

# LEGISLATIVE ASSEMBLY DEBATES

---

**MONDAY, 7th MARCH, 1932**

**Vol. II—No. 11**

---

## OFFICIAL REPORT



### CONTENTS.

---

**Member Sworn.**

**Questions and Answers.**

**Unstarred Questions and Answers.**

**Statements laid on the Table.**

**Presentation of the General Budget for 1932-33.**

---

NEW DELHI : PRINTED BY THE MANAGER  
GOVERNMENT OF INDIA PRESS: 1932

*Price Five Annas.*

# LEGISLATIVE ASSEMBLY.

*Monday, 7th March, 1932.*

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

## MEMBER SWORN.

Mr. V. K. Aravamudha Ayangar, C.I.E., M.L.A. (Government of India: Nominated Official).

## QUESTIONS AND ANSWERS.

### THE RAILWAY COURT OF ENQUIRY.

647. **\*Sardar Sant Singh:** Was there a Railway Court of Enquiry? If so, what were its functions and composition?

**The Honourable Sir Joseph Bhoré:** The answer to the first part of the question is in the affirmative. As regards the second part, I invite the Honourable Member's attention to Industries and Labour Department notification No. L.-1714 which was published in the Gazette of India of 15th August, 1931.

**Mr. Lalchand Navalrai:** Will the Honourable Member please state if the Court of Enquiry is still functioning? If so, where?

**The Honourable Sir Joseph Bhoré:** My Honourable friend has apparently not kept himself in touch with the newspapers. I may inform this House that the Court of Enquiry has concluded its labours and its Report is now in print.

**Lieut.-Colonel Sir Henry Gidney:** Will the Honourable Member state when the Report is likely to be made available to the Members of this House?

**The Honourable Sir Joseph Bhoré:** I hope very shortly, possibly within a week.

**Lieut.-Colonel Sir Henry Gidney:** Thank you.

**Dr. Ziauddin Ahmad:** Will the Honourable Member give an opportunity to the Assembly to discuss that Report?

**The Honourable Sir Joseph Bhoré:** Certainly not.

**Mr. M. Maswood Ahmad:** Will the Report be laid on the table of the House.

**The Honourable Sir Joseph Shore:** I will lay a copy in the Library of the House; but if any Honourable Member desires to have a copy, I shall be glad to supply one to him.

**Dr. Ziauddin Ahmad:** We provided money for that Court of Enquiry and it is strange that we cannot discuss Report for which we have paid?

**The Honourable Sir Joseph Shore:** If my Honourable friend desires that the Assembly should discuss all Reports in connection with which funds have been provided, then I am afraid that time will not be available in the whole of the year for that purpose.

**Mr. Lalchand Navalrai:** Will the Honourable Member please state the reason for giving that positive, "No".

(No answer was given.)

#### MEMORIALS WITHHELD BY THE RAILWAY BOARD.

**648. \*Sardar Sant Singh:** What is the principle on which memorials to the Governor General are withheld by the Railway Board?

**Sir Alan Parsons:** The Honourable Member is presumably referring to the appeals of the subordinate staff of State-managed railways against orders of discharge or dismissal. An appeal from such an order lies to the authority next above the officer passing the order, provided that if the order was issued by the Agent of a railway himself, no appeal lies.

**Lieut.-Colonel Sir Henry Sidney:** Is it not a fact that in the case of memorials submitted to the Governor General through the Railway Board, though the Railway Board stands in the position of the accused, yet it is called upon to pronounce a verdict on its own finding?

**Sir Alan Parsons:** I am not sure that I understand the Honourable Member; will he put the question in simpler language?

**Lieut.-Colonel Sir Henry Sidney:** I am sorry the Honourable Member finds my language difficult. Let me put it in another way. Is it a fact that when memorials are presented to the Governor General, they must be submitted *via* the Railway Board and it is customary for the Governor General to submit it to the Railway Board for their remarks? In other words, the Railway Board is called upon to express an opinion for the guidance of the Governor General on its own opinion already expressed and which is the subject of the appeal, and to advise the Governor General on the question in dispute. In other words though it stands in the position of an accused to it is relegated the powers of a jury and judge combined. A hopelessly untenable position?

**Sir Alan Parsons:** The memorials I am dealing with in this question are not memorials against the orders of the Railway Board, but against the orders of Agents or officers of Railway Administrations.

