

Monday, 20th March, 1933

THE
COUNCIL OF STATE DEBATES

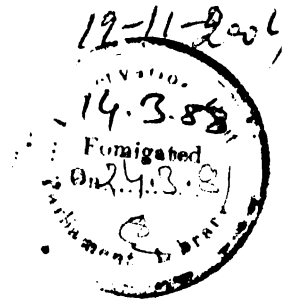
VOLUME I, 1933

(16th February to 15th April, 1933)

FIFTH SESSION

OF THE

THIRD COUNCIL OF STATE, 1933



PUBLISHED BY MANAGER OF PUBLICATIONS, DELHI.
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI.
1933.

CONTENTS.

	PAGES,
Thursday, 16th February, 1933—	
Members Sworn	1
Notification of the appointment of the Honourable Sir Maneckji Dadabhoy as President of the Council of State	1
Congratulations to the Honourable the President	2—5
Questions and Answers	6—13
Statement laid on the table	13
Messages from His Excellency the Governor General	14
Committee on Petitions	15
Governor General's Assent to Bills	15
Bills passed by the Legislative Assembly laid on the table	15
Congratulations to recipients of Honours	16—17
Negotiable Instruments (Amendment) Bill—Introduced	17
Presentation of the Railway Budget for 1933-34	18—24
Death of Sardar Bahadur Shivdev Singh Uberoi	24—25
Statement of Business	25
Saturday, 18th February, 1933—	
Questions and Answers	27—50
General Discussion of the Railway Budget	51—70
Monday, 20th February, 1933—	
Questions and Answers	71—73
Statement laid on the table	73—74
Motion for the election of three Members to the Standing Committee for Roads—Adopted	75
Motion for the election of six non-official Members to the Central Advisory Council for Railways—Adopted	75
Indian Marine (Amendment) Bill—Considered and passed	75—78
Negotiable Instruments (Amendment) Bill—Considered and passed	78—80
Children (Pledging of Labour) Bill—Considered and passed	81—84
Indian Forest (Amendment) Bill—Considered and passed	84
Tuesday, 21st February, 1933—	
Member Sworn	85
Resolution re Purchase of stores through the Indian Stores Department—Withdrawn	85—93
Resolution re Restoration of the cut in salaries only when the surcharge of 25 per cent. is abolished—Negatived	93—100
Statement of Business	100
Tuesday, 28th February, 1933—	
Member Sworn	101
Ottawa Trade Agreement Rules, 1932, laid on the table	101—09
Presentation of the General Budget for 1933-34	110—19
Nominations for election to the Standing Committee for Roads	119
Nominations for election to the Central Advisory Council for Railways	119—20
Statement of Business	120

	PAGES.
Saturday, 4th March, 1933—	
Questions and Answers	121—42
Motion for the election of four non-official Members to the Standing Committee on Emigration—Adopted	142
Motion for the election of two non-official Members to the Standing Committee to advise on subjects, other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands—Adopted.	142
General Discussion of the General Budget	142—206
Monday, 6th March, 1933—	
Questions and Answers	207—17
Short Notice Question and Answer	217
Congratulations to His Excellency the Commander-in-Chief on his promotion to the rank of Field Marshal	218
Resolution <i>re</i> Reference of important Government Bills to joint select committees of both Chambers—Negatived	219—25
Resolution <i>re</i> Increase in the present number of cadets annually admitted to the new Indian Military Academy, Dehra Dun—Negatived	226—33
Wednesday, 8th March, 1933—	
Questions and Answers	235—37
Resolution <i>re</i> Telegraph poles—Adopted	237—44
Resolution <i>re</i> Representation of the Council of State on the Indian Delegation to the Joint Select Committee of Parliament—Withdrawn	244—53
Election of four Members to the Standing Committee on Emigration	253
Election of two non-official Members to the Standing Committee for the Department of Education, Health and Lands	254
Statement of Business	254
Monday, 13th March, 1933—	
Questions and Answers	255—75
Resolution <i>re</i> Papers of the third Round Table Conference and White Paper to be laid on the table—Withdrawn	276—78
Resolution <i>re</i> Scales of pay and allowances of future entrants to the Superior Services—Negatived	278—88
Wednesday, 15th March, 1933—	
Resolution <i>re</i> (1) Withdrawal of the notification exempting salaries from Indian income-tax and (2) imposition of Indian income-tax on Indian sterling loans—Negatived	289—302
Resolution <i>re</i> Grant of a lump sum gratuity to families of non-gazetted Government servants who die while in service—Withdrawn	303—11
Resolution <i>re</i> Preference to Indian steamship companies for the carriage of mails on the coast—Withdrawn	311—18
Resolution <i>re</i> Abolition or reduction in the posts of commissioners of divisions—Negatived	318—35
Resolution <i>re</i> Withdrawal or reduction of the surcharge on the carriage of coal—Withdrawn	335—45
Monday, 20th March, 1933—	
Questions and Answers	347—50
Legal Practitioners Amendment Bill—Introduced	350
Resolution <i>re</i> Amendment of the Imperial Bank Act, 1920 (XIV of 1920)—Negatived	361—35

Monday, 20th March, 1933—*contd.*

Resolution <i>re</i> Appointment of a Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement—Adopted, as amended	865—69
Resolution <i>re</i> Reduction of sterling commitments and replacement thereof by rupee commitments—Adopted	869—73
Resolution <i>re</i> Increased seats for landlords in the reformed central and provincial Legislatures—Withdrawn	373—76
Statement of Business	377

Wednesday, 22nd March, 1933—

Member Sworn	379
Questions and Answers	379—82
Bills passed by the Legislative Assembly laid on the table	382
Motion <i>re</i> Amendment of Standing Orders 22 and 54 of the Council of State—Negatived	382—88
Motion <i>re</i> Amendment of Standing Orders 16 and 70 of the Council of State—Negatived	388—97
Ballot for the election of three Members to the Standing Committee for Roads	397
Ballot for the election of six non-official Members to the Advisory Council for Railways	397
Statement of Business	397—98

Friday, 24th March, 1933—

Cotton Textile Industry Protection (Amendment) Bill—Considered and passed	399—403
Wheat Import Duty (Extending) Bill—Considered and passed	403—12
Elections to the Standing Committee for Roa's and the Central Advisory Council for Railways	412—13
Statement of Business	413

Monday, 27th March, 1933—

Questions and Answers	415—19
Statements laid on the table	419—41
Bill passed by the Legislative Assembly laid on the table	442
Motion <i>re</i> Consideration of the White Paper on Indian Constitutional Reforms— <i>not concluded</i>	442—72

Tuesday, 28th March, 1933—

Questions and Answers	473—75
Motion <i>re</i> Consideration of the White Paper on Indian Constitutional Reforms	475—513
Statement of Business	513
Appendix	514

Wednesday, 29th March, 1933—

Member Sworn	515
Bill passed by the Legislative Assembly laid on the table	515
Salt Additional Import Duty (Extending) Bill—Considered and passed	515—23
Statement of Business	523—24

Friday, 31st March, 1933—

Indian Finance Bill, 1933—Considered and passed	525—67
Statement of Business	567

Wednesday, 5th April, 1933—

Questions and Answers	569—73
Statement laid on the table	573
Bill passed by the Legislative Assembly laid on the table	573
Statement of Business	573—74

Friday, 7th April, 1933—

Indian Tariff (Ottawa Trade Agreement) Supplementary Amendment Bill—Considered and passed	575—78
Statement of Business	578

Saturday, 8th April, 1933—

Question and Answer	579
Statement laid on the table	579—82
Bills passed by the Legislative Assembly laid on the table	582

Monday, 10th April, 1933—

Provincial Criminal Law Supplementing Bill—Considered and passed	583—90
Auxiliary Force (Amendment) Bill—Considered and passed	591—92
Statement of Business	592

Tuesday, 11th April, 1933—

Short Notice Question and Answer	593—94
Bill passed by the Legislative Assembly laid on the table	594
Statement of Business	594

Wednesday, 12th April, 1933—

Bill passed by the Legislative Assembly laid on the table	595
---	-----

Saturday, 15th April, 1933—

Indian Merchant Shipping (Amendment) Bill—Considered and passed	597—606
Indian Income-tax (Amendment) Bill—Considered and passed	606—14
Safeguarding of Industries Bill—Considered and passed	614—20
Indian Tariff (Amendment) Bill—Considered and passed	626—27

COUNCIL OF STATE.

Monday, 20th March, 1933.

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

QUESTIONS AND ANSWERS.

ADMINISTRATIVE ARRANGEMENTS IN SORTING OFFICES OF BOMBAY, CALCUTTA AND MADRAS.

169. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI: (a) Will Government be pleased to state whether it is a fact that owing to the special conditions obtaining in the presidency towns, the sorting work is centralised in a separate sorting office so as to afford facilities to the public to post letters till a late hour and for the performance of the sorting work quickly and efficiently by a special trained staff?

(b) Is it a fact that recently the Madras General Post Office and some of the town sub-offices were required to perform detailed sorting of unregistered letter mail articles and to make up labelled bundles for over 150 offices?

(c) Is it a fact that in most of the post offices, officials who have duties other than sorting work are compelled to assist the sorting clerk after they have finished their day's work?

(d) Is it a fact that the sorting work performed by the town sub-offices in Bombay and Calcutta is not of such a detailed nature as that recently introduced in Madras?

(e) Is it a fact that the clearances of all outside letter boxes situated in very busy localities in Madras City are made half an hour earlier than before?

(f) Has it been represented to Government that the changes introduced in the sorting work cause difficulties to the public, the department and the staff? If so, do they propose to abandon those changes? If not, why not?

THE HONOURABLE MR. J. A. SHILLIDY: Administrative arrangements within an office are matters within the competence of the head of the office and Government have no reason to believe that facilities which have hitherto been afforded to the public have been lessened in any way by the changes to which the Honourable Member refers.

RECOMMENDATIONS OF THE GOVERNMENT OF INDIA ON THE APPOINTMENT OF A STATUTORY RAILWAY BOARD.

170. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: 1. Has Government been asked to state its opinion on the appointment of a Statutory Railway Board by Whitehall?

2. If so, will Government be pleased to state its recommendations?

THE HONOURABLE SIR GUTHRIE RUSSELL: 1. Yes.

2. I regret the matter is strictly confidential at the present moment, and I cannot give any information on the point.

THE HONOURABLE MR. G. A. NATESAN : Has the idea of a Statutory Railway Board as adumbrated in the White Paper met with the acceptance of the Government of India ?

THE HONOURABLE SIR GUTHRIE RUSSELL : As I have said, the matter is confidential at the present moment and I cannot give any information.

