

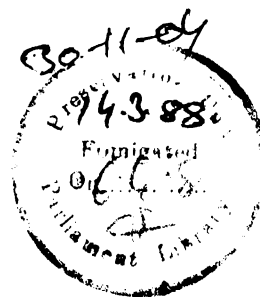
Thursday, 15th February, 1934

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1934

(8th February to 27th April, 1934)

SEVENTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1934



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COUNCIL OF STATE.

Thursday, 15th February, 1934.

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

RESERVE BANK OF INDIA BILL—continued.

THE HONOURABLE THE PRESIDENT. We will now proceed with the detailed consideration of the clauses of the Bill, but before we proceed I would like to point out to Honourable Members that during the last two days I have given Honourable Members the widest latitude when discussing the principles of the Bill in allowing them to discuss the different clauses of the Bill in some detail and I trust there will not be needless repetition today of the same arguments that have been advanced before.

The Question is:

“That clause 2 stand part of the Bill.”

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

“That in the proviso to sub-clause (c) of clause 2 for the word ‘society’ where it last occurs the word ‘bank’ be substituted.”

Sir, this is a purely verbal amendment. In this sub-clause we are defining “provincial co-operative banks”, but as a result of an amendment which was introduced in another place we did not notice that in elaborating the definition of a “provincial co-operative bank” we had used the words “provincial co-operative society”.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I beg to oppose the amendment that has been moved by my Honourable friend Mr. Taylor. By this amendment my Honourable friend wants to restrict the provisions of the Bill to provincial co-operative banks only, but as in the definition they can be applied to big co-operative societies in the provinces. For instance, take my province. There are a large number of central societies which are as big as provincial banks in some provinces and working with lakhs and lakhs of rupees. They have got smaller units affiliated to them and they will be deprived of the benefit of the Reserve Bank if the amendment of my Honourable friend Mr. Taylor is carried. I may, for instance, say that there is a posts and telegraphs society in my province. It is a very big society and it has got a number of other societies. Then, there is the grain merchants’ society, there is the co-operative sugar factory, which has got about a hundred societies affiliated to it. So all these big co-operative concerns will be deprived of the benefit of the provisions of the Reserve Bank if this amendment is carried.

THE HONOURABLE MR. J. B. TAYLOR: On a point of personal explanation, Sir. That is not the intention at all. This is merely a verbal alteration. We are not limiting in any way the powers of the Provincial Government. At present we say:

“* * * the Local Government may declare any central co-operative society in that province to be a provincial co-operative society within the meaning of this definition”.

Those words are meaningless, because it is not a provincial co-operative society which is defined in the definition. What we are defining is a “provincial co-operative bank”. The change is purely a verbal one.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: A society itself consists of societies as well as banks. Banks are also called societies. In fact the correct word is “society”, not “bank” so far as co-operative societies are concerned, and when we speak of central co-operative banks we also mean central co-operative societies. This is a larger term in which all these societies are included. This was not moved in Select Committees as well as in the Assembly. Now at this eleventh hour in the Council of State this important amendment has been brought in. I do not know, Sir, whether this is to be treated as a verbal amendment or as an amendment carrying far-reaching consequences; and if this amendment is effected, I would like to know from the Government whether the Bill will again have to be referred back to the Assembly or not. I would like to have this information also from the Government.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, I do not see any objection at all to the amendment proposed. There is really no difficulty in this case. If my Honourable friend who has opposed this amendment had seen the proviso he would have noticed that any co-operative bank can be declared to be a provincial bank within the meaning of this Act by the Local Governments. The original idea was to limit it to provincial co-operative banks, but, later on, it was pointed out that there were more provincial banks than one in certain provinces; as, for instance, in Madras we have the ordinary provincial co-operative bank which supplies money to the central banks in the district which in their turn supplies money to the primary societies. In addition to these provincial banks we have also a land mortgage bank which is also a provincial one and it was considered that both these even were not enough. So power was granted under the proviso for the Local Governments to declare such central banks to be brought under this definition. It is only a matter of language and I really do not see the objection.

THE HONOURABLE THE PRESIDENT: The original Question was:

“That clause 2 stand part of the Bill.”

Since which an amendment has been moved:

“That in the proviso to sub-clause (c) of clause 2 for the word ‘society’ where it last occurs the word ‘bank’ be substituted.”

The Question I have to put is:

“That that amendment be made.”

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: Rai Bahadur Lala Jagdish Prasad.

(The Honourable Member was absent.)

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, if you permit me, I would like to move amendment* No. 5?

THE HONOURABLE THE PRESIDENT: I must point out that in the Standing Orders there is no authority to permit one Honourable Member to delegate the moving of any resolution or amendment to another Honourable Member. That is the usual practice, and I do not wish to depart from it. However, when amendment No. 5 is reached, the Honourable Member may apply to the Chair to move the amendment in his own name and the Chair, unless any objection is taken by any Honourable Member, will consider the question at that stage.

(When amendment No. 5 was reached the Honourable the President again called upon the Honourable Rai Bahadur Lala Jagdish Prasad.)

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: May I have your permission to move amendment No. 5, Sir?

THE HONOURABLE THE PRESIDENT: I cannot permit the moving of this amendment. It is in entire conflict with the provisions of the Government of India Act. The Government of India Act as it stands now does not recognise the consultation or advice of the Ministers and therefore this amendment is wholly inadmissible and I cannot permit it.

The Question is:

"That clause 2 stand part of the Bill."

The Motion was adopted.

Clause 2, as amended, was added to the Bill.

Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 4 stand part of the Bill."

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, I beg to move:

"That for clause 4 the following be substituted, namely:

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government.'"

Sir, I will not tire the House with a long speech as my amendment does not require a long explanation—it being self-explanatory. My amendment demands that the whole of the capital of the proposed Bank be subscribed by the Government from the State coffers. The primary object in proposing a Shareholders' Bank instead of a State Bank was to free the Bank from political influence. As I explained the other day the term "political influence" does not mean the influence of Indian politicians only but the term also covers the influence of British politicians as well. If

*That after sub-clause (c) of clause 2 the following new clause be inserted, namely:

"(f) The Governor General in Council means the Governor General acting on the advice of the Member or Minister in Charge of Finance."

[Mr. Jagadish Chandra Banerjee.]

the influence of both parties had been avoided I would have had no objection to a Shareholders' Bank. But, Sir, what do we find in the Bill? At every step the influence of the Governor General, either in Council or at his discretion, has been invoked. As I said the other day the Governor General under the new constitution will be a party politician of the British Parliament and therefore it is not very difficult to imagine that the influence of the political party in power in the House of Commons will be brought to bear on the Governor General under the future constitution as it is proposed therein to arm him with autocratic powers as well. Sir, if the influence of the Ministers of the British Cabinet, namely, the Secretary of State for India can be tolerated in this Bank, I do not understand why the influence of an Indian Finance Minister belonging to a political party in the Indian Legislature cannot be tolerated? The whole object in proposing a Shareholders' Bank is to divest the future Indian Finance Minister, if he ever comes into being after the Greek Kalends, of all his controlling power over the Bank. As I have already mentioned before, the proposed Shareholders' Bank leaves the door open for British political influence to be brought on the Bank while refusing the same privilege to the Indian Finance Minister. I, for one, cannot account for this sort of racial discrimination. In all probability, Sir, it is due to distrust of Indians. With all the emphasis at my command and at every opportunity available to me I appeal to Government to give up this distrust of Indians. It is a well-known proverb that distrust begets distrust. The more you distrust the people of this country the more India will distrust all your actions even if they are done with *bona fide* good motives. I would therefore advise them, even at this stage, to seriously consider whether they can still make the Bank a State Bank fully subscribed by Government. But if ultimately this Bank is brought into existence solely through the power that the Government have over the conquered, I visualize that the future only will prove the failure of the Bank for which all the responsibility will be on the shoulders of the present bureaucrats.