**Lieut.-Colonel Sir Henry Sidney:** Is not the Railway Board responsible for the conduct of the Railway Agents, for the purposes of discipline and the administration of justice to the entire staff?

**Sir Alan Parsons:** Yes, Sir.

**DISCHARGE OF SUPERANNUATED RAILWAY EMPLOYEES.**

**649. \*Sardar Sant Singh:** (a) Will Government be pleased to state the principle on which superannuated men were discharged from the Railways? Is there any uniformity?

(b) Is it a fact that some superannuated men with good records of service have been discharged and others have been retained in the Allahabad Division? If so, why?

(c) Is it a fact that besides Mr. D. N. Banerji, late Head Parcels Clerk, Cawnpore, there are several superannuated persons who are still in service? If so, why was this man discharged?

**Sir Alan Parsons:** (a) The principles adopted for the selection of Railway employees for discharge in the recent economy campaign were first those who were inefficient, next those who were least efficient, then those with short service and finally those nearing the age of superannuation. These principles were laid down to secure uniformity in the order of selecting individuals for discharge.

(b) and (c). Government have no information.

**Lieut. Colonel Sir Henry Sidney:** Will the Honourable Member inform this House whether the rule of superannuation has been applied to officers also? If so, how many?

**Sir Alan Parsons:** I should want notice of that question.

**MEMORIALS WITHHELD BY THE RAILWAY BOARD.**

**650. \*Sardar Sant Singh:** (a) Is it a fact that the Railway Board withhold memorials addressed to the Governor General and also do not consider memorials addressed to themselves on the ground that the Agent is competent to deal with them?

(b) Will Government be pleased to state how many such memorials were presented to the Railway Board in December, 1931 and how they were disposed of?

**Sir Alan Parsons:** (a) I would refer the Honourable Member to my reply to his question No. 648.

(b) No complete record is maintained of the appeals received by the Railway Board against orders of discharge of subordinate employees, but from the information available Government are advised that 80 appeals addressed to the Railway Board were received by them during December, 1931. These were either returned to the appellants or transmitted to the Agents for disposal.

**Dr. Ziauddin Ahmad:** Am I to understand that in all matters in which the Agents are the final authorities, appeals cannot be addressed to the Governor General?

**Sir Alan Parsons:** Where the Agent is the final authority, no appeal lies to the Governor General.

## JUDGMENT ON AN INCOME-TAX APPLICATION IN SIND.

651. **\*Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if their attention has been drawn to the judgment in Miscellaneous Application No. 113 of 1929 delivered on the 15th October, 1931, by the Court of the Judicial Commissioner of Sind, on an application under section 66(3) of the Indian Income-tax Act, 1922, by the firm of Khemchand Ramdas?

(b) Have Government's attention been drawn to the interpretation that sub-section 3 of section 66 is limited to a case of refusal on the ground of any question of law and that that sub-section does not apply even if the Commissioner of Income-tax manifestly wrongly decided to refuse the revision application on the question of limitation?

(c) Is it a fact that in this particular case the Commissioner of Income-tax, Bombay, refused even to take up the suggestion of the Court to revise his order?

(d) Is it a fact that in Sind the alternative remedy to such an applicant under section 45 of the Specific Relief Act is also not available?

(e) Is there any reason why assesseees in Sind should be in a less favourable position than those who are assessed by officers amenable to the jurisdiction of High Courts referred to in section 45 of the Specific Relief Act in the matter of having a question of law arising out of orders of appellate officers decided by a Court of law?

(f) Will Government be pleased to state if they propose:

(1) to amend section 66 of the Income-tax Act; and

(2) to confer on the Court of the Judicial Commissioner of Sind the powers under section 45 of the Specific Relief Act?

**The Honourable Sir George Schuster:** (a) The Government have perused the decision.

(b) The Court decided that under section 66 (3) a Court cannot direct a Commissioner of Income-tax to make a reference to it, where he has refused to make a reference, unless the ground for his refusal was that no question of law arose out of an appellate order under section 31 in the case.