PLACING OF THE APPOINTMENT AND CONTROL OF THE RAILWAY BOARD UNDER THE FEDERAL ASSEMBLY.

171. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Has it been represented to Government that there is a strong feeling in India to the effect that the appointment and control of the Railway Board must be placed under the Federal Assembly ?

(b) If the answer to the above question is in the affirmative, has Government voiced this feeling ?

(c) If the answer to part (a) is in the negative, will Government be pleased to state what steps it took to ascertain the Indian view point ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a), (b) and (c). In framing their views on the subject Government paid full attention to the opinions expressed on this question during the Railway Budget debates in the past.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Has it been forwarded to the Secretary of State ?

THE HONOURABLE SIR GUTHRIE RUSSELL : All budget debates go to the Secretary of State.

SEPARATION OF BURMA.

172. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) What is the position of Government in regard to the separation of Burma ?

(b) Is Government satisfied with the position produced by the Resolution adopted by the anti-separatists in the Burma Council just after the election of the new Council on the question ?

INVITATION OF BURMESE DELEGATES TO THE JOINT PARLIAMENTARY COMMITTEE.

173. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is it the intention of Government to recommend to the Secretary of State for India to invite Burmese delegates to the Joint Parliamentary Committee ?

(b) If the answer to the above question is in the affirmative, what will be their number ? If it is in the negative, will Government be pleased to state reasons ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : With your permission, Sir, I propose to answer questions Nos. 172 and 173 together. I am not in a position to supply the Honourable Member with any information. The matters referred to are entirely for His Majesty's Government.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Has no inquiry been made from the Secretary of State by the Government of India ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : That is more than I am allowed to tell.

REASON WHY THE AIR MAIL OF 7TH MARCH, 1933, WAS NOT TAKEN OVER BY IMPERIAL AIRWAYS AT KARACHI.

174. THE HONOURABLE MR. E. MILLER (on behalf of the Honourable Mr. Bijay Kumar Basu) : 1. Will Government be pleased to indicate the reason why the air mail that left Delhi on the 7th March last was not picked up by Imperial Airways at Karachi on the 8th ?

2. Is it a fact that the air mail from Delhi reached Karachi at 9-03 A.M. on the 8th March last and that although the Imperial Airways machine did not leave Karachi till 9-10 A.M. on the 8th March it could not take up the Delhi mails because the mails had not been sorted ?

3. Is it a fact that the air mails posted at Delhi on the 7th would not reach their destination till a week after their normal time of arrival ? Have Government received complaints of the consequent disappointment of the public and possible great injury to business ?

4. What steps do Government propose to take for preventing a recurrence of delays like this ?

THE HONOURABLE MR. J. A. SHILLIDY : 1. The late arrival of the aeroplane of the Delhi-Karachi Air Service at Karachi was responsible for the misconnection. The machine was delayed by engine trouble combined with strong head winds, by reason of which the pilot was only able to reach Gadro Road before nightfall on the 7th March.

2. The air mail from Delhi reached Karachi at 9-8 A.M. on the 8th March, and the Imperial Airways machine left Karachi at 9-15 A.M. The interval of seven minutes was too short for the requisite operations in connection with the transfer of air mails from the Delhi-Karachi plane to the Imperial Airways plane.

3. Yes.

4. Arrangements have since been made for the preparation of a direct air mail bag from Delhi for London containing correspondence for the United Kingdom. This bag will be transferred unopened to the Imperial Airways plane in cases of delay in the arrival of the Delhi-Karachi plane at Karachi.

Arrangements have also been made to place an aerodrome floodlight at Hyderabad to permit of night landings being made by the Delhi-Karachi mail aeroplane and thus enable a certain amount of time to be made up when the aeroplane is delayed on the early part of the flight.

THE HONOURABLE MR. E. MILLER : Is it a fact that on this occasion the French Air Service offered to carry our Delhi air mails free of cost as an act of courtesy and that, although the postal authorities at Karachi communicated with the authorities here, the general public were deprived of this facility? If so, can Government give any adequate reason for an explanation of this?

THE HONOURABLE MR. J. A. SHILLIDY : Sir, by the time the information reached us that the French aeroplane was willing to do this, that machine had already left Karachi.

LEGAL PRACTITIONERS AMENDMENT BILL.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, I beg leave of the House to introduce a Bill to amend the Legal Practitioners Act, 1879.

Sir, the object of the Bill is to remove an anomaly due to the interpretation of clause (f) of section 13 by various High Courts in India. Clause (f) of section 13 was never intended to punish legal practitioners for activities which did not come under section 13, I mean activities not connected with their profession. Under the Legal Practitioners Act the High Courts have jurisdiction to disbar or suspend practitioners for activities as defined in sections 12 and 13. Under section 12 the High Court can disbar or suspend any legal practitioner for any offence committed by him involving moral turpitude. Clauses (a) to (e) of section 13 deal with improper behaviour and misconduct on the part of a legal practitioner. I will not go into details at this stage. Briefly, clauses (a) to (e) of section 13 empower the High Court to disbar or suspend a legal practitioner if he is found to have committed an act which is grossly improper or if he has engaged touts or bribed people to bring him clients. And the last clause is a residuary clause which says that for any other reasonable cause the High Court has got the power of suspension. Certain High Courts in India—in my province the Judicial Commissioner's Court—have taken action under this clause, which I submit does not come under the purview of this clause. I find authority for this statement of mine in 3 Lahore Full Bench Case of the Privy Council. So my intention in moving this Bill is to remove this anomalous position and to bring, if there are any doubts, the present law in consonance with the ruling in 3 Lahore Privy Council Case.

With these words, Sir, I move.

THE HONOURABLE MR. M. G. HALLETT (Home Secretary) : According to the convention which is followed in this House, Government do not propose to oppose in any way the introduction of this Bill. They leave themselves free to decide in future stages what action they will take.

THE HONOURABLE THE PRESIDENT : The question is :

“That leave be given to introduce a Bill to amend the Legal Practitioners Act, 1879.”

The motion was adopted.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : Sir, I beg to introduce the Bill.

**RESOLUTION RE AMENDMENT OF THE IMPERIAL BANK ACT,
1920 (XLVII OF 1920).**

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, I rise to move :

“That this Council recommends to the Governor General in Council to introduce legislation to amend the Imperial Bank Act, 1920 (XLVII of 1920), so as to empower the bank to lend on mortgages of agricultural estates.”

In moving this Resolution I do not think I need dwell on the shortage of agricultural credit which has taken place during the last five years, owing to depression in the prices of agricultural produce. This depression is so world-wide, that even a rich country like America, with its hoards of gold has found it necessary to declare a moratorium. In a country like India where the agricultural population mainly depends on the small credit that it can get from the money-lender or the local banks the fall in prices has completely closed down all credit. The fact is that not only credit has been closed, but liabilities of the agriculturists have been increased a hundredfold. I have to say, and say it with deep regret, that neither the Government of India nor the Provincial Governments have taken any steps to relieve the agriculturists from this heavy burden and to bring about adjustment of their liabilities in relation to the present prices of their produce. Germany faced with a similar position declared a moratorium, which, I believe, is going to lead to liquidation of agricultural debts. What is the Government of India going to do? We hear a great deal of lip sympathy for the agriculturists, but when it comes to any substantial measure of relief, the poor agriculturist is left alone to face his difficulties himself. Take the case of the Imperial Bank. It is a Bank which receives money from agriculturists. It is said to be a State Bank, and yet it is barred from helping agriculturists whose money it banks. Now, I hope this Council will agree with me that this is neither right nor equitable. The State Bank in India, to be worthy of its name, must recognise its obligation to the agriculturists, for India is an agricultural country. You, Sir, can enquire from any Provincial Government and you will find that they are receiving applications from large land-holders to take their estates under the Court of Wards, merely because they cannot raise money to meet their obligations, others are selling off and the small zemindars are being crushed under the heavy burden of debt. I therefore hope this Honourable House will agree with me that under certain fixed conditions, such as a certificate of the Collector of the district as to the valuation of the income of the land, and provision of good management the Imperial Bank should have the power to lend on mortgages of land.

I do not question the wisdom of the authors of the Imperial Bank of India Act, 1920, in imposing certain restrictions on the activities of this Bank but desire to emphasise, firstly, the inadequacy of any financial organisation to meet the wants of the landlord class ; and secondly, the different conditions prevailing and the needs felt and to be satisfied in an agricultural country like ours.

I concede the principle that a central or a commercial bank cannot lock up its funds in long term accommodation, but there is a great difference between locking up funds and judiciously advancing to the landlord class. Permissive legislation of this type, leaving the discretion in the matter of advance against agricultural estates to experienced bankers, seeks to avoid

[Sardar Buta Singh.]

the dangers attendant on any policy which may result in freezing the assets of a bank, but keeps the door open to advances to landlords to a moderate extent where necessary.

A very interesting parallel is afforded by the United States of America. In 1913 when the Federal Reserve Bank Act was passed, agricultural advances were precluded from the sphere of activity of the Reserve Banks. Experience, however, taught them how impossible it was to neglect the wants and refuse a hearing to the claims of the farmers. I do not propose to go into the details of the Federal Farm Loan System which has been set up to assist the land-holding element. Both the Joint Stock Banks and Co-operative Credit Societies furnish investment funds and the working capital to farmers. Apart from the Federal Land Banks which have been set up, what I particularly wish to draw the attention of this House to is the Agricultural Credit Act of 1923, which empowers the Federal Reserve Banks, not the Land Banks only, to discount agricultural demand paper. In this wise the central institution indirectly supports agricultural finance. It seems to me desirable that the Imperial Bank should also take up seriously the question of financing agriculture and find ways which have been followed in other countries.

My primary object for drawing attention to this matter is to bring into prominence the lack of credit facilities afforded by the Government and the Bank to agriculturists and particularly to large land-holders. It is an acknowledged fact that agriculture is the foundation of the welfare of this country, and it is not correct to say that this primary industry cannot offer adequate security to cover any credit that is required. Indeed the whole position has been complicated by driving out the *sahukar* and taking no measures to replace him. The Imperial Bank and Exchange Banks refuse credit facilities and the result is that the position of the landlord is continuously deteriorating.

The Imperial Bank Act should be so modified as to permit the bank to devote a part of its funds in affording credit to agriculturists. This can be done by two ways :

- (1) The bank should have a mandate to lend money to estates under the Court of Wards which are under Government management.
- (2) It should also lend money to individuals in whose case the Government is prepared to give an undertaking that in case of default the estate would be taken over by the Court of Wards.
- (3) The bank may appoint its own trustees to take over the possession of an estate and to administer the estate for the benefit of the Bank till the loan is liquidated.

