve Bank was contemplated \* \* \* We do not consider that the question whether the Imperial Bank is entitled to compensation is within the purview of this Committee, but, in any case, we cannot recommend any special allocation of Reserve Bank shares to the shareholders of the Imperial Bank, as this would be inconsistent with our scheme for the distribution of shares on the broadest possible basis throughout India. We have no doubt, however, that any claim for compensation which may be put forward by the Imperial Bank will receive due consideration by the authorities in India. If the claim is conceded we consider that the compensation should be given in some other form ”.

I would submit, Sir, that absolutely no compensation should be given to the Imperial Bank of India. They have for so many years enjoyed a monopoly so far as Government funds were concerned. They were the bankers of the Government of India and Local Governments and always held about Rs. 14 or Rs. 15 crores without any interest, besides receiving so many facilities from the hands of the Government of India. The shareholders themselves have not only got back their money which they invested, but several times over and above, and therefore there should be absolutely no question of compensation to the Imperial Bank of India.

The last question on which I will lay stress is the exchange and currency policy. I regard it as one of the most important questions but most unsatisfactorily solved in the Committee, with all the highest respect that I hold for the members of the Committee. I find that several of the Indian representatives have recorded their disapproval in coming to a decision on this question. It is the most disappointing feature of the Bill. The Committee considers that the only sound course for India in the circumstances is to remain on the sterling

standard. I will refer Honourable Members to page 4 of their report where they say :

"On this basis the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing at the time when the Bill is introduced. \* \* The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

This means that India cannot have an exchange policy of its own and that the rupee will be tied to the apron strings of the sterling. I fail to understand why their hands should be tied in this manner? What the recommendation of the Committee in effect means is that the existing exchange and currency policy which has been so widely criticised and has led to so much misunderstanding is to be continued. Are there, I ask, any other Reserve Banks whose powers in connection with the vital questions of currency and exchange are so restricted by legislative enactments constituting them? A considerable majority of the Indian Delegates, I am glad, recorded their disapproval of this recommendation of the Committee. The Committee have said :

"A considerable majority of the Indian Delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years. In their view it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

Sir, all the concessions which they could get in connection with this policy are stated as follows :

"We are all agreed that it should, in any case, be made clear in the Preamble that the whole question of the monetary standard best suited to India will have to be reviewed when the international monetary position has clarified itself and become sufficiently stable to make it possible to frame more permanent provisions."

That was all they could get by way of compromise from the other members of the Reserve Bank Committee which sat in London.

Sir, the United States, at a time of monetary instability is making experiments to find out what is the suitable ratio for it, and the dollar is swinging violently backwards and forwards. The World Economic Conference was wrecked because the United States refused to stabilise its currency. Britain refuses to link the sterling either with gold or with dollar and pursues a policy which it thinks to be in the best interests of its country. But poor India, even after the establishment of a Reserve Bank is to be denied a similar freedom and its exchange policy will necessarily be subservient to that of Britain. The rupee will sink or swim with the paper sterling. This is a highly unsatisfactory position from the Indian point of view.

Sir, before closing my remarks I would refer to a statement of Sir Montagu Webb, who, writing in the *Times of India* observes in the course of an article in which he has urged the re-opening of the Indian Mints to the coinage of full legal tender silver rupees as follows. Sir, this is the opinion not of an Indian but of an Englishman :

"It is of vital importance to India, even with her overvalued rupee, and under-priced products, that her hundreds of million of industrious and hard-working hand and brain workers should not be handicapped by having their thoroughly sound silver currency artificially linked to the paper currencies of the West the values of which now depend upon circumstances entirely beyond India's control \* \* \* \* Great Britain will not return

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

to gold ; that is now quite certain. And, to attempt to tie the good silver rupee to the new paper pound or the new paper dollar would, in my opinion, be *indefensible* because, I submit, wholly contrary to India's best interests which require an immediate, steady and long continued rise of rupee prices, at least to the levels of 1928."

That is what he has said. What Sir Montagu Webb regards as indefensible is proposed to be done. The rupee will not be divorced from the sterling nor will the rupee-sterling ratio be altered. No section of Indian opinion wanted a Reserve Bank which would be so crippled in the discharge of its most important duty relating to currency and exchange. I hope the Select Committee will keep all these suggestions in mind which I have been able to throw out to them.