With these words, Sir, I commend my amendment for the acceptance of the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, there is a similar Motion in my name the object of which is the same that is Amendment No. 7 but instead of moving that I would like to support the Motion moved by my Honourable friend Mr. Banerjee. Sir, this amendment involves a very important consequence for which we fought in Select Committee and in the Assembly and those of us who have written notes of dissent, would like to see it discussed threadbare on the floor of this House also. Sir, we are not opposed to a Shareholders' Bank if it is going to be really so. We tried to convert some of its sections to make it really a Shareholders' Bank but we failed to do that and then we were compelled to write a minute of dissent. The scheme as it stands, Sir, is neither here nor there. In name you may call it a Shareholders Bank but if you examine it carefully you will find that it is nothing but a State Bank in the garb of a Shareholders' Bank. Out of the 59 clauses of the Bill if the Honourable Members will like to count they will find that in no less than 80 places the words "Governor

General' has been used. That is, the Governor General is the sole controlling authority in the Shareholders' Bank. If it is going to be so, why not straightaway make it a State Bank and the capital that is to be invested from the Government of India should be utilized by the State instead of the shareholders getting a profit out of it. Sir, as the words "Governor General in Council" is used and not "the Governor General in Council acting with the Finance Minister" we do not know whether the restrictions that have been levied on this Bank will be exercised by the Governor General with the Finance Minister in the future constitution or the Governor General alone. We wanted to clear this point but it was not cleared with the result that we are labouring under the misapprehension that the Finance Minister who will be responsible to the Legislatures will have practically no hand in the control of the Reserve Bank. Then, Sir, it has been said that the Reserve Bank should be kept aloof from the influence of political parties. When the Governor General, who is the leader of the biggest political party in India, comes in in every place, why have other parties been excluded? The result will be that the Legislatures will be helpless in criticising the working of the Bank as it is to be called a Shareholders' Bank while the Governor General will be exercising all the powers. So, if it is enacted as it is the Legislatures will have absolutely no say over this Bank. Then, Sir, this is going to be the principal Bank, the National Bank, I should say, of this country and no restriction has been placed about the purchase of shares by non-nationals nor about the Directors belonging to non-nationals. A National Bank should always have an absolute majority of nationals. Had there been any provision that 75 per cent. of the shares should be held by nationals or that out of the thirteen voting directors there should be ten directors belonging to nationals, I would have supported the scheme. But in the absence of these two restrictions, non-nationals can hold as many shares as they like. They will certainly have no right of giving more than 20 votes, but they have got tons of money and will purchase shares in any number just to sterilise votes which would have been used by the shares purchased by the nationals. I admit that when the allotment is made the shares will be allotted in a way that 75 per cent. will go to nationals. But when there is no check, they can be purchased in the market by the non-nationals. Giving a premium of, say, Rs. 5 per share, they can corner and purchase almost all the shares. There is absolutely no provision in the Act which will debar them from doing so, and thus this National Bank will become a non-National Bank. Therefore we were of opinion that if this Shareholders' Bank was going to meet with such a fate, it would be better to have a State Bank; if the capital is put in by the State, the Legislatures shall have influence over the Bank, the shareholders or the directors will not come from the non-nationals and the Government shall be the sole appointing authority of the directors, whose action will always be criticised in Legislatures. These were the fundamental points on account of which we could not agree, and do not agree, to the scheme that has been placed before us. As I said at the very beginning, it is neither here nor there. The name is that of a Shareholders' Bank but the national shareholders will have no control over the Bank. Therefore, Sir, we are in favour of a State Bank so that the profits out of the investment may be utilized by the taxpayers instead of the shareholders.

Sir, I support the amendment.

THE HONOURABLE SAIYID RAZA ALI (United Provinces: Nominated Non-Official): May I enquire whether the Honourable Member recorded his dissent to this effect in the Minority Report which I suppose he has signed?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Certainly.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this amendment, in the form in which it stands, is of course a purely wrecking amendment because though it purports merely to alter one sub-clause, in effect it will necessitate the entire wrecking not only of Chapter II but also of the provisions for the distribution of profits, the exemption of the profits of the Bank from income-tax and the submission of the report of the auditors to the meeting of the shareholders. For that reason, Sir, I should have thought that the arguments which my friend has raised would have been more properly raised on the general motion for consideration, because it is obvious that if he intends to press them, he is really intending to wreck the Bill.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I have already said that, Sir—.

THE HONOURABLE MR. J. B. TAYLOR: At the same time, Sir, though I do not wish to go again over all the elaborate arguments dealing with the question of a State or Shareholders' Bank, there are one or two misapprehensions which I would like to have the opportunity of rebutting. In the first place, when the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra opposed my first amendment I had a suspicion that though a member of the Joint Committee he could not have studied the provisions sufficiently carefully and I am afraid that that suspicion is strengthened by his speech now. He says, if I understand him correctly, that the words "Governor General" are used and not the words "Governor General in Council" thereby apparently meaning that some mysterious entity hitherto unknown to the Constitution is being created to upset the ordinary position. Sir, I do not think that there is one place in the Bill in which the words "Governor General" are used. In the next place, he used his strong imagination to conjure up a fantastic supposition that a large part of the shares will be bought by non-nationals. He admitted that the non-nationals would not have the right to vote but at the same time he said that they would buy them in order to sterilise votes. I do not quite see what object those malicious non-nationals would have in buying up shares merely to sterilise them because the fewer shares that are left—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Safe investment of 5 per cent.

THE HONOURABLE MR. J. B. TAYLOR—because the greater the number of shares which are bought up in this way, the greater would obviously be the voting strength left to the remainder held by the nationals. In addition, Sir, in clause 4, sub-clause (3), it is stated that nobody who is not covered by (a), (b) or (c) shall be registered as a shareholder or be entitled to the payment of any dividend. Sir, I think that

Members of the Council of State

it passes human belief that these non-nationals, however malicious they were, would buy up blocks of shares of which they would obtain no dividend at all.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): Dog in the manger!

THE HONOURABLE MR. J. B. TAYLOR: A very mad dog in the manger! But I do not think, Sir, that at this stage I am called upon to go over all the arguments again. I merely wish to say that nothing that has been raised either in the general debate or now has altered the view which I think that this House will confirm that a Shareholders' Bank is in the interests of India. I, therefore, Sir, oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That for clause 4 the following be substituted, namely:

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government'."

The Question is:

"That that amendment be made."

The Council divided:

AYES—5.

Banerjee, The Honourable Mr. Jagadish Chandra.
Hossain Imam, The Honourable Mr.
Kalikar, The Honourable Mr. Vinayak Vithal.

Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Naidu, The Honourable Mr. Y. Ranganayakalu.

NOES—29.

Buta Singh, the Honourable Sardar.
Charanjit Singh, The Honourable Raja.
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.
Devadoss, The Honourable Sir David.
Ghosal, The Honourable Mr. Jyotsnanath.
Glancy, The Honourable Mr. B. J.
Glass, The Honourable Mr. J. B.
Habibullah, The Honourable Nawab Khwaja.
Hallett, The Honourable Mr. M. G.
Henderson, The Honourable Mr. J. S.
Hubback, The Honourable Mr. J. A.
Jalan, The Honourable Rai Bahadur Radha Krishna.
Johnson, The Honourable Mr. J. N. G.

Mehta, The Honourable Sir Homi.
Miller, The Honourable Mr. E.
Mitchell, the Honourable Mr. D. G.
Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.
Raza Ali, The Honourable Saiyid.
Reddi, The Honourable Sir Kurma Venkata.
Russell, The Honourable Sir Guthrie.
Souter, The Honourable Mr. C. A.
Spence, The Honourable Mr. G. H.
Sprawson, The Honourable Major General C. A.
Stewart, The Honourable Mr. T. A.
Suhrawardy, The Honourable Mr. Mahmood.
Taylor, The Honourable Mr. J. B.
Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: I presume you do not propose to move amendment No. 7?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: No, Sir. I will move amendment No. 8, which runs:

"That in sub-clause (2) of clause 4, for the word 'Delhi' the words 'Punjab, Cawnpore, Karachi' be substituted."

The object of this amendment is to increase the centres from five to seven places. Under the Bill there will be only five centres of the Reserve Bank, Bombay, Calcutta, Madras, Delhi and Rangoon. If my amendment is accepted there will be seven branches. I want to delete Delhi and have additional centres in the Punjab, at Cawnpore and Karachi.

THE HONOURABLE MR. J. B. TAYLOR: Might I ask the Honourable Member whether he means to use the word "Punjab" or whether he desires to substitute "Lahore"?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I mean "Lahore", Sir, and if the Honourable Member will accept my amendment I will certainly ask one of my colleagues to substitute "Lahore" for "Punjab". I meant "Lahore" when I put in "Punjab".

THE HONOURABLE THE PRESIDENT: Do you wish to remove the word "Punjab" and substitute "Lahore"?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Yes, Sir, if you will permit me I would like to substitute "Lahore" for "Punjab".

(The Honourable the President signified his assent.)