The suggestions that I have made will in my opinion safeguard the bank completely and at the same time afford facilities for the development of agriculture and relief of large landlords in all provinces of India.

It is my opinion and the opinion of a vast number of people in the country that no bank doing business in India should be permitted to carry on work, without taking a license and in this license there should be a condition that a part of the working capital of the bank should be utilised in assisting agriculture. I am not making this recommendation on my own authority. The recommendation was made by the Central Banking Inquiry Committee appointed by the Government of India itself, "that all banks should take a

license". I wish that these licenses should have a provision that a license could only be granted and renewed if the banks undertook to devote part of their capital in financing agriculture.

I hope, taking into consideration the great need of the people of India, the Government will accept this Resolution.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non Muhammadan) : Sir, I am in sympathy with the objects of the mover of the Resolution, but I fear the remedy suggested is most impracticable. The mover wants an amendment of the Imperial Bank of India Act. I am afraid the Imperial Bank cannot lock up their money on mortgages on land. The Imperial Bank must always have ready cash to meet any emergencies as after all they are agents of the Government and the shareholders. Therefore I fear any amendment of the provincial Act will not give facilities to the land-holders for borrowing. As I have already indicated these Imperial Banks must always have ready cash, fluid cash, and their money cannot be locked up on the loans on mortgage of property. I dare say the House is aware when money is lent on these properties, there is difficulty in realising the money. They have to go to court and the court always passes two decrees, one called the preliminary decree and the other the final decree. This takes about six months and the court always takes a sympathetic view of the debtor and gives time under the Transfer of Property Act to redeem the property by payment of decree amount. Therefore six months must elapse before the decree becomes final. And after it becomes final it takes two years to bring the property to sale. And therefore there is a lot of difficulty in the Imperial Bank coming to the rescue of people for the purpose of advancing loans. But the Government have recently started various agricultural land mortgage banks and in the Punjab I find according to the latest report of the Indian Central Banking Inquiry Committee there are about 12 land mortgage banks in the Punjab itself. In Madras itself a bank was recently started. The idea in starting these banks is to advance money through the banks, the interest on debentures are guaranteed by Government. People who wanted long term loans could very well apply on the security of the lands to the land mortgage banks.

THE HONOURABLE SARDAR BUTA SINGH : There are no land mortgage banks in the Punjab.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Nor in the United Provinces.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : It is in the report, paragraph 206, page 279. There are 12 mortgage banks in the province of the Punjab. Co-operative mortgage banks means the mortgage of landed property ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Which province ?

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : The Punjab. I am reading from the Report of the Indian Central Inquiry Committee.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That is wrong,

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : Therefore, I think the Government should undertake to advance large sums of money through these newly started banks to help the land-holders. It is difficult for the Imperial Bank to go and lock up its money. Even now there is a provision to lend money to banks such as land mortgage banks. As a matter of fact they cannot lend on mortgage of property under the present Act. They can only lend on Government securities, shares and bills of lading but I do not think they can lend on property. But my Honourable friend's proposition to amend the Act—if it is amended it will be full of difficulty and impracticable. Therefore the only suggestion I would throw out, while sympathising with the objects of the mover, is that the Government could very well indicate their sympathy by pressing Local Governments to advance through the central land mortgage banks. These land mortgage banks were started to relieve the burden of the land-holders who want long term loans.

For these reasons, Sir, I am sorry I cannot support the Resolution.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA (Bihar and Orissa : Nominated Non-Official) : Mr. President, I rise to give my whole-hearted support to the Resolution which has been moved by my Honourable friend from the Punjab. I shall confine my observations to the facts that have reference to the class to which I have the honour to belong, viz., land-holders.

Sir, this world-wide economic depression has worked havoc among them. Many valuable zemindaries have been sold for Re. 1 for default of revenue because their proprietors have not been able to realise money from their tenants. The prices of agricultural produce have gone down. The poor tenants are unable to make both ends meet. They have no money to maintain themselves and their families, not to speak of their paying their rents to the landlords, who they know, under the existing law can realise after a good deal of delay and even as a last resort get only land. The land-holders have therefore to go about and borrow money for the preservation of their ancestral property. Often they have to pay unusually high interest and agree to harrasing terms. But nowadays they do not succeed even in that, the money market being so tight, and have to allow their properties to be put under the hammer for default of Government revenue and cess.

Sir, although the situation has been aggravated by the economic depression, the landlords are even in ordinary times in need of money for the preservation and improvement of their zemindari. They cannot undertake any capital expenditure, howsoever profitable, because, in the first place, they cannot get sufficient money on easy terms, and, in the second place, even if they do effect any improvement they find themselves in a difficult position afterwards on account of the terms imposed upon them by their creditors.

The system adopted by co-operative societies has, as experience shows, failed to bring relief either to landlords or tenants. Rather, they bring about hardship to both in a peculiar way.

In fact, the position today is that the credit of agricultural estates has considerably gone down and unless some steps are taken to enable the interests subsisting on agriculture to rehabilitate it the most important stay of the people of this great agricultural country will very greatly deteriorate.

I hope, Sir, that the Government will see their way to accepting this Resolution and thus give proof that they are prepared to lend a helping hand

to a class who have always remained loyal to them and who are on the verge of extinction.

With these few words, Sir, I support the Resolution.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I rise to support the Resolution. The Honourable Maharajadhiraja of Darbhanga, whom I congratulate on his maiden speech, has depicted the sad plight to which the land-owning classes have been reduced on account of the unprecedented depression in agriculture. Speaking of my province, let me tell the House that, while the United Provinces Government have given generous remissions of rent to the tenants, the grievance of the land-owning classes is that remissions in land revenue have not been granted in the same proportion as remissions in rents ; although the tenancy law lays down that remissions in rent shall be in the same proportion as remissions in land revenue. The result is that the land-holders of the United Provinces are hard hit and the bulk of them cannot find money to pay up their land revenue, much less to make the two ends meet. Consequently, a number of zemindars are compelled to have recourse to borrowing. Now, there are two pieces of legislation in contemplation by the United Provinces Government. One of them is meant to impose restrictions on the alienation of land and the second to impose restrictions on money-lenders. The result of these two pieces of legislation, if they are passed, will naturally be that agricultural credit will receive a great blow and the land-holding classes will not easily be able to borrow money because money-lenders will be loath to advance loans under the changed conditions. The House can very well imagine to what plight the zemindars will be further reduced on account of the proposed legislation. And now the demand of the land-owning classes in the United Provinces is that the Government should establish land mortgage banks to take the place of the private money-lender and thus to come to the rescue of the land-owning classes. My friend the Honourable Mr. Chetti has said that the zemindars could have recourse to land mortgage banks to borrow money. Well, if there are land mortgage banks in the country I think the zemindars will be only too glad to have recourse to them. But I waited in vain till my Honourable friend finished his speech to know if he would tell us how many land mortgage banks already existed in the country.

THE HONOURABLE MR. H. M. MEHTA (Bombay : Non Muhammadan) : Are there not co-operative credit societies ?

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : I have mentioned that.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : In my province the co-operative societies do not lend money to zemindars on mortgages of land.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Their operations are limited.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Their operations are limited. They advance loans to cultivators. Now I learn from my Honourable friend Sardar Buta Singh that there are no land mortgage banks in the Punjab. Nor are there any such banks in the United Provinces.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Neither in Bengal.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan): None in Bengal.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: My Honourable friends from Bengal say that there are no such banks in Bengal either. Perhaps such banks exist in Madras alone from where my Honourable friend Mr. Chetti comes ?

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI: There is a land mortgage bank in Madras.

THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER (Madras : Non-Muhammadan): There are land mortgage banks in Madras but their actions are very limited.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Unless therefore the Government are in a position to establish land mortgage banks in the country I think they must make the amendment in the law as suggested in this Resolution and empower the Imperial Bank to advance money on mortgages of land.

I think, Sir, this is a very reasonable proposal and the Government should see their way to accept the Resolution.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan): Sir, I give my whole-hearted support to this (Resolution which suggests giving relief to the zemindar who stands much in need of it. Sir, it is a matter of common knowledge that of all the people in the country, the zemindar has been hit the hardest by the present economic depression. Sir, nearly two-thirds of the population in the country is engaged in agriculture. Therefore, Sir, anything that concerns the welfare of the zemindar must have a primary claim on the attention of the community and of the Government which manages things in the interests of the community. Sir, it is on this account that the problem of the indebtedness of the agricultural population always claimed great attention in all attempts that have been made to ameliorate the condition of the people in the country. Sir, this Resolution which has been moved by my Honourable friend Sardar Buta Singh suggests a method by which this indebtedness may be somewhat reduced by making loans available to the zemindars on terms which are much easier than those on which they are able to borrow money from the ordinary money-lenders. Sir, owing to some cause or other, the failure of the monsoon and so forth, the zemindar has always been forced to fall into debt. Ordinarily, the money-lender takes undue advantage of the need of the zemindar and charges a very high rate of interest. The result is that even though the zemindar, on account of dire necessity, consents to the rates stipulated, he finds ultimately that he is not at all in a position to repay the money he has borrowed, and he goes on borrowing time after time and ultimately is brought to the very verge of ruin. If this state of things is to be prevented, I think that some such method as has been suggested by the mover of this Resolution should be adopted.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General): Sir, I rise to support the Resolution which has been so ably moved by my Honourable friend Sardar Buta Singh. I am glad to find that the biggest landlord in this Honourable House has also supported this Resolution. I really could not follow the argument of my Honourable friend from Madras. He started with the presumption that there are already

established land mortgage banks in all the provinces. So far as the Central Provinces and Berar are concerned, I can say that there are no land mortgage banks there and whatever co-operative banks there are, they do not lend money to the zemindars or malguzars. The petty malguzars and even the big malguzars are in a very bad condition owing to the present economic depression. The credit of these people has gone down and they find it very difficult to get money at a lower rate of interest in the market. The suggestion of my Honourable friend Sardar Buta Singh is a very innocent one and I hope it will relieve the difficulty of the malguzars and the land-owning classes of my province. The Local Government of the Central Provinces has recently passed an Act, namely, the Debt Conciliation Act, with a view to bring down the indebtedness of the agriculturists and the tenants, but they have not taken any action so far for lending at a lower rate of interest to the agriculturists as well as to the malguzars. The law that exists in my province about payment of land revenue to the Government is so strict and so rigid that if a malguzar fails to pay his land revenue on a particular date or within a time fixed after that date by the Government, not only does his property go, but he also has to go in the civil jail. In these circumstances, Sir, I think the suggestion of my Honourable friend is a very reasonable one and I accord to it my whole-hearted support.