With these words, Sir, I support the motion for a Joint Select Committee.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, I rise to support the motion. Sir, whatever may be the difference of opinion as regards the details, whether the Bank which the Bill proposes to set up is not only the satisfying of the condition which has been made the *sine qua non* for the constitutional advance for which we are all so anxious, but is also otherwise necessary in the best interests of the country. Whether the White Paper was right in laying down certain conditions as being conditions precedent to the introduction of Federation in India is a matter which is open to question, but no body can for a moment question the necessity of such a National Bank which is required to direct the currency and exchange and assist the commercial industry of the country. It is true that the mere coming into being of the Reserve Bank will not by itself cure all the economic ills from which the country is now suffering, but, Sir, it is no less true that when it is well established it will certainly go a very long way in mitigating these evils. It is bound to improve the finances of the country, to increase the banking powers, to assist the indigenous banks in times of difficulty. If only this Bank which is proposed to be established by this Bill is rightly managed, if it is fortunate in securing the proper type of men for its Directors, if it, with a singleness of purpose, addresses itself to the task for which it is primarily intended, namely, the task of safeguarding the real interests of the country and not merely the earning of huge profits for the shareholders, then this Bank is bound to prove to be one of the most potent factors which will go to make for real prosperity of the country.

Now, Sir, one of the most important questions that will have to be decided by the Select Committee will be to see whether the Bank which is proposed to be established should be a State Bank or a Shareholders' Bank. Since much has been said about this matter both in this House and in the other place, I do not wish to enter into any very elaborate argument about this. All that I wish to say is that the Committee in coming to a decision about this matter will have to be guided not only by what the report of the London Committee has stated but also by what it finds to be the conditions obtaining in other countries in the world. We find that almost every important country in the world has such a Central Bank. We find also that except in the case of one or two of these countries the banks are Shareholders' Banks. There is this tendency quite patent that the attempt is made to keep this institution immune as far as practicable from all interference of party politics. It is not quite possible to

eliminate political influence from an institution like the Central Bank, but it has been deemed desirable, the experience of the countries which have been working these institutions for several years, has shown it to be desirable that this institution should be kept as far as practicable free from undue political interference. Sir, my Honourable friend, who has just preceded me, was of opinion that it was a matter of indifference whether it was a State Bank or a Shareholders' Bank, provided it was a bank which worked in the spirit in which it ought to. I agree with every word that he said about the proper spirit but I should like to submit that the spirit in which the Bank would be worked would have to be created by us. The spirit will be created by the circumstances under which the Bank will have to function, by the functionaries who have to work the Bank. So to my mind it looks as if this question of whether it should be a Shareholders' Bank or a State Bank is not a matter of indifference, but that it is a very vital matter, a matter which is bound to have tremendous influence upon the success or otherwise of the Bank. Sir, the same Honourable speaker stated that even though the object of this Bill is to keep out political influence, it has after all succeeded in making it only a pious wish, and that by the very provisions of the Bill political influence has been introduced; even though it may not be the political influence of the people of this country, but a political influence of a different character (Hear, hear) inasmuch as the Governor and Deputy Governors and four Directors will be the nominees of the Governor General. Sir, I feel that it is impossible to do away with this kind of political influence altogether. As has been observed by my Honourable friend, Mr. Basu, these officers when once they are appointed, are perfectly independent and do not remain subservient to the Executive. The Governor, Deputy Governor, the four Directors who will have to be appointed by the Governor General will have to discharge their duty without fear or favour, regardless of the fact that they are nominees of the Governor and that their colleagues are representatives of the shareholders, and again, Sir, not only is it physically impossible for this kind of influence on the part of the Government to be altogether eliminated from this kind of institution but it is not even in the best interest of this institution, because emergencies might arise when the Government might have to interfere. Therefore, all that we have to guard against is the kind of political influence which has no stability, which smacks of party politics, which drifts from one thing to another, as one party or another happens to be in power. Therefore, in spite of the fact that the Bank might be a Shareholders' Bank the Government of the country is bound to exercise control, but this kind of control would not be quite as rigid, quite as complete and quite as embarrassing as the kind of control which would result if it happens to be a State Bank. Sir, it is better that this kind of Bank is allowed in ordinary circumstances to run on the lines best suited to the purpose for which it is intended, without constant and undue interference on the part of the Government. I feel that the Bank will be seriously hampered in its work and very likely to be deflected from its right course, if it is to be unduly subjected to political influence, if it is to be made the sport of party politics and if its policy and work is to be interfered with on every occasion when there is a change in Government.

Now, Sir, the other objection which has been stated here has been due to the fear that the Bank might be captured by a few capitalists. So far as this



[Saiyed Mohamed Padshah Sahib Bahadur.]

goes, we feel that the Bill has taken every precaution to guard against such a contingency. There is limiting of the original holding and besides that the maximum number of votes to be exercised by any shareholder irrespective of the value of his share has been limited. This is bound to prevent any undue influence resulting from a block of shares being held by any individual.

Now, Sir, a suggestion has been made that every effort should be made to give due representation to the interests of agriculturists and the landed proprietors. I am in perfect accord with that and I would say that the Governor General when he makes his nominations to the Directorate would take care to see that two at least of his nominees should represent the agriculturists interests in case this interest is not represented on the Directorate chosen by the shareholders.