Sir, this amendment is not without principle. I have selected these places according to some principle, and it is this that they have got Government currencies at present. These currencies will have to be maintained under the present scheme, whether there is a branch of the Reserve Bank at Lahore, Cawnpore and Karachi or not. So that there will be no extra expenditure to Government if my amendment is accepted. A little addition and alteration in these currencies will be quite sufficient for transforming them into branches of the Reserve Bank. Some additional staff would certainly be required, but little additions will be required in buildings and strong rooms which already exist, and what will cost in additional staff will be more than compensated for in the saving of commission on business. I understand a large amount of business is being carried on in these centres. If there are no branches of the Reserve Bank the Imperial Bank will act as its agent and will have the benefit of the business being transacted in these places. So considering all these points the Bank will not lose anything, rather may gain something if branches are established at these places.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I do not wish to interrupt the Honourable Member, but surely he is under a misapprehension? This clause 4(2) deals with registers of shareholders. The clause dealing with branches of the Bank is No. 6.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: If the amendment is not moved at this stage and if registers are not to be kept at these places there cannot be branches. I have therefore thought it advisable to move it here, because it is only by having registers at these places that we can have branches there. If I had not moved my amendment at this place, my Honourable friend would have got up and said that the Council has accepted registers to be kept at five places and therefore the amendment is out of order—to have branches at seven places. So I have anticipated his larger objection and have moved my amendment at this place. Sir, there is another reason, as I was going to say, for having branches at Lahore and Cawnpore—the northern portion of India is mostly agricultural country and if branches of the Reserve Bank are kept here the agriculturist will be better served. I may remind the House that 85 per cent. of the population of this part of the country is living on agriculture, and so it is very necessary to have these two branches in Northern India and as there is no extra expense involved, I hope my Honourable friend Mr. Taylor will gracefully come forward to accept this amendment of mine.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I interrupted the Honourable Member because I wished to clarify the discussion. I thought at the time and still think that he is labouring under a complete misapprehension. This clause deals with the register of shareholders. It has nothing whatever to do with branches, which is dealt with in clause 6, and there is nothing in clause 6 to show that it is in any way linked up with this clause. In fact, clause 6 provides for a branch in London without there being a share register there and without people in London being entitled to hold shares. Also if an amendment is brought in here, I would like to hear from the Honourable Member how he proposes to effect the consequential alterations in the share register and what these constituencies are to be? He said one of his objects was to increase agricultural representation; yet he has made no proposal for any re-arrangement of the voting power, with the result that if there were share registers there would be nobody to vote for.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: They will all be consequential amendments.

THE HONOURABLE MR. J. B. TAYLOR: It is more than consequential because it will affect the composition of the directrate, but I do not press that particular point and I shall come to what I take to be the real intention of his suggestion which is that there should be, as I understand it, Issue Branches more than actual share registers at these places. As regards that, Sir, the Bank is by no means precluded from retaining the Currency Offices at these three places if it so desires or from giving them such facilities as it likes. I am certain, Sir, that the Bank will at first at any rate wish to continue the offices of the Issue Department at these places, because they are conveniently situated for the distribution of notes, they are important commercial centres and facilities will either be continued directly by the Reserve Bank or through the Imperial Bank so that from the point of view of the public they will remain unimpaired. At the same time, Sir, I must oppose this particular amendment because, as I said, it would upset the carefully arranged distribution of the voting power over India.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (2) of clause 4, for the word 'Delhi' the words 'Lahore, Cawnpore, Karachi' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Sir, I move my amendment which reads as follows:

"That at the end of sub-clause (2) of clause 4 the following words be added, namely:

'and no person shall be allowed to hold more than 200 shares.'"

Sir, I am not one of those who believe in the free marketing of shares in such a scheme as the proposed Shareholders' Bank. In the name of free marketing of shares the capitalists have been given the opportunity of accumulating all the vote carrying shares into their hands if they so desire. I am not going to discuss whether in actual circumstances this might happen or might not happen. But no one can deny that if the capitalists combine they may do it and thereby control the Bank to the advantage of such combines. I therefore suggest that no shareholder should be allowed to accumulate more than 200 shares. The Shareholders' Bank is not an ordinary joint stock company. That being the case the question of the free marketing of shares should not stand in the way of limiting the accumulation of shares with an individual. Before I conclude I would ask Government whether it is a fact or not that they agreed in the Joint Select Committee to reduce the value of shares from Rs. 500 to Rs. 100? If so, I would further ask them what was the underlying idea in doing so? Was it not the intention that the shares may be diffused even to the masses? I admit that in the first allotment the shares may be diffused into all classes and sections of people. But is it not the duty of the Government to see that the shares diffused into all sections of people are maintained throughout in the way in which the shares were originally allotted. Without limitation of holding of the shares by individuals, I would not be surprised if, at any future date, the number of voters of the Bank is limited amongst only a few hundreds of capitalists. I still maintain that it is the duty of the Government to bring this measure into perfection without leaving any loopholes by which the object in view may be frustrated.

With these words, Sir, I commend the amendment for the acceptance of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this is a question which was carefully considered both by the London Committee and by the Joint Committee and the views of the majority were that though the nominal value of the shares should be reduced so as to ensure as wide a distribution as possible and that the voting power should be limited it was undesirable to impose any restriction on the maximum holding as such a restriction would most seriously impair their marketability and in effect would prevent what is the object of the Honourable mover of this amendment, the widest possible distribution of its shares among the poorer classes of the country. The reason is obvious. If there is a

restriction on the total holding of shares it will not be possible to market them, because brokers will have to know before they can effect a sale, before a share transfer can be registered, whether or not the buyer has already reached his total maximum. That, Sir, will particularly affect the poor holder of a share who may wish to get an advance against it because the number of parties from whom he can obtain such an advance will be materially decreased. It will be quite impossible for any bank to advance on any scale against these shares if the number of shares which they can take over is to be limited in this way. Therefore, Sir, this restriction would most seriously affect the small holder in whose interest it is desirable that the shares should be freely marketable. It will not at all achieve another object which the Honourable mover has in mind, that is, to prevent the concentration of the shares in a few hands, because if there are one or two people who wish to sterilise shares—I have said that is a most fantastic supposition—they will not be deterred merely by a provision of this nature. They can easily buy them and leave them in the hands of nominees. The character of these nominees could not be detected, because *ex hypothesi* their object being merely sterilisation they will not register. Therefore, Sir, it seems to me that a provision of this nature would have the opposite effect to that which the Honourable mover intends, and I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That at the end of sub-clause (2) of clause 4 the following words be added, namely:

'and no person shall be allowed to hold more than 200 shares'."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move.

"That to sub-clause (3) of clause 4, the following proviso be added:

'Provided that 75 per cent. shares shall always be held by the Indian Nationals'."

Sir, the object of this amendment is quite obvious and it does not require much explanation from me. If there is no check of this sort we are afraid that the majority of the shares can at any time be held by non-Nationals which is against the principles of such a national institution. Sir, if Honourable Members will look at clause (c) of sub-section (3) they will find that according to this sub-clause, *viz.*,

"a company registered under the Indian Companies Act, 1913, or a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies or a scheduled bank, or a corporation or company incorporated by or under an Act of Parliament or any law for the time being in force in any part of His Majesty's Dominions"

any foreign company can purchase as many shares as they like. If the restriction had applied to Britishers only I would have accepted it but as non-Britishers can also purchase as many shares as they like I think it is necessary to restrict the number of shares being purchased by Nationals and hence this amendment. Sir, this is not a new thing that I am pressing for in this House. I would like to quote the instances of

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

other foreign countries in which there are such restrictions. I may inform the House that in the Netherlands, Denmark and Czecho-Slovakia, the voting rights are only exercised by Nationals. In Lithuania it is provided that foreigners may not hold more than one-third of the capital. So, Sir, it is not a new thing that I am proposing in the interests of my countrymen here by moving this amendment. I hope my friend will accept at least this amendment.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhamadan): I wish to say a few words in favour of this amendment. The desire of the Indians to have a part of this national institution reserved for Nationals should not be regarded as anything unnatural. It is quite possible that Britishers when they are in India do behave as Indians in their broader outlook but there is no gainsaying the fact that there are times when the interests of Indians and Europeans resident in India clash and though we would like to think that in future such things will not happen that should not blind us to the possibilities. It is for this reason, Sir, that we wanted to have some provision in the Act whereby at least a majority of the voting strength should remain unimpaired in the hands of Indians. For this reason, Sir, we brought forward many amendments in the Joint Select Committee but with which I am not going to deal. One which I described in my note of dissent was that we should have two kinds of shares, one of Rs. 100 which should be available to Indians and the other of Rs. 500 which should be available to all without restriction. I would have divided the capital, Sir, into two parts but although they would have been equal parts the voting rights of the Indians would have been more than those of the Europeans. I might be asked how I justify such an anomaly, that a shareholder of Rs. 500 should have the same amount of voting power as a shareholder of Rs. 100. But I find the Imperial Bank of India has at the moment this anomaly in its constitution. Shareholders who have paid only Rs. 125 for their quarter shares have the same voting power as a fully-paid shareholder. If my Honourable colleague wishes to know what precedent we have got he will find in several American States many banks—

THE HONOURABLE THE PRESIDENT: Will you kindly confine yourself to the amendment before the House?