THE HONOURABLE SIR EDWARD BENTHALL (Bengal Chamber of Commerce): Sir, I am naturally in sympathy with the objects which the Honourable mover and his supporters wish to achieve, because we all recognise that the question of agricultural indebtedness is one of the biggest problems in front of the country today, but I do not think that the mover has hit upon the right Resolution to solve this problem. If he had moved a Resolution for the creation of land mortgage banks or some other remedy of that sort, I might have been able to support him, but in its present form I am afraid I cannot do that. I am a Director of the Imperial Bank, but I am not speaking in that capacity, because I have no ideas as to what the views of the Bank are on this subject. But my purely personal views are that the Resolution would be unwise and not for the general benefit of the country. Agricultural loans are probably the most rigid form of loans for a bank to invest its money in. Banks all over the world who have got involved in this form of loan have recently got their assets so frozen that they have had to close their doors in many cases. We may take a case fairly nearer at home. We have the position of the Chetty banking community in Burma. There, owing to the fall in the value of paddy lands against which they had made advances when paddy lands were worth more than what they are today, the community is very seriously involved. The property is there, but it has not only depreciated in value but it has become unsaleable. We may take another case. The Honourable Maharajadhiraja of Darbhanga, whom I may congratulate on his brief and lucid maiden speech, has pointed out that properties in his district have been sold for one rupee. Obviously a bank which involved itself in that way and had to carry losses of that sort would not last very long. Turning to Bengal, we have the present situation of the loan companies there. The Honourable mover mentioned the United States of America as an interesting parallel. It is an interesting parallel to note that in the last two or three years of 24,000 banks which existed in that country some 6,000 have already closed their doors, and we of course know the situation which has arisen out of the recent banking crisis. That was largely due to the locking up of funds in immoveable property. Now, it is unsound for any bank other than one specially created for the purpose to tie up its money. But it is particularly

[Sir Edward Benthall.]

unsound for the Imperial Bank, which is the Central Bank for India, the bankers' bank, and has to keep its money particularly free. Even if this Resolution were passed, it would not probably achieve its object, because if the Boards of the Imperial Bank were doing their jobs, they would be unwise to lend any very large sums on agricultural estates for the reasons which I have given. So that, from that point of view it would not achieve its object.

There is one other point which I think should not be lost sight of, and that is this, that very shortly, in the very near future, we hope there will be a Reserve Bank. When that Reserve Bank is created it will be necessary to alter the Imperial Bank Act throughout, and it would be a more suitable occasion in my opinion to examine the question of a revision of this nature when the revision of the Imperial Bank Act is taken in hand.

For these reasons I regret I cannot support the Resolution before the House.

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative) : Sir, I rise to support this Resolution because the principle is not derived from any text books on political economy and the theory of commerce, which is based on commercial practice. Land has never been the subject of commerce. Land tenures in England are well known to be so intricate that there is a special branch of law and learning dealing with it. It is the same in India, where land tenures are even more various and intricate. Political economy therefore deals almost entirely with moveable property and cash, and it has little to do with what is called real property. Therefore consideration of this question and arguments about it arise out of two different points of view. The commercial man requires ready money to be able to transfer it from one business to another or to send it from one country to another. The commercial man wants cash in hand. The agriculturist does not want cash in hand. He has put his money into the land and his labour into the land—more labour than money usually—and he looks for a return at the end of the year. In the meantime he has no necessity to change his plough into something else or his bullocks into something else. His business goes on. The object of banks as they stand now is to turn over the money as fast as possible and the faster they can do it the better ; whereas the agriculturist requires a source of money which is steady and which does not make demands out of season which put him in a difficulty. What has happened in my province is rather amusing. When the British administration took over control with its Transfer of Property Act and other Land Acts, nothing was done to protect the agriculturist at all. In the usual way a man mortgaged his land and the mortgagee brought a suit and foreclosed. That gave a tremendous advantage to the money-lending class. In fact I know of some villages in my province which are entirely owned by the Marwaris. Although the poor people cultivate the land by agreement, the cream of the land, the whole profit goes to the money-lender, and the money-lenders prosper tremendously. But in the last three years what has happened is that the crops have failed, and the money-lenders who now own the land have had to make good the Government assessment out of their own capital. If they did not, the land was brought to sale or Government would confiscate it. So in the first year the money-lender paid up. But the next year the same thing happened. The money-lender, the owner of the land, cannot himself go into the fields and cultivate the land. He has to employ these poor people, the original owners, and he has to pay them to work for him. And when the time for payment of assessment came he again had to pay out of his own pocket because the return from the land was not sufficient.

The third year the same thing happened, and what was the consequence. I know of certain Marwaris who, not having money to pay their assessment have had to let go their land. They enjoyed the profit in good times, but when there is a loss they have to suffer. I know of a large number of cases where the land is left uncultivated because the Marwari owner has not got the money to cultivate it. He cannot do it personally and he has to pay ready money wages to get it done, and where is the ready money to come from. So the Marwaris are losing their estates and I am very pleased. I know of a village the whole of which was owned by a Marwari who had taken it over on mortgages. But in the lean years which have come he has been unable to pay for the land and all the land has gone back to Government and the Government will let it out under some other settlement. I have laughed at his dispossession.

But this sort of thing gives rise to other thoughts. Land is a thing which a man likes to own. He hates to part with it. I know of people who own quite small plots of land which have been in their family for generations. They take pride in the fact that land has been handed down in direct descent for 400 or 500 years. But the British law has altered that in many cases. There is simply one rule—if you do not pay up the revenue assessed the land is confiscated. This has seriously reduced the old yeomanry of India; the people who stuck to the land and fought for the land and would rather die than give it up. That class is dying out and in their place we have now merely mercenary owners. That may or may not be good economy, but it really is not good politics. We want to instil again that ancient yeoman spirit into the people who own land, the pride of possession and love for land, the desire to stick to it and work for it and to lay down their lives for it. I have thought long over this matter. I did not know how to give expression to my feelings. But fortunately this Resolution has come up and it gives me the opportunity of saying that, although our laws may be very good for commercial purposes, for administrative purposes and the real good of the people, we ought again to foster the old love of the land. Under Indian rule no *miras* land could ever be sold by any creditor. It was known as *miras* land. Under that tenure the landlord could not raise the rent, and even if the rent was not paid the landlord could not take the land away from you. I had to study these matters once for a different purpose. Government then said, "We will give land on 30-year leases and that will be *miras* land." I said, No, it is not *miras*, because even within that 30 years, if I fail to pay revenue you will take away the land." *Miras* land could never be sequestered, could never be attached or taken away. There was a great administrator in Bombay who wrote out the first law and the first book on that subject. Ultimately old tenures have been abolished—old tenures which gave men pride in their property—

THE HONOURABLE THE PRESIDENT: We are pressed for time today and the Honourable Member will kindly limit himself strictly within the four corners of the Resolution.

THE HONOURABLE MR. G. S. KHAPARDE: Then I shall finish in two words. The old spirit should be revived. I submit that this idea is good and for the present if nothing more can be done, the bank can certainly have a department called the mortgage department. Instead of starting new institutions, it is better to have a sub-division called the mortgage department. On these two grounds, better administration and agricultural interests, I support this Resolution.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) : Sir, I do not think that it is necessary for anybody rising in these Benches in this House to say how fully Government realise the importance of preserving agriculture in India in a sound and healthy condition. We realise that agriculture is the hub of the whole Indian financial structure and that if the agriculturist is not prospering the rest of India also cannot prosper. At the same time I am afraid that the wording of the Resolution is not one which we can accept. The method of assistance proposed is not one which we, or I think anybody with financial experience, could accept as the proper method for meeting the object desired. Bank assets must be liquid, that is to say, a bank cannot lock up its money in such a way that if need arises it cannot draw upon its resources without undue delay or loss. That is true of all banks and particularly of a bank like the Imperial which holds Government balances and which must be the centre of the financial and credit structure of the country. There is an idea that there is a great deal of Government money in the Imperial Bank. What is the fact ? The real fact of the matter is that by far the largest part of the money is deposited by the public ; Rs. 75 crores has been deposited by individuals in this country as compared with approximately Rs. 7 crores by Government. If that money is lost, who suffers ? Not an impersonal entity, the Imperial Bank, or any vague entity, the Government, but the individual who has deposited his money either for no interest or at very low rates of interest in order to have it secure ; and the difficulty is that, as the Honourable Sir Edward Benthall and Diwan Bahadur Narayanaswami Chetti have pointed out, land mortgages far from being liquid are the most frozen investment which anybody can make. The complexities of land law are such that for reasons which possibly are very sound it is very difficult indeed to recover any loan particularly at a time of agricultural depression. I read the speech of the Honourable Mr. Jagdish Prasad as one of the strongest condemnations of the actual proposal. He pointed out that in the United Provinces as a result of economic depression measures were being taken to make it less easy for money-lenders to recover their debts. The Honourable Mr. Khaparde related with great glee the predicament of various Marwaris. I wonder whether the country would share his glee if the Imperial Bank of India was to be placed in the same predicament.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : On a point of personal explanation, Sir. I said that the United Provinces Government contemplated legislation whereby restrictions were going to be placed on private money-lending so that agricultural credit would receive a shock and it would not then be easy for the zemindars to borrow money. Therefore some agency should be set up to replace private money-lenders.

THE HONOURABLE MR. J. B. TAYLOR : I heard the Honourable Mr. Jagdish Prasad ; I admit that that is his point and that is my point too. Money-lending will be made more difficult. If the Honourable Mr. Jagdish Prasad was getting up in the United Provinces Legislative Council to suggest that measures should be taken to facilitate money-lending to agriculturists by approved institutions, it would be a different question, but to come up in the Central Legislature without suggesting any modification of the land law of the provinces and ask that some new lender should be found to lend on worse security strikes me as an entirely different and much less acceptable proposition. I also consider that there is a certain amount of vagueness as to the actual position. The question was exhaustively examined by the Banking Enquiry Committee. That Committee cost Rs. 13 lakhs, and I was very sorry to see that in spite of the large expenditure of money its report had obviously not

been read by many of the contributors to the debate. We find from it what steps have already been taken. There are 12 co-operative mortgage banks in the Punjab ; there are several in other provinces. At the same time I do not wish to press that point, because land mortgage business has not developed to the extent to which it may be considered desirable and the Banking Enquiry Committee which exhaustively examined the question made recommendations for the promotion of land mortgage banks. That is a question which depends entirely on the provinces and will depend on the provinces to an even greater extent under the new constitution. It would be quite impossible at present with variations of land law all over India for one all-India institution to undertake to lend money on mortgage. That is a matter which must first be cleaned up in the provinces concerned. Later on when the provinces have cleaned it up, have brought borrower and lender together, it may be possible for the Imperial Bank or the Reserve Bank or whatever bank may be in charge of the credit of the country to make advances on a proper financial basis, but the first stage must be examined in the provinces, and that is what we have asked the provinces to do.