Sir, this is not the stage to enter into elaborate details. I would simply say a word about the rupee and sterling and the ratio. Sir, I may at once say without going into any elaborate argument that it is an undesirable fact that in spite of the fluctuations that the sterling has in recent years been subjected to, it is still about the best currency in the world, and I think we would not be committing a serious blunder if we continue to be linked to the sterling. But so far as the question of ratio is concerned, I am afraid it is not a very easy matter. Government are aware of the feelings in the country on this matter; they are also aware of the vehement protests made when the present ratio was fixed; they are also aware of the adverse effects which this ratio has had upon the exports of the country. I need not go into all these details. All that I would like to suggest at the present moment is that the Government should at once take up this matter and give it their most earnest and serious consideration; if they find that the present ratio is not in the best interests of this country and England they should modify it; whether it should be 1s. 4d. or 1s. 2d. or 1s. 1d., it is not for me to say. All that I wish to submit is that the ratio that is best suited to the real interests of this country and the United Kingdom should be fixed. While I am on this point I should like to say that it will not be the business of the Select Committee to go into this question of ratio. It is the look-out of the Government to fix the ratio. If the Select Committee begins to investigate this matter and the country comes to think that there is a possibility of there being a change in the ratio it would mean a campaign of ruinous speculation. The best thing would be that before the actual ratio is fixed in the Bill the Government should review the whole question and fix the ratio which is in the best interests of this country and the United Kingdom.

With these words, Sir, I support the motion.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, I rise now to speak on the motion before the House. I should like to have your permission to make a few preliminary remarks before I deal with the Bill itself. Mr. Basu drew our attention to the feeling which prevails in the country about ourselves. It is rather sad for us that such an opinion should be held by others about ourselves. We might form a mutual admiration society, but that will not change the real opinion of the country, which on account of our work or on account of our constitution or because of the trend of the Second Chambers, regards us as very conservative. I appeal to the

Honourable Member of Government in charge of this motion to make this an occasion to prove that this House is wrongly accused and that it has got independence. At this time, Sir, it is altogether dependent on the Finance Secretary to either make or mar the prestige of this House. We regret that in this Council we have lost some of the luminaries in whom we had a great deal of confidence and whose guidance would have been of great value on this question. Firstly, we lost you, Sir, by your elevation to the Chair; secondly, we have lost the greatest authority on this particular subject, Sir Dinshaw Wacha, who had been associated with currency business from the last century; and, thirdly, we have lost for the time being at least Sir Phiroze Sethna on account of his engagement on the Joint Select Committee of Parliament. In this condition it is essential that the Government should take special care to so select the members of the Joint Select Committee of this House that the outside world may not call us names.

Now, Sir, coming to the main Bill itself, I should like to point out that the main plank of the 1928 Bill was a State Bank, and although we cannot say that we are wedded to that idea, we at least do not regard it as disadvantageous, rather we have some respect for it, but we will be quite prepared to consider any alternative scheme which the Government might place before us provided it is proved to be in the interests of India. The question whether a Bank should be a State Bank or a Shareholders' Bank becomes more or less an academic question when one considers the actual working of the Bank. The real control of the Bank would be exercised by the Governor and the Deputy Governor. Even the Board of Directors, Sir, will have very little say in matters of details; they might lay down the policy only. The daily affairs of the Bank are usually managed by the Governor and that authority will be appointed by the Governor General at his discretion, which means the Governor General as distinct from the Government of the Federation. This will mean that the highest currency authority of the country will still remain, if not directly under the subordination at least theoretically, under the subordination of Whitehall or Threadneedle Street and consequently of England. If political influences are to be banned, they should be banned from both sides, from the right as well as from the left. It should not be that Indian political opinion should be ousted and British political opinion should have their say, and in this connection I was very much dissatisfied with the explanation that the Leader of the Independent Party gave. We know that in other countries the interests of the country and the interests of the Government are not divergent as unfortunately is the case with India. Here, Sir, we have to safeguard the interests of the masses and the interests of the agriculturists. The agricultural classes are the mainstay of India and on their prosperity depends the success or failure of not only the constitution but of every thing in India. No country, as far as I remember since the war, increased the price of its currency; they have deflated, they kept to the old standard with the solitary exception of India, which has appreciated its currency by 12½ per cent. Now, Sir, that we have left the gold standard, even now our position in terms of the currencies of those countries that have gone off the gold standard will still bear no comparison with our pre-war level.

We wish, Sir, that this Bank should have the power to regulate the exchange if we fix the exchange at 1s. 6d. now. If the Government desire to

[Mr. Hossain Imam.]

deprive it of this right, we would be perfectly willing, Sir, provided they now bring down the exchange to a level which is compatible with India's demand for higher prices for the commodities which we produce. The Bank, Sir, as at present framed, contains a great drawback in this that there is no explicit provision of the duties of the Governor and the Directors. We find in the articles of association of ordinary companies that there is a line of demarcation between the functions of the managing agents and the Directorate. Here, Sir, the Governor is more or less in the position of a managing agent and all those who have experience of the managing agency system and of the company system in India know in what way real control is exercised by that authority. It will be better, Sir, if in the Select Committee these points are elucidated.