(c) Yes. The Commissioner rightly held that he had no power to review his own order. In regard to the suggestion that the Commissioner's order was wrong, I must point out that the meaning of section 66 (3) before it was amended was ambiguous and had been the subject of conflicting decisions, which is why it was amended by Act XXI of 1930. The Commissioner's decision related to the un-amended section, and on one of the points on which the Court of the Judicial Commissioner considered that the Commissioner had erred, there was judicial authority for the Commissioner's view as well as for the view held by the Court of the Judicial Commissioner.

(d) and (e). If the Honourable Member intends to suggest that assesseees in Sind are subject to any special disability in this respect, he is mistaken. A remedy under section 45 of the Specific Relief Act is available only within the local limits of the ordinary original civil jurisdiction of the Calcutta, Madras, Bombay and Rangoon High Courts, and Sind assesseees are, therefore, in precisely the same position in this respect as all assesseees throughout India outside those limits.

(f) The Government of India are considering the desirability of amending section 66 of the Indian Income-tax Act in such a manner as to remove the grievance ventilated in this question. They do not propose to undertake legislation so as to enlarge the sphere of operation of section 45 of the Specific Relief Act.

**Mr. Lalchand Navalrai:** Will the Honourable Member please state whether Sind will not have any remedy until the law is amended?

**The Honourable Sir George Schuster:** I did not go so far as to say that man who had a grievance had no remedy at all. But as this is a very complex matter, I would ask the Honourable Member to study carefully the reply which I have just given and if he is still in doubt, then he can come and speak to me on the matter.

**Mr. Gaya Prasad Singh:** Are Government aware that the Income-tax Act contains many anomalies which call for speedy amendment?

**The Honourable Sir George Schuster:** Government are fully aware of it and I am sure my Honourable friend is also aware that the time of this House is strictly limited for legislative business of the kind he suggests.

#### DISPOSAL OF INCOME-TAX APPLICATIONS IN SIND.

652. **\*Mr. Lalchand Navalrai:** Will Government be pleased to obtain and lay on the table a statement showing for Sind, for each year since 1922, the number of cases in which the Commissioner of Income-tax, Bombay Presidency, has refused to refer questions of law to the High Court under section 66 of the Act, either because in his opinion the application was time-barred or because in his opinion the Court of the Judicial Commissioner of Sind was not the High Court as contemplated by section 66 of the Act?

**The Honourable Sir George Schuster:** The information has been called for and will be laid on the table in due course.

#### AMENDMENT OF THE INDIAN INCOME-TAX ACT.

653. **\*Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if they have received representations regarding the amendment of section 48 of the Indian Income-tax Act?

(b) If the reply to part (a) be in the affirmative, will Government be pleased to state what measures have been taken in the direction?

**The Honourable Sir George Schuster:** (a) They have received one suggestion from a single firm.

This suggestion related to the inability of shareholders in a company that had succeeded to the business of a firm to obtain refunds, as shareholders, in the first year of the company's existence in respect of the profits of the firm in the last year of its existence, which were not distributed in the form of dividends.

(b) The Government are not at present convinced that any amendment of the law is necessary.

## INCOME-TAX APPLICATIONS IN SIND.

654. \*Mr. Lalchand Navarai: Will Government be pleased to lay on the table a statement showing separately for Sind and the rest of the Bombay Presidency the following information?

Year.	No. of applications received by the Commissioner for reference to the High Court under section 66(2) of the Indian Income-tax Act, 1922.	No. of cases in which the Commissioner refused to take action because in his opinion the assessment order really fell under section 23(4) of the Act, and not under section 23(3).
1927-28		
1928-29		
1929-30		
1930-31		

The Honourable Sir George Schuster: The information has been called for and will be laid on the table in due course.

## INSTRUCTIONS FOR THE COMMISSIONER OF INCOME-TAX, SIND.

655. \*Mr. Lalchand Navarai: Will Government be pleased to state if the Central Board of Revenue have issued any instructions as to what should be the procedure in cases in which the Commissioner of Income-tax declines to take action under section 66 (2) because the assessment order falls in his opinion under section 23 (4)?

The Honourable Sir George Schuster: No such instructions have been issued. As the Honourable Member is perhaps aware, no appeal lies against an assessment order under section 23(4) of the Indian Income-tax Act, and a reference to the High Court under section 66(2) can only be made with reference to a question of law arising out of a decision of a Board of Referees, or an appellate order under section 31 or 32 of the Act. The Central Board of Revenue is now instructing Commissioners of Income-tax that an order by an Assistant Commissioner refusing to entertain an appeal, on the ground that the assessment was made under section 23(4), where the assessee contends that the assessment should not have been made under that section, is an appellate order under section 31, and that therefore a reference can be made to the High Court in regard to a question of law arising out of such an order.