THE HONOURABLE MR. HOSSAIN IMAM: I just want to remind the House that we wanted to do this thing and that thing and as we failed to come in by the back door we are coming in by the front door. This, Sir, leaves 25 per cent. of the voting rights to be held by non-Nationals and preferably by Britishers. Considering the numerical strength of the Britishers, I think it is more than generous for us to give them 25 per cent. shares. Even taking into account their wealth, I think it is not niggardly in any way. It gives them about their share, if not a little more. For these two reasons, Sir, I support this amendment and recommend it for the acceptance of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I sincerely trust that this House will not support an amendment conceived in these terms. It is a very wide question and I myself have no doubt that the arrangements for

*Speech not corrected by the Honourable Member.

the initial alteration of voting power, the limitation of amount and the distribution throughout India will in effect mean that much more than 75 per cent. of the shares will be held by people who satisfy the most rigid definition of Indian National. At the same time, there is a very important principle at stake, a principle which is not only inherent in the present constitutional discussions but which is of the utmost importance if India is to develop in the future as it should, and that is that the European British subjects resident in India, who have loyally co-operated in the development of constitutional reforms in India, should be regarded as on the same footing as Indians in India itself. That, Sir, is the basis not only on which this Bill has been framed but the basis on which the whole of the constitutional discussions are progressing and I feel, Sir, that it would be disastrous to cut into that imperial conception in any way. The Honourable Mr. Mehrotra pointed out that he did not so much object to British subjects but that under sub-clause (3)(c) companies, even though entirely foreign, could obtain shares. That undoubtedly, Sir, is a difficulty; it was discussed in Joint Committee but we found in practice that it was not practicable to exclude foreign companies without excluding companies altogether and after careful discussion we came to the conclusion that it would be an unnecessarily drastic step to exclude companies altogether merely because of the very distant possibility that foreign companies might combine to acquire shares in the Reserve Bank. In the Joint Committee we made a comment to the effect that if this remote contingency should eventuate, Government should take steps about it. But that, Sir, is a different question. The actual amendment brings in a definition which is not consistent with the basis on which we are considering this Bill and on which we are considering the whole of the new constitution. I, therefore, Sir, hope that the House will reject the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That to sub-clause (3) of clause 4, the following proviso be added:

'Provided that 75 per cent. shares shall always be held by the Indian Nationals.'

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 4 stand part of the Bill."

The Motion was adopted.

Clause 4 was added to the Bill.

Clauses 5, 6 and 7 were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 8 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in sub-clause (1) (a) of clause 8, for the words 'after consideration of the recommendations made' the words 'out of a panel of six men recommended' be substituted."

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Sir, the object of this amendment is to see that the Board of Central Directors may have at least some effective voice in the selection of the Governor and Deputy Governors of the Bank. After all, there will be eight elected and four nominated Directors and we must give them a voice in the selection of the heads with whom they will have to deal. Worded as it is, they will have a right to make recommendations only of some names out of whom the Governor General may or may not choose to select a man. But, as amended by me, if my amendment is accepted, the Governor General shall have to choose out of a panel of six men recommended by the Boards. I have given a wide margin for selection and therefore have fixed the number at six. Out of these six men recommended by the Directors the Governor General may choose to appoint any one whom he likes for the post of Governor and Deputy Governors. I hope the amendment will be accepted by the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this is an important issue and it received the detailed consideration which its importance merited both in London and in the Joint Committee. The result which appears in the Bill was acceptable after discussion to a considerable majority both in London and in India and I think that it does represent the best working method of getting what we all desire, namely, the best possible man to be in charge of the executive of the Bank. I am afraid that the suggestion of the mover of the amendment would be in practice quite impracticable. Things, as you are aware from your experience of the Imperial Bank, Sir, are not worked in that way. An important appointment of this character would certainly not be thrust by Government on the Board without previous consultation. It will be known when a Governor is about to retire: there will be informal personal discussions with the various members of the Board and it will be realized who is likely to prove acceptable to both. This is the form in which the procedure is indicated in the Bill. To ask the Board to put up a panel would be not only useless but it would be very invidious. Central Bankers are not so thick on the ground that it would be possible to collect a panel of six possible men willing to be considered and the remaining five would undoubtedly feel hurt at the publicity of having been on the panel and then finally rejected. For these reasons, Sir, I oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) (a) of clause 8, for the words 'after consideration of the recommendations made' the words 'out of a panel of six men recommended' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That to sub-clause (1) (a) of clause 8, the following proviso be added:

'Provided that out of three at least one shall always be a native of India.'

The object of this amendment is this. Under the constitution three of the highest and the most important posts will be the Governor and two Deputy Governors. I wanted to move that at least two of these posts should be held by Indians, but considering that no amendment is likely to be carried in this House, I have taken a moderate course. Of course, the Government has pledged itself in the Joint Select Committee, but I do not believe in verbal promises, because the Honourable Sir George Schuster and the Honourable Mr. Taylor are here now, but they may go and others may come and they may not abide by the promise of the present Finance Member or the Finance Secretary. I want to bring it under the Act and so I have moved this very moderate amendment on which the present Government is committed. I hope they will have no objection to bringing this under the Act in order to give some consideration to the wishes of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I must oppose this amendment. The question was discussed in the Joint Committee and I think that it will save time if I read the comments of the Joint Committee on it:

"Many of us wished to add a provision that of the three highest posts thus created (*viz.*, the Governor and two Deputy Governors) one at least should be an Indian. We have, however, been informed that the official Members in charge of the Bill are prepared to give a definite assurance in the Legislature that the Government will take account of our representations and that it will be its policy in making the first appointments and thereafter that at least one of the three shall be a qualified Indian. We are satisfied with this assurance".

I trust that the House will also be satisfied. I disregard the charitable assumption that official undertakings made to the Legislature are purely personal to the individual incumbents of the offices, and ask the House not to bring in a provision of this sort in an actual statutory measure. It is obviously undesirable that words of this nature should appear when in effect what is required can be obtained without them. I therefore ask that the amendment may be opposed.

THE HONOURABLE SAIYID RAZA ALI (United Provinces: Nominated Non-Official): Sir, this is the consideration stage and I would confine myself to a very few remarks indeed. Time, Sir, was when we Indians insisted on reservation of posts and seats. I believe the demand began in 1885 and it lasted generally speaking up to 1905 when, with the change of Government in England, Lord Morley became the Secretary of State for India. The reason why these demands were put forward was that unless a minimum was fixed for Indians they did not succeed in getting those appointments and posts to which they aspired. A great change took place, as the House is aware, with the advent of Lord Morley at Whitehall. The Honourable the mover of the amendment will realize that taking things as they are, we have got three Indians in the Executive Council of the Governor General, generally speaking also we have three Indians in the Council of the Secretary of State and yet no reservation has been made in the Government of India Act about any of those posts going to Indians.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Are you satisfied with this number?

THE HONOURABLE SAIYID RAZA ALI: As a matter of fact that is the fault I have to find with my Honourable friend. Why does he confine himself to one post? I would like all three posts to be held by Indians. The only difference between him and me is that I think we can attain our object sooner by not reserving only one post for Indians. I think he wants the right thing but in a wrong manner. If there is a reservation the effect will be that you will be entitled to have an Indian, but they will not care to give you two Indians.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: On a point of order. I have moved that at least one—

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member will proceed with his speech.

THE HONOURABLE SAIYID RAZA ALI: Sir, I have very carefully noted the language of the amendment of my learned friend. My submission is that it is a question no doubt which admits of a difference of opinion but I think the sounder and the better policy would be not to have any reservation, and, instead of aiming at one of these posts going to an Indian, to prepare ourselves for a position when we can rightly ask the Government to have two Indians among these officers or ultimately have Indians for all these three offices. My point is simply this that looking to the manner in which things are moving in India I do not think it would be prudent to insist on reservation of seats for Indians. We can attain our object sooner and better by not having any reservation.

THE HONOURABLE THE PRESIDENT: Amendment moved

"That to sub-clause (1) (a) of clause 8, the following proviso be added:

'Provided that out of three at least one shall always be a native of India.'"

The Question is:-

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in sub-clause (1) (b) of clause 8, after the words 'Governor General in Council' the words 'out of whom two shall represent the agriculture and co-operative interests' be inserted."