The basic point about which there can be no difference of opinion is that we must have a gold basis for this Reserve Bank. To make it a success it should be so safeguarded and so arranged that once formed it goes on, for its failure would mean the ruin of India and every care taken to make it sound will have the unanimous approval of the whole of India. The fact, Sir, that this Bank will have two functions, that of issuing notes and of Central Banking, makes it necessary that its agency should not be the monopoly of any one concern. While the fact that the Imperial Bank of India, which up to now has been functioning as bankers of the Government of India, has a preferential claim to continue as the agent of the Reserve Bank should not be lost sight of, the demand of other indigenous Banks should also have due weight attached to it and in this connection it would be better, Sir, if in the Select Committee some arrangement is made whereby we can give to these contending parties an equitable share in the advantages of agency. In the constitution of the Directorate, Sir, I find that there is a difference between the period of office of the Directors appointed from Bombay and Calcutta and those from the Rangoon and Delhi centres. I do not know what was the reason which actuated the Government to give two different leases of life to these people—perhaps the people in the interior of India are supposed to be a little backward and it is thought that it would be better if they are given four years tutelage whereas the commercial centres of Bombay and Calcutta who are well up to the mark, will be trained for the management in two years' time. In this connection, I should like to say a few words about those provinces which are unfortunately not as rich or as advanced as Bengal or Bombay. I belong to Bihar, but Orissa and the Central Provinces are equally unfortunate as ourselves. If it were possible, Sir, to earmark one of the seats on the Directorate to one of these small provinces we should be very grateful to the Government.

**THE HONOURABLE THE PRESIDENT :** What about the other provinces ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Well, I advocate that all the provinces that are backward should get a sort of weightage, just as the depressed classes have been given weightage.

Now, Sir, the first essential for the successful working of this Bank is that  
 1 P.M. we must have an adequate gold reserve. As far as that is concerned, Sir, the position which the Committee in London took up was a little disappointing. Not only have they not asked Government

to keep a 25 per cent. reserve in gold as ought to have been done but they have actually fixed the minimum at six to seven crores below our gold holding. That is a great defect and a point on which we in India feel very strongly. When everything is said and done gold remains and has remained the stabilising element and going off the gold standard does not mean that any one is prepared to squander his gold or that gold is unstable. I entirely agree with the Government that at the moment we cannot go back to gold, but we should not make it impossible for ourselves to go back to gold at any future date. If we reduce the gold holdings now we are placing a barrier in the way of returning to the gold standard, and this is a thing which is very essential and to which we may look forward. My Honourable friend Mr. Mehrotra referred to Sir Montagu Webb's opinion on the question of silver. I seem to remember, Sir, that Senator Pitman in America has made some proposal of a like nature for increasing the price of silver, and people in other countries too are now thinking that there is no escape from bi-metallism if they wish to establish prosperity in the world. The sinking of the currency of the country too much is not only disadvantageous to the country of origin but it will have adverse effects on all the countries interested. It stops the free flow between it and other countries. The prosperity of the world is now inter-dependent. We have now to think more in terms of internationalism than nationalism. The success of this Reserve Bank is not dependent on how far it can successfully function as the currency authority in India but on the amount of material prosperity which it brings to the country. If it does not bring prosperity to the country, it will to all intents and purposes be a sheer waste of time and energy. Government as the controlling authority of the currency have been managing this affair, whether well or not is a matter for the verdict of history. From the point of view that our currency has not failed it has been a success; but whether this new policy by which we are trying to rope in any number of people of divergent interests, of different classes and different communities to come in and help in the management of the currency of India will prove a success depends on how far it will give India a higher price for its goods and a lower rate of interest for its sterling commitments.

With these words, Sir, I support the motion.

**THE HONOURABLE THE PRESIDENT :** I think this will be a convenient time to adjourn the House.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council reassembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

**THE HONOURABLE THE PRESIDENT :** I must tender an apology for not being in the Chair at the appointed time. One of our colleagues was giving this noon a social function and many of us were a little late in returning here.

**THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) :** Sir, I have great pleasure in supporting the motion of the Honourable Mr. Taylor referring this Bill to a Joint Select Committee of both Houses. So far as my recollection goes, I think that since the year 1928, there was no reference of any Bill to a Joint Select Committee of

[Diwan Bahadur G. Narayanaswami Chetti.]

both the Houses and now for this privilege we are indeed greatly indebted to the Chair.