I would also like to add that advance on mortgage is not the only way nor I hope the principal way in which financial assistance may in future be rendered to the agriculturist. The Reserve Bank Bill proposed that demand bills on agricultural produce should become one of the main features of the credit structure of this country, that is to say, that the agriculturist should have greater facilities for obtaining money on a more liquid security, namely, his crops, and if he can obtain his help in that way we can hope that the need for mortgaging his property will become less insistent.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I enquire whether the loan will be on standing crops before the harvesting is finished or on stored produce ?

THE HONOURABLE MR. J. B. TAYLOR : So far as I remember, the Bill was that six months' credit should be given. The initial credit would be given by the local bank which I presume would advance on standing crops as well as on produce ; that was one of the reasons for wanting six months and not three ; but it is premature to go into those details at present. My point is that these are questions which can be discussed, and which will be discussed when the Reserve Bank comes forward for consideration. At present the Imperial Bank happens to be our Government bank, but we all recognise that as at present constituted it cannot fulfil all the functions of a Government bank and that is why a Reserve Bank was held to be necessary to co-ordinate the credit structure of the country. When that stage arrives, I am sure that everybody will recognise the fundamental importance of giving agriculture its proper place. I submit, Sir, that this is not the proper way, nor the proper time, in which this matter should be approached, but at the same time I would make it clear that Government view the object underlying the Resolution very sympathetically and that when the time comes, that is to say, when the Reserve Bank comes under discussion, it will be considered and Government will insist on the paramount importance of giving proper facilities on a proper financial basis for the development of agriculture in this country.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (Punjab : Non-Muhammadan) : Sir, I rise to support the Resolution

12 NOON. which has been so ably moved by my friend, the Honourable Sardar Buta Singh, and very well supported by the Honourable Maharaja-dhiraja Sir Kameshwar Singh of Darbhanga. Sir, I expected from the

[Rai Bahadur Lala Ram Saran Das.]

Honourable Mr. Taylor with the great sympathy and regard which he has for the cultivator and for the land-holder, a favourable reply. The reply which he has given is very disappointing. Sir, the Honourable Sardar Buta Singh has observed that the *sahukar* has not been replaced. As far as the Punjab is concerned, the object of the Punjab Land Alienation Act was to save the poor land-holder from the clutches of the petty money-lender and to better his condition. What has happened in the Punjab? The money-lending classes which used to lend money before are fast disappearing and a money-lending class out of the agricultural classes themselves has arisen which is charging extortionate rates of interest. From the Blue Book of the Punjab Commissioner of Income-tax, I understand, Sir, that the poor cultivator and the small land-holder does not like to have anything to do with the agricultural class money-lender. The name of the Rohtak district is specially mentioned where such agriculturist money-lenders have charged exorbitant rates of interest. Sir, there is no doubt that money lent against agriculture is money locked up to a certain extent but the plight of the land-holders is such that they do require this protection and that protection can only come in case Government comes to their rescue. The demand made by the Honourable mover of the Resolution is a very good one and Government should, in order to support its declared policy for the benefit of the zemindar, translate that assurance into practice.

Mr. Taylor has observed that there are 12 co-operative banks in the Punjab doing the business of lending money against land mortgage. May I ask Mr. Taylor what is the capital of these 12 banks? I know that their capital is very small and that their advances against land mortgage are very limited and wherever money has been advanced against land mortgage very high rates of interest have been charged by these banks. So, Sir, the total capital of all the co-operative banks in the Punjab has not yet reached even one-hundredth the amount of the money which I understand amounted to over 90 crores of rupees which the old condemned money-lender had put in as agricultural advance. I have got no sympathy for those money-lenders who charge very high rates of interest but all the same I would like such money-lenders to be replaced by some sort of an institution by which the agriculturist may get money at cheaper rates of interest and be not in the sad position in which he is at present. (Hear, hear.)

Sir, the Honourable Mr. Taylor has also observed that in the Imperial Bank, although the Government deposits are only Rs. 7 crores, the public deposits are about Rs. 75 crores. Out of these Rs. 75 crores, a good bit has been put into this bank by the agriculturist and it is only fair that from the income that the bank makes from the money of the agriculturist they must in return give some help to their brother agriculturists who are not so well off as those who have put in deposits in the bank.

Sir, the assurance given by Mr. Taylor that, when the new Reserve Bank comes into existence, then the present Imperial Bank Act will be revised does not give any indication of how these land mortgages will be benefited. He has simply said that then money may be advanced on standing crops or on the produce. As far as standing crops are concerned, I do not think that that will materialise very much, but as regards the produce, even now under the present Imperial Bank Act, money can be advanced to anybody against produce whether he is an agriculturist, industrialist or a trader. So no new departure from the present practice is contemplated. Sir, as there has been a very disappointing reply from Mr. Taylor as to how the land-holder will be benefited,

I hope this Council will unanimously adopt this Resolution and thus come to the rescue of the land-holder.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa ; Muhammadan) : Sir, I have not got very much to say about this Resolution as practically everything has already been said by the previous speakers. Sir, we welcome the change in the attitude of the Government of India, which is not as adamant as it had been on previous occasions. While we welcome the change, I am sorry to say that there is nothing substantial in the promise held out by Mr. Taylor. The needs of the agricultural classes cannot be met by promises only, they must be translated into action. Sir Edward Benthall remarked on the illustration given by the Maharajadhiraja of Darbhanga—that a property was sold for one rupee—as an argument against advancing money by the Bank. I regard it as one of the arguments in favour of it. It cannot be said that that property was not worth one rupee. It was due to the fact that there was no competition in the market that the price sank to such an extent. The *real value* of the property does not decrease because of the absence of purchasers. It is more economical to buy the property at a cheap price and thereby make a greater profit on it than to pay a high price and derive a smaller income from it. Take the Government securities, they have appreciated and thereby the yield has decreased because there are more people in the market to purchase securities than formerly when Government had to pay $7\frac{1}{2}$ per cent. for their short term accommodation.

Sir, Mr. Taylor has also stressed the fact that the assets should be liquid. The liquidity of assets depends not on the fact whether they are repayable in a shorter or longer period. The bank buys long term securities, but because there is a ready market for it they are not afraid of purchasing long term Government securities. If the Government were to enter this field of agricultural property, it is not only the Imperial Bank alone which will be able to finance the agriculturist, but their entry would also influence other banks to enter this line of business and thereby a market will be created, a demand set up, and the prices will go up and not come down as they are doing at present. It will in a way largely remove all the disadvantages of frozen credit which we hear of now. Sir, if there is one thing that has been made clear by those who are in support of this motion and those who oppose it, it is that the position of the agriculturists at the present moment is very precarious. It is so precarious that no one is ready to help and no one regards agricultural property as of any utility. If this is the condition of 75 per cent. of the people, is it a condemnation of Government or is it something in support of them ? Because we form 75 per cent. of the population and our position is very bad, is it unreasonable that we should ask the Government to intervene and help us in certain ways ? This Resolution does not seek to force the hands of the Government to take any particular line of action, nor does it force the Imperial Bank to lend its money on good, bad or indifferent securities. It simply wants to take away the statutory bar which exists in the way of agricultural loans. It will remain entirely in the hands of the Imperial Bank whether they regard a person as a good customer and advance money to him or whether they regard him as a bad customer and do not advance any money to him. There are at present two bars, namely, that money cannot be advanced on agricultural property, and that it cannot be advanced for more than six months. These are greatly hindering us. If this Resolution is agreed to, we will not be forcing the Imperial Bank to go out of its way and finance money to unsound customers. Therefore there need be no fear that our assets will be so frozen that they cannot be recovered and the plight of the money-lenders and *mahajans*, which has been cited here, would apply to the Imperial Bank

[Mr. Hossain Immam.]

as well. As far as the proposal of the Reserve Bank is concerned, that the demand bills on agricultural produce will be treated as negotiable and advances made on them, that does not cure our ills. It is only when there is a dearth of agricultural produce and the crops fail that we want accommodation. Ours is not a day-to-day business. Our business comes in yearly. We cannot pay back in six months' time. It is for these reasons that I commend this Resolution to the House and hope that this House will give a definite opinion in favour of the agricultural classes.

Sir, I support the Resolution.

THE HONOURABLE SARDAR BUTA SINGH : Sir, I have carefully listened to what the Honourable Members have said and particularly to those Members who have opposed my Resolution. They have raised certain objections to which I would like to answer. It has been repeatedly said that the Bank cannot afford to look up its funds. I would like to point out that, as it is, the Imperial Bank is investing in long term securities and if a little portion of their funds is invested in agricultural property, it will not interfere with the working of the Bank at all as liquid assets are only necessary to a certain extent to meet unforeseen demands. As regards the formation of the Reserve Bank, I think its formation is still in the air and I do not think we need worry very much at this time about what is going to happen in the future. Besides, my Resolution has been put in such a mild form that the Imperial Bank is not compelled by it to advance money, but will be at liberty to do so whenever they consider it safe and advisable. The Honourable the Finance Secretary has not however told us what steps the Government propose to take in order to help the agriculturists, and in the absence of any immediate scheme to finance the agriculturists, I have no option but to press my Resolution to the vote of the House.

THE HONOURABLE THE PRESIDENT : Resolution moved :

"This Council recommends to the Governor General in Council to introduce legislation to amend the Imperial Bank Act, 1920 (XLVII of 1920), so as to empower the bank to lend on mortgages of agricultural estates."

The question is :

"That this Resolution be adopted."

The Council divided :

AYES—21.

Banerjee, The Honourable Mr. Jagadish Chandra.
Buta Singh, The Honourable Sardar.
Gounder, The Honourable Mr. V. C. Vellingiri.
Habibullah, The Honourable Nawab Khwaja.
Hafeez, The Honourable Khan Bahadur Syed Abdul.
Halim, The Honourable Khan Bahadur Hafiz Muhammad.
Hossain Imam, The Honourable Mr.
Jagdish Prasad, The Honourable Rai Bahadur Lala.
Jalan, The Honourable Rai Bahadur Radha Krishna.
Kalikar, The Honourable Mr. Vinayak Vithal.