Sir, the object of this amendment is to make sure that of the four Directors nominated by the Governor General two will represent the co-operative and agricultural interests. It was said in the Committee that the Governor General would have those interests in view in making these appointments and if none of the elected Directors represents agricultural and co-operative interests they will surely bear those interests in mind in making nominations. But, Sir, in India more than 85 per cent. are living on agriculture and we want that the agricultural and co-operative interests should be adequately represented. Therefore, even if one or two elected Directors do represent those interests, though I think their success

in the elections is doubtful, it will be necessary to have at least two out of the four nominated Directors to represent these interests. I hope this amendment will be accepted by the Honourable Mr. Taylor.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this is again a question on which the Joint Committee commented and on which the Honourable Mr. Mehrotra wrote a note of dissent which forms the basis of his present amendment. I would like to read what the Joint Committee said:

"We considered whether any addition should be made to this sub-clause in the form of a direction to the Governor General in Council as to the manner in which he should exercise his power of nomination. We have been assured that it is intended that this power shall be used to ensure that territorial or economic interests which have not secured adequate representation in the elections shall have such inadequacy corrected by this means. We do not consider it appropriate to embody in the statute any specific provision for the fulfilment of this intention, but we consider that in the instrument of instructions to the Governor General a passage should be inserted making it clear that this power should be exercised in the general manner indicated above and in particular to secure adequate representation of the interests of agriculture and co-operative banking if these interests had not secured such representation among the elected directors"

Sir, I think that that recommendation is obviously sound. We do not wish to fetter the discretion of the Governor General in Council in nominating. The object of nomination is to see that any inadequacies in the voting system are corrected. We are creating fresh electorates. We do not know who will be returned by those electorates, and it seems to me that to fetter the discretion of the Governor General in Council in any particular direction may have unforeseen and unfortunate results. The object of securing proper representation for agricultural interests should be fully obtained by the method proposed by the Joint Committee. This amendment is therefore unnecessary and would I submit constitute an unnecessary limitation to the discretion of the Governor General in Council. I therefore oppose it.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) (b) of clause 8, after the words 'Governor General in Council' the words 'out of whom two shall represent the agriculture and co-operative interests' be inserted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That to sub-clause (1) (d) of clause 8, the following proviso be added:

'Provided that out of 13 voting directors at least ten shall always be Indian Nationals.'"

The object of this amendment is to secure a majority of votes for Indian Nationals. It is for that reason that I have moved this amendment. As I know the fate of the amendment and as I have seen the fate of other amendments, it is no use advancing any arguments for this or other amendments. I am moving amendments just to record my vote without any more arguments, because that will be wasting the time of the Council.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I should like to say a few words against this amendment. I think that there is an additional disadvantage as regards this particular amendment and that is that we have secured that in practice the shares will be held either by Indian Nationals or by British subjects resident in India and we must assume that the directorate will reflect the composition of the shareholders. It would be impossible in practice to work elections on this method because the shareholders of a particular register could not know what their quota was to be. I oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

“That to sub-clause (1) (d) of clause 8, the following proviso be added:

‘Provided that out of 13 voting directors at least ten shall always be Indian Nationals.’”

The Question is:

“That that amendment be made.”

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

“That clause 8 stand part of the Bill.”

The Motion was adopted.

Clause 8 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

That clause 9 stand part of the Bill.”

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

“That in sub-clause (1) (a) of clause 9, for the word ‘five’ the word ‘ten’ be substituted.”

The object of this amendment is to increase the number of Directors on the local board from five to ten. As Honourable Members must have seen, the function of these local boards is merely advisory and they have to advise only on matters referred to by the central board or any regulations made by the central board and nothing else. I just want to increase the number on these boards, because the directors of the central boards will be elected from these boards and if there is a larger number of directors it will facilitate representation of all interests. We know that according to the five divisions of India large areas have been combined into one centre and it will not be quite sufficient to have five directors on these boards. I, therefore, Sir, move this amendment.

THE HONOURABLE MR. J. B. TAYLOR: Sir, the numbers on the local board were arrived at after considerable discussion both in London and in India. We considered that five elected members were enough for electoral purposes and that a larger board would be awkward for administrative purposes. In addition, Sir, one of the practical difficulties which I foresee for the new Reserve Bank will be to find a sufficient number of qualified directors or members of the local boards. To increase them unduly would increase the difficulty. I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) (a) of clause 9, for the word 'five' the word 'ten' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 9 stand part of the Bill."

The Motion was adopted.

Clause 9 was added to the Bill.

Clauses 10, 11 and 12 were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 13 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That for sub-clause (3) of clause 13 the following be substituted, namely:

(3) The Board shall elect its own Chairman from amongst themselves who shall preside at all meetings and in the event of equality of votes shall have a casting vote or second vote."

Sir, the object of this amendment is just to bring in the practice that has been followed and is being followed in the Imperial Bank of India Act. There the Board of Directors do elect their own Chairman who presides over meetings and who has in case of equality of votes a second vote; but under this Bill the Governor is to preside over the meetings of the Board and in case of equality of votes he will have a second vote. I do not think it very proper that the Governor, who will be an executive officer of this Board, and whose duty will be only to carry out the directions given by the Board, should preside over the elected and nominated Board of Directors and have larger power than the Board itself. If it has worked very well in the Imperial Bank Act. I see no reason why it should not work well in the Reserve Bank. As my Honourable friend just quoted the practice of the Imperial Bank of India, so I have also quoted its practice and hope if he has accepted one practice there he will accept the other here also.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I must oppose this amendment. It is true that in the Imperial Bank a representative of the shareholders does preside, but, Sir, the Imperial Bank is predominantly a commercial bank which is being even further commercialized and there is no case so far as I know among Central Banks where the Governor does not preside. It obviously makes for more efficient and unified control. I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That for sub-clause (3) of clause 13 the following be substituted, namely:

(3) The Board shall elect its own Chairman from amongst themselves who shall preside at all meetings and in the event of equality of votes shall have a casting vote or second vote."

[Mr. President.]

The Question is :

“That that amendment be made.”

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is :

“That clause 13 stand part of the Bill.”

The Motion was adopted.

Clause 13 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is :

“That clause 14 stand part of the Bill.”

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move :

“That in sub-clause (5) of clause 14 for the words ‘five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares’ the following words be substituted, namely :

‘five or more shares shall have one vote and on a poll being demanded each shareholder so registered’.”

Sir, this is a purely verbal amendment. A change was introduced in the Bill in another place with the intention of making it clear that until a poll was demanded each shareholder only had one vote but that when a poll was demanded he would exercise the same voting rights as in the case of an election. Unfortunately, the amendment which was received from the non-official side was not quite correctly worded and it might be interpreted as meaning that in that event only those who held more than five shares would be allowed to vote at all and that single votes would be eliminated. That was clearly not the intention of the clause; we have therefore corrected it to meet what we think to be the intention of the Legislature in the matter.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, if I intervene it is only to put a question to the Honourable Mr. Taylor—the same question which I put when he moved the first amendment and it is this: If this amendment is carried will the Bill be referred to the Assembly again or not?

THE HONOURABLE THE PRESIDENT: The Honourable Member ought to be aware that if amendments are made in this Bill by this House of course the Bill will have to go back to the Legislative Assembly.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I only asked the question, Sir, because my friend has been telling us that these are purely verbal amendments.

THE HONOURABLE THE PRESIDENT: Whether the amendments are verbal or substantial the Bill has to go back to the other House.

Amendment moved :

"That in sub-clause (3) of clause 14 for the words 'five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares' the following words be substituted, namely :

five or more shares shall have one vote and on a poll being demanded each shareholder so registered'."

The Question is :

"That that amendment be made."

The Motion was adopted.

Clause 14, as amended, was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is :

"That clause 15 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move :

"That for sub-clause (3) of clause 15 the following be substituted, namely :

(3) The Governor General in Council will appoint a committee of five persons in the first instance to issue shares, make allotment of shares and carry out elections of Local and Central Boards and as soon as the Boards are completely elected they shall retire automatically'."

According to the scheme of the Bill the Governor General will make nominations of eight Directors who will issue and allot shares and be working as Directors till all the other Directors are elected which will take according to the present scheme four years to get the whole Board elected, that is eight Directors to be elected in four years. I think, Sir, it will be a very long time before the shareholders will have the satisfaction of getting their representatives on the Board and therefore I have put in this amendment. According to this amendment the Government will have the satisfaction of nominating the first Board who will carry out the primary work and later on when the elections are held and the Directors have been elected by the shareholders they will retire automatically. Thus the shareholders will have the satisfaction of their representation on the Board from the very beginning and I hope the amendment will find acceptance from the Government.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, with your permission I wish to intervene in the debate to put in a few points about our difficulties. When we wanted to have a State Bank it was said it would be better for India to have a Shareholders' Bank. But during the critical period when we will have to start work without any previous experience and without any knowledge of the technical departments, Government would create a Board which is wholly nominated and to all intents and purposes a Government Board. Up to the beginning of the second year the proportion of the elected to the nominated members will be two to ten. At the beginning of the third year there will be four elected members to eight nominated. At the beginning of the fourth year there will be equal numbers and at the beginning of the fifth year there will be the majority of the members elected. So that in the first critical period when we will be on our trial, when it will be seen whether the Reserve Bank is working satisfactorily or not as a condition precedent to the new reforms, we will be having a State Bank, if not in word at least in deed.

[Mr. Hossain Imam.]