Coming to the provisions of the Bill, I do not want to go into details, because many of my Honourable colleagues have gone into the matter, but there are one or two points which I should like to touch upon which have been suggested by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra. It has been said that Rs. 500 is rather beyond the reach of an ordinary agriculturist. He suggested that Rs. 100 should be reasonable. I feel even Rs. 100 from his point of view is rather too much for an agriculturist to invest. He thinks a ten-rupee share would be quite sufficient for a shareholder. I fear a Bank like a Reserve Bank should have some status and should not lower the value of its shares. Today the Imperial Bank share is sold at Rs. 1,200. In the Bill the value of the share is mentioned as only Rs. 500. I do not think we should disagree with the share value of Rs. 500. Coming to the agency business it has been said that the Imperial Bank should not be the agents of the Reserve Bank. At least for the transitory stage I do not think a better Bank than the Imperial Bank could be employed to do the agency work. It may be in the power of the Reserve Bank to employ any other Bank to do the agency work later on. Having in view the experience we cannot brush aside the Imperial Bank. My friend Mr. Henderson said that there is a difference of opinion as to the location of the headquarters of the Reserve Bank. It has been said that it should not be the monopoly of Bombay. I should think that the headquarters of the new Reserve Bank might be shifted from place to place. For some time it could be at Bombay, then at Calcutta, and then at Madras. In order that people may not say that Bombay is unduly favoured the headquarters might be shifted to the headquarters of the various Provincial Governments.

I am sure the Reserve Bank will be a great success from this point of view. It will help industries and it will help agriculturists. The Bill has rightly provided that the Directorate should be free from political influence. Therefore no political parties could be formed in the Reserve Bank. That disqualification I find has been clearly laid down in the Bill of 1928 and when a member of the Legislature becomes a member of the Directorate he *ipso facto* ceases to be a Member of the Legislature.

Criticism has also been levelled in respect of nominations. Nobody could say anything about the nominations made under the Imperial Bank of India Act. We have men like Sir Dinshaw Wacha, like our revered President, Sir Rajendranath Mukerjee and Raja Sir Annamalai Chettiyar of Madras. Nobody could say anything about their business capacity. Sir George Schuster in his winding up of the debate said that India should be proud to have men like our revered President in the Chair and Sir Rajendranath Mukerjee and Sir Dinshaw Wacha in the Directorate of the Reserve Bank. I have nothing more to add except to say that the Reserve Bank question should be carefully gone into by the Joint Select Committee, that no partisan view should be taken and the business settled having in mind the best interests of India.

Sir, I have great pleasure in supporting the motion.

THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR (Bengal: Nominated Non-Official): Sir, coming as I do with some experience of local bodies and a Provincial Council only, I rise with a good deal of hesitation, for the first time today, to give expression to the view-point of agriculturists in my province, on a matter of high finance. Sir, I confess that the action of the Assembly in recommending the Bill to be committed to a Joint Committee of both Houses has made it a somewhat easy job for me, particularly owing to the fact that I can with a full conscience take my place in the sheltering shadows of the great Finance Secretary. But I hope he will pardon me if I venture to pass some remarks, by the way, which may not be quite favourable to the general principles enunciated in the Bill, or the particular steps suggested in furtherance of its object. Sir, the agriculturists in my part of the country have very little idea about the workings of a Bank or even its utility. They have, for some time now, been in touch only with Cooperative Credit Societies and the loan transactions made by them. What direct or indirect effect has the world confidence in the management of Indian credit and currency on Indian trade balance, and what influence does the same bear on the marketing of agricultural produce are too high for the consideration of an agriculturist, or even an ordinary landholder who depends absolutely on what his agriculturist tenants can bring him as rent. Whatever may be the political motive behind the idea of establishing a Reserve Bank, our anxiety for the ushering in of better days impels us to welcome it as a God-send. I may make it plain here that in supporting the motion today I am more concerned about monetary stability in the present-day India than what the financial credit of a future Federation of India might imply. Sir, what however seems to be a little incongruous to me is that when the freedom from political influence is advocated as a *raison d'être* of the proposed institution, the embodiment of the greatest political influence in India should have such a supreme hand in the controlling of the Bank. But I may state that, despite my adverse criticism on account of the picture of the Federal Assembly as it looms before our eyes now, I would rather prefer that the Governor General should be the controlling authority of the Reserve Bank than that it should be a toy in the hands of the political babes, or a thing to be tossed about by winds and waves. However much we may mince matters, it is quite apparent that to vest the final word in the Governor-General is to make the Bank a weather-cock under the tremendous political influence of the Imperial Parliament. Common sense dictates that such a Bank should have been either a State Bank or a Shareholders' Bank "free from political influence" in the truest sense of the expression. I am, however, led to think that a suitable provision should be made in the Bill enabling the Government to buy out the shareholders at the end of a stated period at a fixed price, if a State Bank is not a practical proposition in the present state of the country's administration. As for the argument that it would be dangerous to make the Reserve Bank subject to the Federal Assembly, I can only say to the Government benches that it would have been much wiser to give the proposed Assembly and, for the matter of that, the Federal Legislature, a better shape so as to qualify it to be better entrusted with the well-being of the nation, than to leave it as a body, that is not "a trusted part of Indian public life". To give the start to our Bank where Britain herself would seem to end might naturally cause some suspicion in Indian

[Maharaja Jagadish Nath Ray of Dinaipur.]

minds. I am moreover afraid that the limitations imposed on the selection of Directors would work as a bar to the securing of men of first class ability and experience or of recognised integrity and honesty. While I can well see the reasonableness of the suggestion that the Directorate should include representatives of leading commercial bodies with a knowledge of financial matters, I fully support the stipulation that Directors of other Banks should not be on the Directorate of this Bank; but I should like that one Director be appointed for each of the five areas to represent agricultural interests.