Kameshwar Singh, The Honourable Maharajadhiraja Sir, of Darbhanga.
Khaparde, The Honourable Mr. G. S.
Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.
Moti Chand, The Honourable Raja Sir. Naidu, The Honourable Mr. Y. Ranganayakalu.
Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Raghunandan Prasad Singh, The Honourable Raja.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Sinha, The Honourable Kumar Nripendra Narayan.
Suhrawardy, The Honourable Mr. Mahmood.

NOES—24.

Bartley, The Honourable Mr. J.
 Benthall, The Honourable Sir Edward.
 Chetti, The Honourable Diwan Bahadur
 G. Narayanaswami.
 Choksy, The Honourable Khan Bahadur
 Dr. Sir Nasarvanji.
 Coburn, The Honourable Mr. M. R.
 Cotterell, The Honourable Mr. C. B.
 Devadoss, The Honourable Sir David.
 Drake, The Honourable Mr. J. C. B.
 Dutt, The Honourable Rai Bahadur
 Promode Chandra.
 Fazl-i-Husain, The Honourable Khan
 Bahadur Mian Sir.
 Ghosal, The Honourable Mr. Jyotsnanath.
 Ghosh Maulik, The Honourable Mr.
 Satyendra Chandra.

Hallett, The Honourable Mr. M. G.
 Israr Hasan Khan, The Honourable Khan
 Bahadur Sir Muhammad.
 Johnson, The Honourable Mr. J. N. G.
 Maqbul Husain, The Honourable Khan
 Bahadur Sheikh.
 Mehta, The Honourable Mr. H. M.
 Miller, The Honourable Mr. E.
 Murphy, The Honourable Mr. P. W.
 Natesan, The Honourable Mr. G. A.
 Noon, The Honourable Nawab Malik
 Mohammad Hayat Khan.
 Russell, The Honourable Sir Guthrie.
 Shillidy, The Honourable Mr. J. A.
 Taylor, The Honourable Mr. J. B.

The motion was negatived.

RESOLUTION *RE* APPOINTMENT OF A COMMITTEE TO ENQUIRE
 INTO AND REPORT ON THE WORKING OF AND RESULTS
 ACHIEVED FROM THE OTTAWA AGREEMENT.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab :
 Non-Muhammadan) : Sir, I rise to move the Resolution which stands in
 my name and which runs as follows :

" This Council recommends to the Governor General in Council to appoint a Committee
 with a majority of non-official Members of the Central Legislature to enquire into and
 report on the actual working of and results so far achieved from the Ottawa Agreement
 and to consider and recommend to Government measures calculated to increase the
 export trade of this country."

Sir, my object in moving this Resolution is not that I want to re-discuss
 the Ottawa Agreement. What has prompted me to move it is the grave
 financial crisis now prevailing in the United States of America and of its
 dangerous consequences. The rumours are that the United States will either
 go off the gold standard or that it will depreciate its dollar. If the United States
 do decide, as I understand, to depreciate the dollar, by about 25 per cent., it
 will play havoc with the Ottawa Agreement and with the rest of the world and
 particularly with India. In the interests of India I request Government to
 look ahead and to appoint this Committee, so that whenever that grave crisis
 has to be faced by India we may be prepared for it and not lose time and money
 due to the effects produced by the devaluation of the United States dollar.
 As far as the results of the Ottawa Agreement are concerned, one cannot expect
 very much in the short period during which it has been in force. But, Sir,
 I want to safeguard Indian interests in the near future, and as the outlook
 seems very gloomy and very grave I want the Government to seriously consider
 this matter and to act.

With these words, Sir, I commend my Resolution for the favourable
 consideration of this House.

THE HONOURABLE MR. J. C. B. DRAKE (Commerce Secretary): Sir, with your permission I should like to move an amendment to the Resolution moved by my Honourable friend the Leader of the Progressive Party. My amendment, Sir, runs as follows :

“ This Council recommends to the Governor General in Council to appoint a Committee of this Council with a majority of non-official Members to enquire into and report on the actual working of and results achieved from the Ottawa Agreement and on the result of the measures taken to increase the export trade of this country.”

Sir, by the courtesy of my Honourable friend the mover of this Resolution I have been enabled to have a discussion with him on the subject of his Resolution, and I want to say at once on behalf of Government that we welcome the principle which lies behind the Resolution which he has moved. The object which I have sought to achieve in moving a slightly modified formula for this Resolution is this. This House is aware that Government agreed on a motion in the Legislative Assembly to appoint a Committee of that body for certain purposes in connection with the Ottawa Agreement. Now, it seemed to me that, as there is in any case to be a Committee of the other House, it would hardly be proper to appoint another Committee of the Central Legislature as a whole, which would of course include Members of the other House, to consider much the same point, and to cover very much the same ground. I have therefore in the first place in my amendment substituted the words “ a Committee of this Council ” for a Committee of the Central Legislature.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan) Council means : Council of State ?

THE HONOURABLE MR. J. C. B. DRAKE : I think the wording there sufficiently conveys my meaning. If anybody wants to move any further amendment to that I shall be quite ready to consider it.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Let it not be merely a spectacular Committee, but a real one.

THE HONOURABLE MR. J. C. B. DRAKE : That I think my Honourable friend, Sir, will find is safeguarded by the terms of my amendment.

Now, Sir, in explaining shortly why Government have shown themselves to be quite ready to accept the principle of my Honourable friend's Resolution, I want to say this. As I explained when speaking on the Ottawa Agreement Bill last December, Government at the outset were obliged to take a decision very quickly. They were invited to go to the Imperial Economic Conference at Ottawa to discuss and to decide what they were going to do in a particular set of circumstances. It was quite obvious, Sir, at that time that there was no possibility of Government being able to appoint committees or to move resolutions or anything else. They had to decide what was the right thing to do and they took the step which they believed was the correct step. They then placed before the Legislature actual proposals in the form of legislation which were required to implement the Agreement which they had made. But, Sir, both in the other House and in this House, on behalf of Government the statement was made very clearly that they wished not only the Legislature but the country itself to be placed in a position to judge for itself whether this Agreement which they had made was in the best interests of the country or not.

That, Sir, has always been their intention. They are perfectly certain that unless the Legislature is satisfied that the continuance of this Agreement is in the best interests of the country that Agreement will not be continued and Government, Sir, would not have it otherwise.

Now, Sir, if this amendment which I have moved is carried, the result will be, as I see it, something like this. The amendment does not state the time when this Committee will be appointed. Now, my Honourable friend, the mover of the Resolution, has stated in his speech, and as I believe perfectly rightly, that it is impossible to expect to be able to judge yet of the results of this Ottawa Agreement. I explained in my speech on the Bill that although certain of the preferences given by the United Kingdom to India came into operation from the 1st of April, 1932, others did not come into operation till a very much later date and some of the very important ones, notably the preference upon linseed, did not come into effect until the 1st January, 1933, that is to say, the same date from which the reciprocal preferences which we are giving took effect. Clearly, Sir, it would be impossible to obtain any useful material at the present moment or for some little time to come which would enable this House to judge whether that Agreement has been a success or not. I have endeavoured to ascertain what the trading results have been this year as compared with last year, but it is perfectly clear that those results are valueless from the point of view of the object of this Resolution. Then, Sir, as I say, no special date has been stated in this amendment. It will clearly be the duty of Government to see that when the Committee is appointed all available information is laid before it and what has been contemplated is that we shall obtain from all those sources which are open to us all the information relating to trade, alterations in trade and comparative figures of that kind and place them before any Committee that is appointed. It will then of course be open to that Committee to state if it so wishes in what respects information laid before it appears to be insufficient to enable it to come to a decision. They may say "On this first year's working we do not see that there has been much result", or "we realise that the period has not been sufficiently long to enable us to judge of the results. We also consider that Government should place before us facts and figures of a slightly different kind to what they have given us so far." Suggestions can of course be made by a Committee of that kind. As regards the actual date for the appointment of the Committee, I do not think it is necessary to make any statement on that point now. It will obviously be open to any Member of the House, if the Resolution in this amended form is carried, at any time to ask for the appointment of the Committee, to ask when the Committee is going to be appointed, by means of a question or in any other way. That, Sir, is all that I need say on this in moving my amendment.

The House might possibly be interested if I gave them a very brief outline of what we are already doing, because Government have already started work in this direction. There are, in the first place, alterations which will have to be made in our sea-borne trade returns. The House may remember that in certain cases we had not all the information possible in regard to separate commodities which were to enjoy preference. Those alterations in sea-borne trade returns are now being taken up. Then it is necessary for us largely to work through Local Governments, particularly in the case of agricultural produce, and steps are being taken in that direction. Then again, we have skilled technical bodies in the Imperial Council of Agricultural Research and the Committees appointed by that Council. To them will undoubtedly be entrusted a good deal of the work not only of fact-finding but also in regard to

[Mr. J. C. B. Drake.]

such measures as may be possible to exploit these preferences, to see that they are not wasted, and to assist trade generally. That is, roughly and shortly the line upon which we are now proceeding. The results of that work would be laid before any Committee that may be appointed in pursuance of this Resolution.

I think, Sir, that is all I need say, and with these words I commend the amendment which I have moved for the consideration of the House.

THE HONOURABLE THE PRESIDENT : Amendment moved :

“ That for the original Resolution the following be substituted :

‘ This Council recommends to the Governor General in Council to appoint a Committee of this Council with a majority of non-official Members to enquire into and report on the actual working of and results achieved from the Ottawa Agreement and on the result of the measures taken to increase the export trade of this country ’.”

Under the circumstances the Honourable Mr. Suhrawardy's amendment will lapse as it is incorporated in this amendment.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : I am quite satisfied, Sir, as my object is achieved.

THE HONOURABLE THE PRESIDENT : Discussion will now proceed on both the motions.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I accept the amendment, Sir.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, the aims and objects of the Resolution sponsored by my Honourable friend Rai Bahadur Lala Ram Saran Das are indeed commendable and as such it should have the unanimous support of this Honourable House. Although it may be said by the other side of the House that sufficient time has not elapsed when it has become necessary to have the actual working and result of the Ottawa Pact examined by a Committee with a majority of non-official Members of the Central Legislature, I think, Sir, despite the fact that the Agreement is to be operative for a period of three years, it is high time that such a Committee as asked for by my Honourable friend was appointed by Government at least to convince us by facts and figures that the Ottawa Pact has brought in its wake economic prosperity in our country. Sir, Government were loud in praise of the various aspects of the Agreement when the Ottawa Bill was on the tapis and as such it would now ill-become them not to accept the Resolution putting forward some flimsy pleas.