We, Sir, would not have minded it; we would rather have welcomed it. It is a step forward in the right direction. But our trouble arises when we consider that all this camouflage has been made to deprive none others but the Indians of their rights. While the Government is irresponsible to the Legislature it will have the right to nominate those in whose hands our destinies are going to be placed but as soon as it is feared that Indians will come in to their own and will have—not a real power but at least—the shadow of power, at once this power will be taken away and control will be vested in the hands of people who have not tried it. There is no advantage in having a Board created now which will carry on work for five years. The only utility of the Board was to allot shares and for that purpose this proposition that a committee should be formed which will retire automatically after doing its work would have some real transfer of power and would have allowed Indians, elected Indians, to have some sort of control. Would it not be strange, Sir, that if the nominated members of the Government do not let things go smoothly, the whole of non-official India should be taken to task and responsibility in the centre refused? It is a wrong principle. Responsibility is placed on the people of India to work it successfully. But those who will control its destinies are not allowed to be elected by the people of India. The Local Boards will be formed at once after the shares have been allotted and therefore there will be no difficulty in electing the Central Board. There is another aspect which we wished to place before the Joint Committee. The practice will grow up of transferring shares from one register to another. For instance, suppose a firm has got a branch in Calcutta as well as Bombay. In one year we will have the elections in Bombay and in another year in Calcutta according to the present plan. All the shares held in Bombay by an important firm may be transferred to its branch in Calcutta. This is a real danger and in effect it will mean that the elections will be controlled by a coterie of important firms. All the important interests and industries in Calcutta and Bombay can interchange their shares; and they can influence the elections in Madras and Rangoon also which are near by. This will create an anomalous position that people with the same shares will exercise a voting right in two places simply because of transfer of shares from one register to another.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): What about clause 56?

THE HONOURABLE MR. HOSSAIN IMAM: It will be a real transfer to all intents and purposes. No one knows better than my Honourable friend himself how the big firms in Calcutta could get any number of assistants—hundreds of them—in whose name the shares can be transferred and it will be held by them *benami*. As soon as the work is finished it will be transferred back. This sort of thing will not come under the proviso to clause 56. My Honourable friend Mr. Taylor also said when we wanted to have 200 shares restriction that people will get hold of *benamidars* to hold the shares. That is the real danger. Unless the elections are held simultaneously in all parts of India this transferring of shares from one register to another will go on and it will have a very bad effect on the elections. Therefore, Sir, I support this amendment.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I have two objections to this amendment, one technical and the other of substance. As regards the technical point, the apparent intention of the amendment is that the object of the Committee is to constitute the Board, and not to function as the Board except in certain specified matters and therefore the Bank will not be able to function at all until the elections have been held and until the new shareholders have been vested with those shares and held them for six months. That would involve very considerable delay. Secondly, Sir, Government accepted an amendment in another place agreeing that a Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State to be elected by the non-official Members of the respective Houses should be associated with the Central Board for the purpose of making public issue of shares and looking after the first allotment of shares. This is provided in the proviso to clause 4 (5). Therefore, there will be a Committee of the Legislature associated with the original issue and allotment.

As regards the danger pointed out by the Honourable Mr. Hossain Imam, I do not think that it will, like the other dangers which Members on the other side have been raising, amount to anything in practice because of the fundamental fact on which I have reiterated here this morning and on several other occasions, namely, the very wide distribution of the shares and the allotment of the voting power. In practice, as anybody who has experience of any Bank will know, it is essential that there should be continuity in the Directorate. If there are general elections and an entirely new body comes in, all continuity is lost and a difficult task is thrown on the Executive to instil old ideas on matters of ordinary procedure into the new board. In the Imperial Bank, Sir, the experience is that it is ordinarily only after some twelve months that a nominated Director finds that he is really sufficiently acquainted with the technique of the business to take a useful part in the discussions. It is essential, therefore, that there should be continuity. Also, Sir, in the Joint Committee, Government accepted a modification of the original proposals so as to secure a more even flow of election and also to secure that there will be full popular representation at an earlier date than was originally contemplated. We had hoped that the modifications which are now embodied in the Bill would have met with general acceptance. I do not think, Sir, that the other criticism that there will be a surge of shares running from one centre to another is of any practical validity because of the limitation of voting power and the residential qualification. If it should have any practical validity, it will be simple enough for the Legislature in the future to take measures to combat it. But at this stage I think that it would be very inadvisable to depart from something which will have a practical good effect merely because of some fancied possible danger. I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That for sub-clause (3) of clause 15 the following be substituted, namely:

'(3) The Governor General in Council will appoint a committee of five persons in the first instance to issue shares, make allotment of shares and carry out elections of Local and Central Boards and as soon as the Boards are completely elected they shall retire automatically.'

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I beg to move:

"That in sub-clause (4) of clause 15 for the word 'registers' where it first occurs the word 'register' be substituted."

Sir, this is purely a verbal misprint which has to be corrected.

The Motion was adopted.

Clause 15, as amended, was added to the Bill.

Clause 16 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 17 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in sub-clause (2) (a) of clause 17 after the words 'scheduled bank' the words 'or a Provincial Co-operative Bank' be inserted."

As the Honourable Members of this House are aware, certain facilities have been given to co-operative institutions, especially Provincial Co-operative Banks. In this sub-clause certain business, that is, the purchase, sale and re-discount of bills of exchange and promissory notes, drawn on and payable in India and arising out of *bona fide* commercial or trade transactions bearing two or more good signatures, can be conducted if one of the signatories is a scheduled bank. I want to insert here the Provincial Co-operative Bank also. The object is that if a Provincial Co-operative Bank is a signatory, these transactions can be held. The Provincial Co-operative Bank should also have the advantage of purchase, sale and rediscount of bills of exchange, etc., if it wants to do so. This is a very simple amendment and I hope Government will accept it.

THE HONOURABLE MR. J. B. TAYLOR: Sir, the reason why Provincial Co-operative Banks are not included in this particular sub-section is a simple one. Special facilities are granted to Co-operative Banks in the matter of agricultural credit. The Co-operative Banks, though they will have to furnish certain returns, will be exempt from the liabilities of Scheduled Banks. They will not have to make a compulsory deposit, and for that reason it was felt that their special facilities should be confined merely to the special object for which Co-operative Banks are primarily designed, that is to say, agricultural credit. Co-operative Banks are therefore given facilities in sub-clause (2) (b) and it will be seen that that sub-clause is very widely worded and includes bills

"drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within nine months from the date of such purchase or rediscount, exclusive of days of grace."

The wording is very wide and includes all sorts of agricultural operations. In this connection, Sir, the Honourable Mr Hossain Imam yesterday said that hypothecation had been excluded from the Bill. I do not know to what he was referring because I cannot recollect any such exclusion and it seems to me that these words are so widely—

THE HONOURABLE MR. HOSSAIN IMAM: In clause 18 as it appeared in the original Bill.

THE HONOURABLE MR. J. B. TAYLOR: I am sorry, Sir. I thought that he was referring to clause 17. Clause 18 is only to be used on exceptional occasions. But, Sir, as regards this particular sub-clause, the powers granted to Co-operative Societies are already very wide with reference to their main function, which is agricultural credit, and we do not consider that it would be fair to extend special privileges to them in matters in which they will come into more direct competition with Scheduled Banks when they are not subject to the liabilities to which those Banks are being subjected.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (2) (a) of clause 17 after the words 'scheduled bank' the words 'or a Provincial Co-operative Bank' be inserted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 17 stand part of the Bill."

The Motion was adopted.

Clause 17 was added to the Bill.

Clauses 18 to 39, inclusive, were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 40 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, I beg to move:

"That clause 40 be omitted."

THE HONOURABLE THE PRESIDENT: I disallow this amendment because it has the effect of a negative vote only. The Honourable Member can speak on the clause but the amendment cannot be moved.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, I rise to oppose this clause. The Government regards this as one of the fundamental clauses, as they have said many times in the Joint Select Committee as well as in the other House. On our side we also regard it as most detrimental to the interests of India. If there is going to be any obligation on the Reserve Bank to sell sterling at a rate not below—

THE HONOURABLE THE PRESIDENT: May I remind the Honourable Member that there is another amendment to the same effect by the Honourable Mr. Banerjee, and in fact I ought not to have allowed him to speak on this subject at this stage because he would get the opportunity to speak when the Honourable Mr. Banerjee moves his amendment. I therefore trust he will curtail his remarks considerably having been permitted to start his speech.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I will abide by your suggestion and close my remarks very shortly. We have received representations in the Joint Select Committee from all sections in India, agricultural, commercial and other interests, and there is practical unanimity that so long as Government makes this compulsory selling of sterling at a price fixed by them, India is to lose very much. Agriculturists and business people have suffered greatly. I do not know what interest the Government is thinking of when in spite of pressure from all sides they keep up this ratio. If, as I was going to propose, there is no mention about this in the Reserve Bank Bill, the result will be that this Bank will not be obliged to sell sterling at the rate fixed in the Bill and sterling will find its own level. That is our only object. I do not know whether it should be 1s. 8d. or 1s. or 14d. It may be anything, but we are of opinion that it should find its own level and that will be in the interests of India. As long as the Government does not revise this policy, India will lose heavily as it has been losing in the past.