## RETURN OF FEES DEPOSITED BY APPLICANTS UNDER THE INDIAN INCOME-TAX ACT.

656. \*Mr. Lalchand Navarai: (a) Will Government be pleased to state if it is the intention of Government that fees deposited under section 66 (2) of the Income-tax Act should not be returned to parties who have applied for reference to High Courts but who propose to take no action after the Commissioner of Income-tax has declined to entertain the request?

(b) If not, is it a fact that the Commissioner of Income-tax, Bombay, has so refused to return the fees?

(c) Will Government be pleased to lay on the table a statement showing for each of three years 1928-29, 1929-30 and 1930-31 the number of cases in which the Commissioner of Income-tax, Bombay Presidency, declined to take action under section 66 (2) of the Income-tax Act, and in which he refused to return the fees even after application was submitted by the party concerned that he did not propose to move the High Court under section 66 (3)?

(d) Do Government propose to direct the Commissioner of Income-tax, Bombay, to return fees in cases in which he has refused to do so? If not, why not?

**The Honourable Sir George Schuster:** With your permission, Sir, I will reply to questions Nos. 656, 657 and 658 together.

The information has been called for and will be laid on the table in due course.

#### DAYS SPENT IN SIND BY THE COMMISSIONER OF INCOME-TAX, BOMBAY PRESIDENCY.

†657. **\*Mr. Lalchand Navalrai:** (a) Will Government be pleased to obtain from the Commissioner of Income-tax, Bombay Presidency, a statement showing the number of days he spent in Sind during each of the last three years 1928-29, 1929-30 and 1930-31, and also information regarding the number of days occupied on each occasion by the journey from Bombay to Sind and back?

(b) Will Government be pleased to state if the Commissioner of Income-tax, Bombay Presidency, issues any programme of his tour for the information of the public of such part of the Presidency as he intends to visit?

(c) If the reply to part (b) be in the negative, will Government be pleased to state what steps are taken to inform mercantile bodies and associations and the members of the public of his impending visits?

#### INCOME-TAX APPLICATIONS IN SIND.

†658. **\*Mr. Lalchand Navalrai:** (a) Will Government be pleased to obtain from the Commissioner of Income-tax, Bombay Presidency, a list showing the number of cases in which he received applications for revision under section 33 of the Income-tax Act in each of the three years 1928-29, 1929-30 and 1930-31 and in how many of these he was requested to grant a hearing to the petitioners and the number of cases in which such requests were granted?

(b) Will Government be pleased to state if it is a fact that the Commissioner of Income-tax, Bombay Presidency, does not record his reasons for refusing to entertain petitions for revision under section 33 of the Act and whether it is a fact that his practice is not to communicate such reasons, even if they are recorded, to the petitioners?

---

†For answer to this question, see answer to question No. 656.



**RAILWAY PASSES FOR RAILWAY MAIL SERVICE INSPECTORS.**

659. **\*Mr. S. C. Mitra:** (a) Is it a fact that card-passes were supplied by all Railway companies to all supervising officers of the Post Office and the Railway Mail Service since the organisation of the Railway Mail Service (formerly called the travelling post offices), that they were summarily withdrawn by the orders of the Railway Board with effect from 1st April, 1926, and that the Director General, Posts and Telegraphs, did not refer the matter to Government? Is it a fact that travelling for official business on free railway passes is the privilege of all Postal and Railway Mail Service officers in England and other foreign countries? Is it a fact that the Department has been experiencing deficit since 1926?

(b) Is it a fact that gradually all officers have been allowed to purchase tickets except Railway Mail Service Inspectors who are almost in all cases required to travel in mail vans? Is there any provision for their comforts, night sleep, toilet, etc., when their journey consists of more than 4, 6 or 12 hours without any option of breaking their journey anywhere on their way? Is it a fact that there is no provision for going into the second class compartment for toilet, bath, or changing of clothes, whether in the evening or in the morning, or at any other time during day or night?