As for the second part of the Resolution, proper measures should be adopted by Government to see that the export trade of the country in which there is already a remarkable slump, is increased from day to day ; and therefore they should lose no time in appointing a Committee to go into this matter for the purpose clearly defined by the Honourable the mover. Sir, it is very gratifying to observe that the Honourable Mr. Drake has accepted the principle of the Resolution this morning.

With these few words, Sir, I support the Resolution of my Honourable friend, Rai Bahadur Lala Ram Saran Das.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, as I have already told the House, I accept the amendment of my Honourable friend Mr. Drake. In that connection, I simply want to put forward a constructive proposal, that before this Committee is appointed Government should consider the question of all-world exchanges. I understand that a world economic conference is soon to be held, and in that case the Government of India should be represented in that conference in order to have its say and to put forward its proposal that in future every currency of the world should have a fixed ratio to the sterling, it will give a great impetus not only to Indian trade but to the world trade. The grave banking crisis which is now troubling the United States of America is quite unprecedented, and time should not be lost to consider and devise measures to safeguard the interests of India. Its effects should be watched in case it so happens it will be most detrimental to India. I hope that the Government of India will take the earliest opportunity to appoint this Committee and inform us of the work they do. I am obliged to Mr. Drake for the assurances he has given and I hope this House will unanimously support my Resolution as amended.

THE HONOURABLE THE PRESIDENT : The Honourable Member, I understand, now withdraws his original Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, Sir.

THE HONOURABLE THE PRESIDENT : Before I take the sense of the Council on the substituted Resolution, is it your pleasure that leave be given to the Honourable Member to withdraw his original Resolution ?

(No objection was raised.)

The original Resolution was, by leave of the Council, withdrawn.

THE HONOURABLE THE PRESIDENT : Amendment moved :

" That for the original Resolution the following be substituted, namely :

' This Council recommends to the Governor General in Council to appoint a Committee of this Council with a majority of non-official Members to inquire into and report on the actual working of and results achieved from the Ottawa Agreement and on the result of the measures taken to increase the export trade of this country '."

The question is :

" That that Resolution be adopted."

The motion was adopted.

RESOLUTION *RE* REDUCTION OF STERLING COMMITMENTS AND REPLACEMENT THEREOF BY RUPEE COMMITMENTS.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move :

" That this Council recommends to the Governor General in Council to reduce sterling commitments and replace them by rupee commitments."

With your permission, Sir, I should like to add the words " as far as practicable " at the end.

(Permission granted.)

[Mr. Hossain Imam.]

Before I speak on the merits of the Resolution, I should like, with your permission, to say a few words about the genesis of this Resolution. When I sent in my Resolution about Indian income-tax being charged in England, I was perfectly sure I would not be able to get it passed by this House. Therefore I tried to have for myself a second line of defence, and for this reason I sent in this Resolution, so that if we cannot mend our sterling commitments we may be able to end them as far as possible. During the debate on that Resolution I told Mr. Taylor that the Government of India should not take up the cudgels on behalf of England, and try to save her, when there were a sufficient number of people there to look after England's interests. When making the suggestion, Sir, I never thought that the British Government would take up the challenge so soon as they have done in the White Paper. By their recommendation No. 186 they have taken away even the small power that we had of imposing income-tax on sterling pensions, etc. By the new proposal which they are going to make to the Joint Parliamentary Committee that power will not exist. And it is, therefore, Sir, imperative that we should try now to reduce as far as practicable all our sterling commitments. Sir, in order to understand how great are our sterling commitments, I should like to remind the House that in the last financial year we had to spend from current revenue the enormous sum of Rs. 38 crores in order to finance our sterling outgoings. Out of those Rs. 38 crores, Sir, there were two very important items, Rs. 20·78 crores spent on paying interest on our sterling loans and Rs. 12·38 crores required to meet our defence expenditure in England. By this Resolution, Sir, I wish to ask the Government to try and as far as possible to reduce our sterling outgoings. The proportion of our sterling expenditure comes to the enormous figure of 29 per cent., so it cannot be said that it is a small item in our expenditure and therefore we can leave it to take care of itself. I think the amount of Rs. 38 crores is enormous but it does not cover all our sterling requirements. In addition to that, according to Sir George Schuster we have to meet every year about Rs. 15 crores on account of private requirements of sterling in the shape of shipping charges, transferred profits of English firms, and requirements of private individuals. In addition to that, Sir, we have the provincial expenditure in England. But I am not so unreasonable as to ask the Government that they should reduce all these charges. My concern with the Government of India is only for these Rs. 38 crores. I would not have brought this Resolution, Sir, if I had found that there was a genuine desire on the part of the Government of India to follow the policy of reducing sterling commitments. I would remind the House that in January, 1932, the Government paid back £15 million commitments out of their balances with the Secretary of State. But in May when there was no difficulty in exchange, when the gold export was enormous, and would have covered even this small sum of £6 million which fell due, a loan of £10 million was taken to pay off this £6 million. Not only did we not pay up our matured sterling commitments from rupee commitments, but we increased our sterling commitments from what it was on 31st March, 1932, by £4 million. This shows, Sir, that the policy has not been consistently followed. In addition to that, Sir, I find from the speech of the Honourable the Finance Member in paragraph 95 that it is contemplated to pay off the two maturing sterling commitments of £17 million by contracting additional sterling loans. It is in face of the fact, that we have already got with the Secretary of State the enormous balance of £13·49 million, and our reserve in the Gold Standard Reserve has been enormously expanded by purchasing sterling securities, and denuding it of the gold though there is some gold left there, but a great

deal has been transferred to the Paper Currency Reserve simply to strengthen our sterling holdings. In face of these sterling holdings it seems strange that the Government of India should not think of reducing our sterling debts and replacing them by rupee commitments.

Sir, the Governments of all the Powers of Europe are face to face with the difficulty of international payments and they are trying to remove it as far as possible, isn't it really surprising how India has been able for such a long time to stand this drain on its resources in the shape of sterling commitments, when the great countries of Europe have not been able to stand the racket for such a short period. Our sterling commitments, Sir, have been usually financed by our trade balances, but there have been times, Sir, when our trade balances have not been sufficient to finance our sterling requirements and there has been trouble,—troubles which we on the non-official Benches cannot as fully realise as the Controller of Currency can. We have, Sir, during the period of the Reforms, lost more than Rs. 50 crores, we have lost that amount in keeping up the exchange at its limit, and remitting treasures from India to England at a loss. Even now the process is continued, although we have got enormous gold exports, still our losses are there. We had to face contraction after contraction of currency just to keep up exchange before we went off the gold standard, and all these troubles have been brought about because of the fact that we have got to meet each year, whether we have a balance of trade or not, the enormous sum of about Rs. 40 crores in England. I think it is impossible to remove it by a stroke of the pen. No one can ask Government to do that. Our demand is that they should consistently pursue this policy of reducing the sterling commitments.

There is another branch of sterling payments to which I wish to draw the attention of the Government, and that is the pensions of our all-India services which are payable in sterling. As long as it was a question of a fight between us and the Government of India, it did not matter whether we succeeded or failed today. But when it becomes a matter of fight between Indians and the Government of Great Britain, now that they are exempting pensions from Indian income-tax, it is necessary that at least for future entrants the policy of giving them a sterling pension should be dropped.

I am not going to enter into the merits of the White Paper proposals because they will come in for discussion on a future date which the Honourable the Leader of the House has promised to give us. I now ask this House its definite opinion that we do not wish that the resources of India should be drained and we should be bled white by this sterling expenditure in London without something being done to reduce them.

Sir, I move.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary): Sir, if I rise at this early stage, it is to say that Government are in entire sympathy with this Resolution and are prepared to accept it. If I continue, therefore, it is merely to remove a few misapprehensions which exist not only in the mind of the Honourable Mr. Hossain Imam but I am afraid in the minds of others also as to our policy in the matter. Our policy is and has always been to reduce our foreign obligations as far as possible and replace them with local obligations for obvious reasons. India is now advancing towards a new Constitution. That advance can never be complete until India stands on her own legs both as regards finance and as regards human material. But we have to deal with

[Mr. J. B. Taylor.]

facts as they are, and one of those facts is that at present India has advanced to her present stage through foreign capital and through the services of Englishmen, and here I would refer again to the point made by the Honourable Mr. Hossain Imam about income-tax, though I agree that it may be discussed more properly later. I defended our attitude about income-tax not on the ground of equity only but even more on the ground of interest. So long as the facts are that India must have foreign capital and foreign help, she will get them in the cheapest way by making the conditions she is offering clear. That is all I think I need say on that point.

As regards our policy for transferring money from India to England, I think that the Honourable mover is under a complete misapprehension. Where we have a free market—a free market not only as regards the purchase and sale of commodities but as regards the transfer of capital, investment and remittances for payment of services, the expenses of students studying abroad and so on—you have a certain amount of surplus and it is that surplus only which is available to Government. We cannot increase that surplus without interfering with the market. If we do—at times there have been crises when we have had to interfere with it—we have done so reluctantly, knowing that by so doing we are interfering with the free play of economic forces. There is a certain surplus available for our remittance and whether that surplus is taken by us in gold or in sterling, it will amount to the same. And then I confess I could not follow the Honourable mover. He said that we had large reserves in the Paper Currency Reserve and that we should use them to repay our sterling debt. I thought that it was common ground with everybody that we should aim at increasing these reserves in order to facilitate the early introduction of a Reserve Bank. At present it is common ground that 50 cent. of the assets should be held in gold or sterling and that this is the least that is required before a Reserve Bank can be started on a stable foundation. We are still some Rs. 20 to 30 crores short of that, and we are endeavouring to build them up as fast as we can on the ground that that is the first necessity. We can of course use the money to repay foreign loans, but by so doing we would *pro tanto* delay the Reserve Bank.

His next point is that by keeping up the exchange, in some way we impair the power of India to remit abroad. That again seems to be a fallacy. Take a very simple case. Suppose the rupee is 2s. and we have a debt abroad which represents Rs. 1 crore or £1,000,000. If you allow the rupee to fall to 1s., you have to send Rs. 2 crores abroad, and it is obviously a good deal more difficult to collect Rs. 2 crores than to collect Rs. 1 crore. I do not say that that is the beginning and end of the argument about a high or low exchange, but I do say that to assume that by letting your exchange fall away you will increase the capacity of your country to remit money abroad, is to fly in the face of the united experience of all countries.