THE HONOURABLE THE PRESIDENT: If you go on like this you may not catch my eye later on.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Very well, Sir, with these remarks I oppose this clause.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I should like to speak on clauses 40 and 41 together.

THE HONOURABLE THE PRESIDENT: I would advise you to confine yourself to clause 40 only.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: This amendment is moved to bring back India to the exchange level which—

THE HONOURABLE THE PRESIDENT: You will first read your amendment.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Sir, I beg to move:

“That in clause 40 for the words ‘one shilling and five pence’ the words ‘one shilling and three pence’ be substituted.”

THE HONOURABLE THE PRESIDENT: May I remind the Honourable Member that he has referred to this matter very exhaustively in his speech yesterday and I trust he will be as brief as possible.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I will be brief, Sir. In clause 41—

THE HONOURABLE THE PRESIDENT: I have already given you my ruling.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Sir, this amendment is moved to bring back India to the exchange level which existed for about a quarter of a century and helped India to advance on the road of economic prosperity. The advocates of a higher ratio are not to be found except in the ranks of the Government Members, Europeans and Indians, Hindus and Muslims, industrialists and the agriculturists all have joined issue and with united voice demanded a devaluation. The only people who could possibly object to devaluation are the people with fixed income like the Government servants, because increased prices will reduce their savings. But if they consider for a moment that the increased prices will still be lower than the 1929 level they ought to be consoled. I do not wish to elaborate my point as this question has been ventilated in the Press and vehemently supported in several public meetings. To bring home to this Honourable House the advantages of lower exchange I would just cite the example of Japan which has flooded the market of the world with cheap goods and is now the most prosperous country as far as industrial activity is concerned.

*THE HONOURABLE MR. HOSSAIN IMAM: Sir, I wish to oppose the Motion about clause 40. I am not opposing the amendment moved by my Honourable colleague Mr. Banerjee. My own standpoint is that this Reserve Bank is not really a suitable place to fix the exchange ratio. I should like to remind the House that in doing this we will be following in the footsteps of the Government of Great Britain. At the present moment the Bank of England is under no obligation to sell gold at any fixed price. They are under obligation to purchase and in a similar manner I would support clause 41 but oppose clause 40. Yesterday my Honourable colleague, the Finance Secretary, twitted me about stable money and said that nowhere in the central banks you find existence of this. I quite agree. But there is no stable money at the present moment. But the next best thing is planned money and that is the thing which both Great Britain and the United States are trying to establish. Although we may not be so advanced as England we wish to have the same right of having a planned money. At the present moment the pound sterling has no value except the promise of the Bank of England to give back in different denomination of notes. We can go and ask for exchange of five pound notes and they will give five notes of one pound. There is no backing. There is neither gold nor exchange. It is well known, Sir, that in the older conception of exchange there used to be either gold or exchange backing, but the new conception of having some sort of uniform rate of prices is emerging out of this catastrophe and we wish that we should have the same right to manage our currency to the best advantage of India without being bothered to attach it to the tail of sterling. Therefore I oppose clause 40.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I presume that I will be in order in speaking both to the amendment and to the clause itself?

THE HONOURABLE THE PRESIDENT: Certainly.

THE HONOURABLE MR. J. B. TAYLOR: First of all, Sir, as regards the amendment, I think that very little need be said. I gather that there is not even unity on the opposition benches as to the desirability of

*Speech not corrected by the Honourable Member.

[Mr. J. B. Taylor.]

substituting 1s. 6d. by 1s. 4d. and that difference of opinion is merely a pale reflection of the much wider difference of opinion that exists in the country. I therefore do not think that I need waste time on this particular amendment except to point out that that it is of course incorrect to say that the amendment proposed is to restore the rate which is said to have given India so much economic prosperity over the quarter century before the war. Sir, our exchange is already nearly 50 per cent. below that level measured in terms of gold. We are on a sterling standard and what my Honourable friend is proposing is something which, good or bad, is entirely different from the pre-war standard based on gold. That, Sir, is recognized even by those who attack Government's general policy and I think that the view of those who oppose us is more correctly represented by the Honourable Mr. Hossain Imam.

Sir, I do not wish to go over the whole ground again, but I would point out that the deletion of these clauses will leave a lacuna in the Bill which will totally wreck it. The whole object of the creation of a Reserve Bank is to centralize the control of currency and credit by bringing them together. In other words, the Reserve Bank when it is considering the question of providing finance for the marketing of India's crops will have to decide how far that credit will be supplied against internal bills and how far by the method which we at present follow of buying sterling from the exchange banks and creating currency against that sterling. If the bank is to be precluded from dealing in sterling in that way, its whole basis drops out. It cannot safely give credit merely against internal business. It must recognise the facts of the situation, which is that the bulk of India's crops for which finance is required are for export and we must therefore correlate our internal credit with our external exchange. In other words, the omission of this clause would make the Bill quite unworkable. I did not intend, Sir, to twit the Honourable Mr. Hossain Imam on his suggestions about stable money. When the world currencies are in such a state of chaos it is not for anybody to twit anybody who is thinking out new theories, because I think the one conclusive fact which is emerging is that we will never in the future be the same as in the past. But that does not mean that we are to do nothing until the future is stable. If so, we may wait indefinitely. What we must do is to create an organization now on the existing state of affairs, not on a vague and hypothetical basis which may or may not come into existence in the future, because we do not know how the future will develop; but by the creation of a Reserve Bank we shall be better prepared to meet the future as it comes. That, I think, is the answer to any proposal to impose on the Bank at this stage any hypothetical scheme of keeping money stable. I therefore for these two reasons oppose the amendment and I also oppose the direct negative. In other words, I propose that the clause do stand as it is.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in clause 40 for the words 'one shilling and five pence' the words 'one shilling and three pence' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 40 stand part of the Bill."

The Motion was adopted.

Clause 40 was added to the Bill.

Clauses 41 to 47, inclusive, were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 48 stand part of the Bill."

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in sub-clause (2) of clause 48 for the figures '44' the figures '47' be substituted."

This is a purely consequential amendment due to the introduction of several other clauses in the Bill.

The Motion was adopted.

Clause 48, as amended, was added to the Bill.

Clauses 49 to 61, inclusive, were added to the Bill.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Third Schedule stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in the Third Schedule to the Bill:

- (1) in paragraph 2 in the fifth line for the word 'ten' the word 'five' be substituted;
- (2) in paragraph 2 in the sixth line for the words and figures 'first 250 crores' the words and figures 'first 100 crores' be substituted;
- (3) in paragraph 3 in the third line for the words 'fifteen years' the words 'ten years' be substituted;
- (4) in paragraph 3 in clause (a) for the words 'five years' the words 'three years' be substituted;
- (5) in paragraph 3 in clause (b) for the words 'five years' the words 'three years' be substituted; and
- (6) in paragraph 3 in clause (c) for the words 'five years' the words 'four years' be substituted."

Sir, the terms offered to the Imperial Bank are very much on the side of generosity which it has not justified by its deeds, and are practically the same as were offered in 1927-28 in spite of the fact that five years have elapsed and the Bank has done more both in the way of establishing its reputation and transacting business.

Sir, when the first agreement with the Imperial Bank was made in 1920 it was only for ten years. Under that agreement the Imperial Bank was pledged to open 100 branches. It has done so. There is no obligation

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

on the Government to do anything more for the Imperial Bank. Then, Sir, it has exceeded the agreement by two years and taken more advantage. Now, it would have been in the fitness of things to call for tenders from other established banks of the first class and see what terms they had to offer.

Let us now examine what the Imperial Bank has done for India, and then we will discuss the question, Sir. It has totally refused to make advances on immovable properties and has failed hopelessly to satisfy public expectations in the way of developing a bill market in India; it has not provided adequate finance to industry and agriculture; it has practically withdrawn its facilities to the co-operative institutions and failed to develop banking capital in the country. India is an agricultural country and it was but proper to expect that a quasi-government bank which had all their resources at its disposal, will do its best to render every possible help. In support of this argument I shall quote two sentences from the Central Banking Inquiry Committee's Report on page 143:

"The policy of the Imperial Bank of India in regard to the grant of financial assistance to some of the provincial and central co-operative banks seems of late to have undergone a definite change and it is stated that it shows today a much smaller measure of readiness to help them than it used to do in the past. We consider that free remittance of funds for co-operative purposes is of the utmost importance to the co-operative movement and that no attempt should be made to curtail the privileges under the rules of the Government of India in this matter".