(c) Are Government prepared to secure Railway free passes for Railway Mail Service Inspectors and, till the restoration of card-passes, allow them to purchase tickets for each journey made in connection with conveyance of mails of high officers or investigations, etc., or do Government propose to appoint a commission to enquire into the grievances of Railway Mail Service Inspectors, and to recommend relief for them?

**Mr. T. Ryan:** (a) As regards the first part of the question, the facts are substantially as stated by the Honourable Member except that the withdrawal of the passes was not summary and was with the cognisance of Government. As regards the second part, Government are not aware that it is the privilege of all Postal and Railway Mail Service Officers in England and other countries to travel for official business on free railway passes. As regards the third part, the reply is in the negative. The Department has been working at a deficit since the year 1927-28.

(b) The meaning of the first part is not wholly clear but it is the case that except for journeys undertaken for the inspection of Railway Mail Service working, Superintendents and others are allowed to purchase tickets. Railway Mail Service Inspectors are allowed to purchase tickets under the orders of the Postmaster General, Deputy Postmaster General or Superintendent concerned in special circumstances. There is no sleeping accommodation in mail vans. Lavatories are of course provided. The answer to the last part is in the affirmative.

(c) Government do not propose to take steps for the restoration of card passes nor do they consider it necessary to alter the conditions under which the purchase of tickets is permitted. They do not propose to appoint a commission of enquiry as suggested by the Honourable Member.

**Dr. Ziauddin Ahmad:** Was the withdrawal of passes initiated by the Railway Department or by the Director General of Posts and Telegraphs?

**Mr. T. Ryan:** It was initiated by the Railway Department and agreed to by the Director General of Posts and Telegraphs.

**HOLIDAYS ENJOYED BY OFFICERS OF THE INDIAN ARMY.**

**660. \*Sirdar Sohan Singh:** (a) Will Government be pleased to state if it is a fact that officers in the Indian Army enjoy the following leave and holidays:

- (i) 52 Sundays;
- (ii) 52 Thursdays considered as non-working days;
- (iii) 90 days' privilege leave in a year if employed in the Frontier and 60 days' privilege leave in a year if employed elsewhere;
- (iv) ten days' leave in a year on urgent business once or twice or even thrice a year; and
- (v) over and above these, all gazetted holidays?

(b) Will Government please state how many actual working days, when the above mentioned deductions have been made, are actually put in by officers in the Indian Army?

(c) Will Government please state whether it is a fact that when the main number of days counted towards leave, holidays and non-working days, etc., is counted officers in the Indian Army are free for as many as over 200 days out of 365 in a year?

**Mr. G. M. Young:** (a) The holidays mentioned in this part of the question are all technically admissible to officers of the Indian Army. They represent, however, a maximum which no officer actually enjoys. For instance, the Thursday holiday can rarely be taken by regimental officers during the winter training season; nor is it allowed to interfere with weapon training, which goes on through the summer. In practice, therefore, regimental officers do not often take the Thursday holiday; Staff Officers never do so.

All the leave mentioned, including privilege leave, is subject to the exigencies of the service, and none may be claimed as a right.

(b) It is impossible to estimate the average number of working days of an officer during the year; but it is safe to say that the number of working days is very much greater than is suggested in part (a) of the question.

(c) The answer is in the negative.

**PROSECUTIONS INSTITUTED BY THE EXECUTIVE OFFICER, SIALKOT CANTONMENT.**

**661. \*Sirdar Sohan Singh:** (a) Are Government aware that the Executive Officer, Sialkot, issued notices on his own authority under section 187 of the Cantonments Act and also under other sections of that Act in which the power of issuing notices was vested in the Cantonment Authority?

(b) Is it a fact that after issuing those notices, he himself started prosecutions for the non-compliance with those notices?

(c) If the reply to part (b) is in the affirmative, are Government aware that this action of the Executive Officer was responsible for a number of prosecutions?

(d) Is it a fact that one such prosecution was launched against Mr. Muhammad Ali Khan of Sialkot, *vide* criminal case No. 57 of 1931, in the Court of Mr. Kohli, 1st Class Magistrate, Sialkot, who sentenced Mr. Muhammad Ali Khan to a fine of Rs. 25 or in default simple imprisonment for 10 days?

(e) Are Government aware that Mr. Muhammad Ali Khan filed a revision in the Court of the District Magistrate, Sialkot, with the result that the District Magistrate held the notice issued by the Executive Officer to be illegal and recommended to the High Court, Lahore, that the conviction be set aside?