Then, Sir, I would like to refer to the most important point in this connection. As Sir Basil Blackett pointed out, when he first came to India, the most important feature about India which strikes the new arrival in this country is the amount which could be made available for investment if it was not spent in gold. Since the war up to quite recently, the average amount spent by India on gold which was bought from abroad was between Rs. 20 and Rs. 30 crores a year. Had the Indian instead of hoarding these imports used the money so spent to repay his foreign debts by lending it on interest to Government, Government would by now be free of foreign debts and the

position desiderated by the Honourable mover would have been attained. So long as the Indian continues to import gold, there is the dilemma,—of either stopping him by putting an embargo on it, or letting him import it and thereby reducing the money which we can send abroad.

In conclusion, Sir, there is one final point that I would like to make, and that is, that though we are agreed as to the desirability of this Resolution, I would point out, as was emphasised by the debate only half an hour ago in this House, that there is still a vast outlet for capital in India. Is it altogether desirable, I put it to this House, that all the money that we can scrape together in India should be sent abroad to pay foreign debts when the foreigner is willing to lend us money at comparatively cheap rates, or should that money be devoted to fostering Indian industries and Indian agriculture? You cannot have it both ways. There is a certain amount of money available for investment. We can spread it as far as we can among the various channels open to us for re-investing it, and we have to choose those which at the time seem best in the interests of India.

As I have said, Government accept this Resolution because it is entirely our policy and has been our policy for years, and if I have spoken at more length, it was because I considered that there were certain grave misapprehensions which had to be corrected.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I am not going to indulge in the interesting discussion about the Reserve Bank of the future and about the respective merits of fixing the exchange at *1s. 6d.* and *1s. 4d.* I am glad that Government have accepted this Resolution, and I welcome it as an evidence of a change on the part of the Finance Department, that it is going to listen to our demands.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"This Council recommends to the Governor General in Council to reduce sterling commitments and replace them by rupee commitments as far as practicable."

The question is:

"That this Resolution be adopted."

The motion was adopted.

RESOLUTION *RE* INCREASED SEATS FOR LANDLORDS IN THE REFORMED CENTRAL AND PROVINCIAL LEGISLATURES.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council to take suitable steps at an early date for the increase in the seats of landlords in the reformed Central and Provincial Legislatures proportionately with the increase of total seats in those Legislatures."

Sir, the Honourable Members of this House are aware that since the recommendation of the Statutory Commission on this question, landlords all over the country have been greatly agitated. Several resolutions have been moved in the local legislatures and

1 P.M.

[**Rai Bahadur Lala Mathura Prasad Mehrotra.**]

numerous representations have been made to the Government of India as well as to the Secretary of State on this matter. Let us examine the recommendation of the Statutory Committee. They said :

" The special protection now furnished may safely be withdrawn".

That was their general recommendation, but they went on to say :

" If this recommendation was accepted and if landlord candidates failed to secure through the general constituencies the *proportion of seats* at present reserved for them, power should be given to nominate members of the landlord class up to that proportion".

So, Sir, though they were not in favour of accepting the principle that the representation of landlords should be made by special constituencies, they accepted that their proportion should be maintained. But the landlords did not agree to the condition of nomination by Government if they were not returned by general constituencies. They wanted to come to the Legislatures, central and provincial, by election and not by nomination. Further, Sir, this idea was also opposed by different Local Governments, and I will just quote the recommendation made by the Government of the United Provinces to the Franchise Committee on this point. They said :

" This Government are unable to endorse the Commission's recommendations".

Further on they said :

" Government hold that the representation which the great land-holders have been able to secure has not been disproportionate to their political importance in present conditions. It is also inevitable that as the electorate gains political experience it will tend to prefer representatives drawn from sources other than the great landed families and the need for special representation is likely to increase rather than decrease".

So, Sir, the United Provinces Government is also of the opinion which was expressed by the landlords' associations of the United Provinces that with the increase of the franchise the landlords as a class will require greater protection and for this their representation should be at least on a proportionate scale. The Government further said :

" This Government are unanimously and strongly in favour of the retention of a special representation of the great land-holders at the *existing ratio*".

But the Franchise Committee, although accepting the principle of the representation of landlords, did not see eye to eye with the recommendation of the Local Governments and the representations of the landlords for the maintenance of the ratio. What they did was to maintain the number of seats which the landlords are holding at present in the different Legislatures, though they increased the total strength of the Legislatures by more than double. Sir, the landlords in the local Legislatures all over India are holding at present 35 seats only, and the total strength of the Legislatures as recommended by the Franchise Committee comes to 1,513, for which they have maintained the same 35 seats which they are holding when the total strength is less than half the proposed strength. Now Sir, it will be in the fitness of things if just I bring to the notice of the House the importance of landlords and their stake in the country. This was no doubt accepted by the Franchise Committee itself when they said :

" We are satisfied moreover that the abolition of the special representation at present accorded at a time when the representation of other special interests is retained and when both the electorate and the size of the Legislatures are being increased would give rise to a not ill-founded sense of grievance".

Further on, they said :

" Finally, the existing landlord electorates in the different provinces consist in the main of men of position who exercise an important influence in the countryside, who have the leisure and the means to travel and acquire experience beyond their own locality and who are well qualified to speak with authority on matters affecting agricultural and rural life, questions which will inevitably bulk prominently in the business of the provincial Legislatures ".

So, Sir, having accepted their importance in such strong language, the Committee did not see its way to recommend that the landlords' representation should be increased proportionately but have merely maintained the existing seats. I have therefore moved this Resolution and I want the Government of India to send the debate of this Council to the Secretary of State to be placed before the Joint Parliamentary Committee as the definite wish of this House—that, in recognition of the importance, position and stake of landlords, they must be given proportionate representation in all the Legislatures, if not an increased one. I hope the Government will accept this humble request of mine.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Sir, the Resolution deals with provincial Legislatures and central Legislatures. It asks this Council to recommend to the Governor General in Council to take suitable steps to have the object of this Resolution satisfied. But I notice that towards the conclusion of his speech the Honourable mover has contented himself with asking the Governor General in Council to send this debate to the Secretary of State with the request that the attention of the Joint Select Committee might be invited to it. As regards the Resolution I shall presently show how it is not possible for the Government to accept the recommendation which is contained in the Resolution. As regards provincial Legislatures, Sir, it is well understood that the Franchise Committee reported on the matter under discussion. The same matter was threshed out in two successive Conferences in London at which Conferences the landlords were not unrepresented ; and then last August His Majesty's Government came to a definite decision, which decision it is not open to the Government of India or even to His Majesty's Government to alter except in accordance with paragraph 4 of that decision. Therefore all that can possibly be done with reference to the constitution of provincial Legislatures is what the Honourable mover has said towards the conclusion of his speech, to invite the Secretary of State's attention to the speech which the Honourable Member has made, and that I am prepared to do.

As regards the central Legislatures, the White Paper has been in the hands of Honourable Members now for some time. They have noticed that the Upper Chamber is an indirectly elected body and there is no question of special representation. As regards the Lower Chamber, that is a directly elected body and there are certain provisions in regard to the representation of landlords. It is open to all interests to send duly instructed witnesses to London with a request to the Joint Select Committee when it is constituted, to take their evidence and do the best it can. Government certainly will have no objection ; but so far as the Government of India is concerned, the matter is concluded and is now in the hands of His Majesty's Government and will soon be not even with them but with the Joint Select Committee.

I trust I have made the position of Government clear and that Honourable Members realise that the matter is really one more for discussion during the White Paper debate than by way of a separate Resolution now. I believe later on Honourable Members will come to know that next week a day will be set apart for the discussion of the White Paper. Under the circumstances 16

[Khan Bahadur Mian Sir Fazl-i-Husain.]

is for the Honourable mover to consider whether what I have already said does not meet with his wishes and when he realises that no more than that can be done, I trust he will be satisfied.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, much as I appreciate the importance of the landlords and fully as I sympathise with their ambitions for a due share of the representation in the future Legislature, I am afraid, Sir, I have to oppose this Resolution. After the lucid and able speech made by the Honourable the Leader of this House, I do not think it is necessary for me to dwell at length on the various aspects of the question that has been raised in this Resolution.

Sir, this Resolution in my opinion is most inopportune. As has been shown by the Honourable the Leader of the House, it divides itself into two parts ; one of these parts, namely, that which relates to the provincial Legislatures, appears to me to be too much before the proper time ; and the other part of the Resolution which refers to the recommendation in regard to the central Legislature is somewhat late. The first is much in advance of time, because of the fact that after the issue of the Premier's decision on the communal question and under the terms of that decision, it is not within the competence of the British Government or any authority to alter that decision even by one jot or tittle unless and until the parties concerned come to an agreement between themselves. So, Sir, the part of the Resolution referring to provincial Legislatures is one which cannot be taken into any serious consideration at this moment.

Now, Sir, the other portion, which refers to the central Legislature, is also not very happy. The White Paper has been issued and it is now for the Joint Select Committee to go into the matter and not for the Government to make any recommendations so shortly after they have issued the White Paper. Again, Sir, this matter would be more properly discussed in the debate which we are going to have shortly in this House on the White Paper. I would therefore request my Honourable friend the mover in view of what has been said by the Honourable the Leader of the House to withdraw his Resolution.

THE HONOURABLE THE PRESIDENT : May I know from the Honourable the mover of the Resolution, in view of what has fallen from the Leader of the House if he is prepared to withdraw the Resolution ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Yes, Sir, I am prepared to withdraw the Resolution on the assurance being given by the Honourable the Leader of the House that the debate will be forwarded to the Joint Parliamentary Committee and we will have another occasion next week when the White Paper will be discussed in this House. On this assurance I am ready to withdraw the Resolution.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Yes, Sir.

The Resolution was, by leave of the Council, withdrawn.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I had a discussion with the Government Member in charge of the Bill and in view of that discussion I do not propose to move the motion* standing in my name.

*" That the Bill further to amend the Indian Life Assurance Companies Act, 1912, be circulated for the purpose of eliciting opinion thereon by 30th August, 1933. "

STATEMENT OF BUSINESS.

THE HONOURABLE THE PRESIDENT : I have to inform the Council that in accordance with Standing Order 53 I have directed the motions of the Honourable Mr. Hossain Imam and the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra for the amendment of the Standing Orders to be set down for Wednesday, the 22nd instant. I have also to inform the Council that the elections to the Central Advisory Council for Railways and the Standing Committee for Roads will take place on that day. Having regard to the number of candidates and the number of Members to be elected I direct that each election be held on the principle of proportional representation by means of the single transferable vote.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : I have to announce, Sir, that the discussion of the White Paper in this Council will take place on Monday next, and that it will be initiated by a formal motion moved by myself with your consent under rule 24A of the Indian Legislative Rules that the White Paper be taken into consideration.

The Council then adjourned till Eleven of the Clock on Wednesday, the 22nd March, 1933.