Then, regarding the Select Committee to be appointed from both Houses, it is indispensably necessary that some Members representing agricultural interests should be on it; and, for this purpose, the gentlemen who were on the London Committee can be safely excluded as the Select Committee here shall have their considered opinion and wise counsel embodied in their report. The Government should do well further to disarm all criticism and dispel a part of the suspicion by limiting the possession of shares in the Bank by non-nationals to a reasonable percentage. Again, the arrangement whereby the Bank of England is made the agent in England could very well be altered. There should also be some provision by which the abuse of the proxy system, as disclosed in the meetings of the Imperial Bank, could be made impossible. Care must also be taken that no provision of the Bill may place the indigenous banks at any disadvantage.

Sir, I repeat that I have not the least intention to pose myself as an expert on finance, and as such I am very chary in putting forward any suggestion as to the ratio, exchange and gold and silver problems. India requires urgently the raising of the price level, and if the ratio question has any bearing on it, we should be prepared to face the facts, regardless of what the Government might have done in the past. But as there seems to be some difference of opinion as to the advisability of any interference in that respect at once, it is safer for a layman like myself to trust the assurances of the Honourable the Member for Finance and his able lieutenant here. But I may point out to them with all humility that the position has considerably changed since the moment when sterling and gold commenced to mean two different things. In spite of the eloquent speech of the Honourable Mr. Taylor the other day, on the prudence of letting "distress gold" fly away as quickly as possible, this fortuitous export will, according to our provincial minds, react as a great setback to the future credit of the country. Sir, while the Government of the United States of America are seen to inflate currency towards the raising of prices, it is very difficult for us to remain content with considerable deflation, which, thanks to the present ratio, the Indian currency admittedly resulted in, and particularly when the lowering of the ratio is recommended by many big men in India as a measure calculated to give the much-needed relief to the cultivator.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I think that this House may recognise without self-congratulation that the judicial tone and impartiality of the speeches made this morning afford Government ample justification for the course which they have recommended the other House to adopt, and which that House has adopted, of having a Joint Committee so that the

inevitable rapidity with which this important piece of legislation must be considered will not be incompatible with the fullest and most impartial consideration from all sides. In particular, Sir, I would like to congratulate the Honourable Maharaja of Dinajpur on what I think is his maiden speech and I would also like to congratulate the agriculturists on having found a stalwart champion of their interests. Sir, I can assure this House that the interests of the agriculturist will not be lost sight of in the course of the forthcoming legislation. In various places throughout the Bill you will find that particular provision is made for cooperative societies and for particular facilities for agricultural credit. In addition, Sir, I might point out that the main departure from the old Imperial Bank system is the greater degree of provincialization. I am afraid that we cannot go quite so far as the Honourable Mr. Hossain Imam suggested and have separate Boards for Bihar and possibly for Orissa also. If Orissa happens to be separated—

THE HONOURABLE SIR DAVID DEVADOSS : Sind possibly also.

THE HONOURABLE MR. J. B. TAYLOR—and also possibly for Sind but I think that it will be recognised that in the Bill we have made a considerable step in advance in securing representation for what may be called the mofussil or upcountry interests.

I do not wish in the short time available to deal with all the points raised in this long and interesting discussion. Many of them, as the Members themselves recognise, can be suitably dealt with at the Joint Committee stage. There is, however, one question which was left for consideration by the Joint Committee on which I would like to say something and that is, I would like to put in a small word of protest on behalf of the Imperial Bank. I, Sir, have been a Governor of the Imperial Bank off and on for more than six years and from that inside knowledge I can testify how unfounded many of the charges made against it are. I am afraid that the Imperial Bank in some respects has had to assume the unfortunate position of a whipping boy. In olden days when a king was crowned at a very early age, the authorities who realised that he had to have a certain amount of discipline appointed a small boy in poor circumstances to be brought up with him. It was high treason to whip the king if he did anything wrong, so they whipped the small boy instead in the hope that the king's tender heart would be affected by the cries of the small boy. Sir, the Imperial Bank of India is to a certain extent in the position of that small boy. The credit policy of the last ten years may not have seemed justified. Personally I think that it was justified and that the present strong position of India is due to our policy of the last ten years but undoubtedly it was our policy ; the credit policy was laid down by the Government of India and the Imperial Bank had to follow it. I know myself, Sir, and—if it is not abusing the privilege of the House—I would say that you know, too, that there have been occasions when not only the elected Governors of the Imperial Bank but the nominated Governors also when they felt that Government's action was too stringent and stern have protested to Government. Therefore, Sir, I think it quite unfair to blame the Imperial Bank in this matter and not to lay the blame, if it is blame (which I deny) on the proper shoulders, that is, on those of the Governor.