Sir, that is how the Imperial Bank has treated the co-operative movement which alone is meant for the betterment of the conditions of the agriculturist, who as I said occupy the foremost position in India. If the Imperial Bank has curtailed its account with the co-operative banks and is not going to advance money to the agriculturist as well as to the zamindar, the question is what it has done for the country for which these favourable terms have again before offered to it? When the first agreement was made for ten years, why is there any reason for making the second agreement for 15 years? I say it should not be made for more than ten years and if the terms were acceptable in 1927-28 there is no reason why they should not be acceptable today. Therefore, Sir, I move this amendment for the acceptance of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I think that a good deal of the Honourable Member's speech would have been more suitably directed to clause 45 of the Bill which deals with the question of entering into an agreement with the Imperial Bank at all. He said nothing when we were considering that section. This schedule merely deals with the terms of remuneration and I shall therefore confine myself strictly to the amendment so far as it concerns that schedule.

Sir, the terms to be given to the Imperial Bank have naturally formed the subject of very careful consideration by Government. An elaborate memorandum was put before the Joint Committee detailing at considerable length the actual work which the Imperial Bank did and the cost of that work. It seems to me it is a wrong attitude to stand on the strictly legal idea that because the first term of agreement with the Imperial Bank was merely for ten years there is therefore no obligation to subsidise them in any way for the large number of branches which they have created in accordance with that agreement. Sir, the proper way to look on this

question is that these branches were created for the development of the banking habit of the country and they have proved very successful in that direction. If we withdraw that subsidy, as these branches do not pay, we will not be in a position to object to the Imperial Bank closing them down to the great detriment of the country. The terms have been worked out so as to cover not only the cost to the Bank of doing Government work but also to include a steadily diminishing subsidy towards the loss on these branches. They were examined by the Joint Committee in the presence of representatives of the Imperial Bank, and though the terms were provisionally approved by the Joint Committee, the Government were asked by the Committee to refer the figures to the Auditor General to conduct a further enquiry. An officer of his department in consultation with an officer of the Imperial Bank did actually go through the books of one branch and examined the general basis on which the figures were calculated and the Auditor General made a report which was quoted in another place confirming the fairness of the bargain that had been struck, as being in the interests of both the parties. In fact he expressed his view that Government had made a very good bargain. I submit, Sir, that the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra has advanced no arguments to show that the rate is excessive or that the basis of the calculations are wrong though he had all the figures before him. I, therefore, consider that he has made out no case and that the amendment should be rejected.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of information, Sir, Will the Honourable Member tell us what is the estimated amount that will be paid to the Imperial Bank under this Schedule? What is the turnover that he expects?

THE HONOURABLE MR. J. B. TAYLOR: Sir, I am afraid that I have not the figures with me. They were all put before the Joint Committee and I submit that this is a detailed matter in which this House can be suitably guided by the recommendations of the Joint Committee.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in the Third Schedule to the Bill:

- (1) in paragraph 2 in the fifth line for the word 'ten' the word 'five' be substituted;
- (2) in paragraph 2 in the sixth line for the words and figures 'first 250 crores' the words and figures 'first 100 crores' be substituted;
- (3) in paragraph 3 in the third line for the words 'fifteen years' the words 'ten years' be substituted;
- (4) in paragraph 3 in clause (a) for the words 'five years' the words 'three years' be substituted;
- (5) in paragraph 3 in clause (b) for the words 'five years' the words 'three years' be substituted; and
- (6) in paragraph 3 in clause (c) for the words 'five years' the words 'four years' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in the Third Schedule for the figures '1933' wherever they occur the figures '1934' be substituted."

The Motion was adopted.

The Third Schedule, as amended, was added to the Bill.

The Fourth Schedule was added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in the Fifth Schedule for the figures '1933' the figures '1934' be substituted."

The Motion was adopted.

The Fifth Schedule, as amended, was added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in sub-clause (1) of clause 1 for the figures '1933' the figures '1934' be substituted."

The Motion was adopted.

Clause 1, as amended, was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That the Bill to constitute a Reserve Bank of India, as passed by the Legislative Assembly, and as amended by the Council of State, be passed."

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I think I should not record my silent vote on this Motion and therefore I rise to speak on the salient features of this Bill. I will obey your suggestion of not repeating the arguments that have been made up till now both during the time of the general discussion and on the amendments. But some of them unfortunately will have to be repeated and I crave your indulgence for that purpose. The conditions laid down in the White Paper for the establishment of a Reserve Bank were four, and the Honourable the Leader of my Party speaking the other day on the general discussion said that two of these were not fulfilled. These are that the budgetary position of India as a whole is not satisfactory and India's normal export surplus is not assured. It may be said that the budgetary position of the Central Government is not faced with difficulty, but my Leader stated facts and figures to show that the budgetary position of the provinces in India is not so satisfactory as the White Paper conditions demand. If these two conditions are not fulfilled the question arises why there should be such a hurry for the establishment of the Reserve Bank. I quite understand the mentality of my countrymen in giving support to this Bill however much they may not like it. They think that they will not get the reforms if no Reserve Bank is established. The gentlemen who went a long way to London and who are supporting this measure are working under a great handicap. They had before them the threat that if they did not lend their support, no reforms would be given. I can therefore quite understand why even though there are certain provisions in this Bill which they do not like, they have lent their support to the measure. I say this

because some gentlemen at least who had supported unanimously Sir Basil Blackett's Bill for a State Bank are now forced to support this Shareholders' Bank Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU: They have become wiser.

THE HONOURABLE SIR HOMI MEHTA: How are they forced? Who forces them?

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: I am glad to know that they have become wiser. I am personally not convinced that they have become so.

THE HONOURABLE SIR HOMI MEHTA: That is your opinion.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: I do not think that is merely my opinion.

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member will proceed with his speech.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Well, then, Sir, if it is the intention of the Government to force on us a Bill which has got so many objectionable clauses and on which there is such a difference of opinion, I submit that they should at least have supported some of the amendments which the supporters of the Shareholders' Bank had tabled in the other House, but not only have they not supported those amendments but they have carried their opposition successfully throughout. I do not want to enter into the merits or demerits of a Shareholders' as against a State Bank. The position put before us is that the Government do not want to establish a State Bank because they want to avoid the political influence of Indians; but while they have avoided the political influence of Indians the political influence of England has been introduced into it. I am not an expert in monetary policies. My Honourable friend Sir Homi Mehta may have studied the matter. What I fail to see is how the political influence of the Governor General in Council which one finds in practically every clause of this Bill is going to do good to this country while the political influence of Indians would do harm. I find a clause which debar Members of the Indian Legislature and the Provincial Legislatures from a place in the Bank. If on no other grounds, I should like to oppose the Bill on this ground alone. Men like Sir Homi Mehta, yourself, and others who have dealt with these questions for so many years have been debarred from guiding the policy of the Bank. If you desire to come to the Legislature you cannot act in the Reserve Bank. That is a point which has struck me as a layman. Men like you lead us in this House and in the Provincial Legislatures where monetary policies are concerned, but if you go to the Bank you will be unfit to sit in this House. If you come to this House you cannot go to the Bank. The position is that we are being deprived of the great experience and talent of financiers like you by this clause.

Then, Sir, much has been said on the ratio question. There are arguments in favour of it and against it. Sir Montagu Webb says that the present trouble is not the creation of God but of man. He may be right

[Mr. Vinayak Vithal Kalikar.]

or wrong. As a layman I want to put a straight question. This ratio has been in existence for the last five years. The prices of agricultural produce have gone down to such a level that you cannot even meet the cost of production. The other day my friend Sir Kurma Reddi drew a very graphic picture of the agricultural conditions in Madras. I may assure him that the conditions in my province, the Central Provinces and Berar, which is mainly agricultural, are not better but even worse than in Madras. So, if you have tried this game for five years and still you find that prices have not gone up I should expect you to try other methods, try lowering the ratio for five years and see what would be the result. And if you are not going to do this, naturally the suspicion arises in the minds of people like myself who have not studied the question that when you are adamant against any change there is something wrong.

THE HONOURABLE SIR HOMI MEHTA: The depression is not only confined to India. It is all over the world. Most other countries are in a far worse position than India is in today.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Sir Montagu Webb says that in certain countries where devaluation has taken place prices have risen. Sir, I do not challenge the correctness of Sir Homi Mehta's statement. I simply submit that some other method should be adopted to increase prices and save agriculturists from rack and ruin. Then, Sir, my Honourable friend Sir Kurma Reddi's suggestion that the Reserve Bank should advance loans to agriculturists to save them from ruin cannot be accepted under the present scheme. Then what will be the position of the agriculturist even if the Reserve Bank be established? The agriculturists will naturally say that they have got nothing from this Bank; their grievances cannot be relieved and no method has been devised to relieve them; and therefore their position will be the same after as before the establishment of this Bank. A suggestion was made and amendments moved in the Lower House about the early establishment of the rural credit department. But that suggestion was not accepted. So that my submission is that even with the Reserve Bank established the position of the agriculturist will not be in any way improved. I, therefore, Sir, as a layman, apart from the various other objectionable features contained in the Bill, cannot find my way to support this Bill and therefore I oppose it.

The Council then adjourned till Eleven of the Clock on Friday, the 16th February, 1934.