Now, Sir, I would turn to the two main points which have emerged from this morning's discussion. The first is that of the ratio and the second is that



[Mr. J. B. Taylor.]

of a State and Shareholders' Bank. In the first place, Sir, I should like to make it quite clear that the proposed Reserve Bank legislation does not contemplate that the Reserve Bank when it comes into being will be able to do what it likes with the ratio. The Honourable Mr. Mehrotra said that all Central Banks have this power. I do not know where he derived this information. Central Banks are bound to operate within the lines laid down for them by legislation and those lines universally preclude any interference with the currency basis of the country. We can lay down by legislation either a fixed ratio in gold or a fixed ratio in sterling and it will then be the business of the Reserve Bank to maintain it. No Central Bank in the world is allowed to alter the exchange value of its currency with other countries. That is a duty which is reserved, which must be reserved, for the executive Government of the country. It is a matter of such overwhelming importance to all the interests concerned. For that reason, Sir, Government do not consider that the ratio issue arises with regard to this Joint Committee at all and that, we are glad to see, is also the line of policy laid down for us by the Committee which examined the proposals in London which are the basis of the present Bill.

I said in my introductory speech that, if we were actuated by financial considerations alone, we would have been very doubtful whether to introduce a Bill at this stage but that financial conditions being reasonably favourable and the constitutional factors being overwhelming we decided that there was only one course open to us and that was to go forward. But that does not mean that everything is to be revised. It would be lunacy to consider any revision of the ratio at the present time and it would be even greater lunacy to entrust the consideration of that question to a Joint Committee which must debate more or less in the open. I must say, Sir, that I was impressed by the Honourable Mr. Henderson's remarks on this point. He criticised, and I think with considerable justification in view of what has happened, the past procedure by way of Commissions. But, Sir, in the past India had no alternative. The management of the currency was in the hands of the Executive and the only outside authority whom we could call upon to offer us advice was a Commission in spite of the disadvantage that its examination must be done in the open. In the future we will have an independent, and we hope an expert, body appointed by an independent authority in India which will be able to tender us advice if and when they consider that occasion arises. But that advice will be secret. It will not be conveyed from the top of a platform to the advantage of the speculator. For that reason, Sir, I must make it abundantly clear that the ratio question does not and cannot arise in connection with the present discussions.

I would now turn, Sir, to the question of a State or Shareholders' Bank. I would like to clear one preliminary issue out of the way. The present legislation is not proposed to be permanent. The Bill which we have put forward provides for the possibility of reconsideration by fresh legislation after 25 years and whether that reconsideration should take the form of buying out the shares at a fixed price or of liquidating the Bank is, I submit, a question which might be left to the Legislature to consider at the time when it arises.

The fundamental proposition at present is to secure reasonable stability in the difficult early years of the new constitution, and such stability will be impossible if there is any underlying fear on the part of the shareholders that their contract may be terminated at comparatively short notice. For that reason, I submit that we need not consider too closely at present the date of termination. What we do want to have is a reasonably long period, and that period should be left to the Joint Committee to examine in the light of the paramount consideration of ensuring stability until the new constitution is in real working order.

I now turn, Sir, to the real question which lies at the root of this Bill, and that is, whether the new Bank should be a State Bank or a Shareholders' Bank. There has been a considerable confusion of thought here, because, after all, it must be a question of degree. It is impossible to have a Bank which is entirely a State Bank. There are obvious objections to that. It is equally impossible to hand over the enormous interests of Government, particularly of the Government in India, to a body entirely and finally responsible to shareholders. There must be some compromise. The compromise in this Bill weights the scales very definitely in favour of the shareholder. The shareholders are to appoint eight Directors, Government are to nominate four, and there will be a Managing Governor appointed by the Governor General after consideration of the recommendations of the Board. This makes five against eight. That is a very definite weighting of the scales in favour of the shareholders.

There was one other point that was raised, and that was whether by voting for the present Resolution this House would be committing itself definitely to the proposition of a Shareholders' Bank. On that, Sir, I feel that I can do no better than repeat the words of the Honourable the Finance Member in another place. He said :

"I wish to leave Honourable Members in no sort of misunderstanding as to our position. On the one hand, we do not wish to put a pistol at the heads of Honourable Members opposite and say to them that after three days' debate they must regard themselves as committed to the principle of a Shareholders' Bank, or otherwise to vote against the Bill or to refuse to serve on the Committee which may be elected. On the other hand, I wish to leave them under no sort of misapprehension. We have considered this matter very carefully. We have not had three days but many months and even years to consider it and we can see no other way of achieving that purpose which I have just described except through the method of a Shareholders' Bank."

That I think makes the position of Government in the matter clear.

Finally, Sir, the Honourable Mr. Hossain Imam at the conclusion of his speech said that even though other Central Banks were subject to a certain amount of Government control, the position was different in this country because the interests of Government and the interests of the country were divergent. Here I confess to an attitude almost of despair. If that is to be the attitude in which the new constitutional proposals are to be approached, I can see no way out. On the other hand, Sir, I would ask this House to let the past bury its past and to look at the proposals as they stand as a fair proposition by His Majesty's Government to make the transfer of financial responsibility a practical proposition subject to the inevitable qualifications which the circumstances of the present day demand.

Sir, I move.

**THE HONOURABLE THE PRESIDENT : Motion made :**

“ That this Council do concur in the Resolution passed in the Legislative Assembly recommending that the Bill to constitute a Reserve Bank of India be committed to a Joint Committee of the Council of State and of the Legislative Assembly with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 28 members.”

The motion was adopted.

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**MOTION RE JOINT COMMITTEE ON THE IMPERIAL BANK OF INDIA (AMENDMENT) BILL.**

**THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) :** Sir, I move :

“ That this Council do concur in the Resolution passed in the Legislative Assembly recommending that the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, be committed to a Joint Committee of the Council of State and of the Legislative Assembly with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 28 members.”

Sir, this Resolution deals with a Bill which follows necessarily on the Reserve Bank of India Bill which we have just discussed. At present the Imperial Bank of India is the Government banker, a function which it inherited from the Presidency Banks from which it has been developed. As a necessary consequence of these duties Government has exercised special powers of control over, first, the Presidency Banks and, later, the Imperial Bank. In the present Imperial Bank of India Act Government have the right to approve of the appointment of the Managing Governor, they have the right to call for any figures or information which they may desire from time to time ; and they have also the right to appoint four nominated Governors and to depute an official to attend the meetings of the Board, though without the right to vote. If a Reserve Bank is created, it is obvious that Government's relationship will be primarily with that Bank and not with the Imperial, and that the work which the Imperial Bank will continue to do on behalf of Government as banker at those places where there is no branch of the Reserve Bank should be governed by an agreement not with Government but with the Reserve Bank. For this reason, power is given in the present Bill to the Imperial Bank to enter into an agreement with the Reserve Bank and those portions of the present Act which give the Government of India direct contact with the Imperial Bank are being removed, that is to say, those sections which enable Government to approve of the appointment of a Managing Governor and four nominated Governors. The only specific power which Government propose to retain is that enabling them to call for a direct investigation of the financial affairs of the Bank if they consider this necessary.

The opportunity has also been taken to amend the Act in various ways to facilitate its working in matters of detail. It was hurriedly drafted and passed in the rush immediately after the war when many important problems had to be considered and when the transformation of the Indian monetary and credit system as a result of the war made it imperative that the old Presidency system

should be replaced by something more modern, more comprehensive and efficient. The amendments intended to serve this minor, though important, purpose look somewhat formidable and it is probable, as indicated in the statement of objects and reasons that as a result of the further experience in the last six years one or two more amendments of a technical nature may also be suggested by the Bank to Government for consideration at the committee stage.

We naturally do not ask the House to commit itself to all these proposals at this stage. The point which I wish to make is that the questions at issue are so intimately connected with that of the Reserve Bank that it seems suitable that they should be considered together and by a Committee composed of the same persons as those who will be examining the Reserve Bank Bill.

Sir, I move.

THE HONOURABLE THE PRESIDENT : Motion made :

“That this Council do concur in the Resolution passed in the Legislative Assembly recommending the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, be committed to a Joint Committee of the Council of State and of the Legislative Assembly with instructions to report on or before the 20th November, 1933, and that the Joint Committee do consist of 28 members.”

The motion was adopted.

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#### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : With your permission, Sir, I suggest that on Monday, the 18th September, the requisite motions for the nomination of Members to serve on the two Joint Committees on the Reserve Bank of India Bill and the Imperial Bank of India (Amendment) Bill may be moved. On that day also I suggest that you might be pleased to direct the taking, with one day's curtailment of the normal period of notice, of the motions to consider and pass the Bills which have been laid on the table today.

On Monday, the 18th, I hope to be in a position to announce further dates on which the Council will be required to sit.

THE HONOURABLE THE PRESIDENT : I accept the suggestion made by the Leader of the House and I suspend the Rules and Standing Orders and all the three Bills which have been laid on the table today will be proceeded with on Monday next.

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The Council then adjourned till Eleven of the Clock on Monday, the 18th September, 1933.