(f) Is it a fact that the High Court, Lahore, accepted the recommendation of the District Magistrate and held that a notice requiring the sanction of a Cantonment Authority could not be legally issued by the Executive Officer without obtaining the sanction of that authority beforehand?

(g) Is it a fact that the Cantonment Authority spent a lot of money, in defending the illegally issued notice both in the Court of the District Magistrate and the High Court?

(h) Are Government aware that owing to this illegal action of the Executive Officer, Sialkot, Mr. Muhammad Ali Khan, has been subjected to a lot of worry and expense?

(i) What action do Government propose to take against the Executive Officer responsible for the waste of Cantonment Fund money and for causing such harassment to the people by doing acts in excess of his powers?

(j) What action do Government propose to take to stop such abuse of power by the Executive Officers of Cantonments?

**Mr. G. M. Young:** The information has been called for, and a reply will be laid on the table in due course.

#### CONSTRUCTION OF OFFICES IN THE GARDEN OF THE LANSDOWNE INSTITUTE, RAWALPINDI.

662. **\*Sirdar Sohan Singh:** (a) Is it a fact that the property known as Lansdowne Institute is held in trust by the Cantonment Authority, Rawalpindi, to be used as a public library and a place for public amusement?

(b) Is it a fact that the Cantonment Authority of Rawalpindi has cut up a portion of the garden attached to the institute and is building its own offices there?

(c) Are Government aware that this action of the Cantonment Authority has raised a good deal of public indignation and protest?

(d) Is it a fact that the All-India Cantonments Conference passed a definite resolution in its recent session held at Lahore Cantonment, requesting Government to intervene and prevent the Cantonment Authority of Rawalpindi from constructing any such building on any part of the ground attached to the institute and that a copy of the above resolution was sent to Government on the 27th November, 1931? What action have Government taken on that resolution?

(e) If no action has been taken so far on the resolution referred to in part (d) do Government now propose to take the action requested?

(f) Is it a fact that in disregard of all public protests, the Cantonment Authority, Rawalpindi, has commenced and is hurrying up the construction of the offices mentioned in part (b)? If so, are Government prepared to instruct the Cantonment Authority by telegraph to stop work till Government have enquired into the matter and given their decision?

**Mr. G. M. Young:** (a) The trust relates to the Institute building only, and not to the land adjoining it.

(b) Yes.

(c) A representation was received from some residents of Rawalpindi Cantonment.

(d) As the building of these offices in no way encroaches upon the conditions of the trust, Government do not propose to take any action on the resolution.

(e) No, Sir.

(f) Government have no information regarding the first part of the question. The answer to the second part is in the negative.

**Sardar Sant Singh:** May I know what was the area covered by this trust?

**Mr. G. M. Young:** As I have explained in my answer to the main question, the area is only the land on which the building stands. The rest of the site is not covered by the trust.

**Sardar Sant Singh:** May I know if at the time the trust was created whether the building was on the land or subsequently added?

**Sirdar Sohan Singh:** Is not there a compound wall all round that land?

**Mr. G. M. Young:** Yes, there is a compound, but it is not covered by the terms of the trust.

**Sardar Sant Singh:** May I know what the object of the trust was at the time it was created?

**Mr. G. M. Young:** The object of the trust was the inauguration and maintenance of this Lansdowne Institute, but the land did not go with it.

**Sirdar Sohan Singh:** Was not the land used for a recreation ground?

**Mr. G. M. Young:** That may be, Sir.

#### ENCROACHMENTS ON ADJOINING LAND OF HOUSES IN BENARES CANTONMENT.

663. **\*Sirdar Sohan Singh:** (a) Is it a fact that notices have been issued by the Cantonment Authority of Benares to a number of house-owners that there existed some encroachment in their houses and that they should execute a lease for those encroachments or steps would be taken to resume the encroached portions of the land on which the houses stood?

(b) Is it a fact that some of the houses in which encroachments have been now detected have been existing in that condition for scores of years past?

(c) Will Government be pleased to state who has detected these encroachments and how?

(d) Why was no action taken about these alleged encroachments when permission to build those houses was originally given?

(e) Did the officer conducting the survey give the house-owners concerned an opportunity to contest the theory of encroachment?

(f) Is there any record of the "grants" of the land under those houses? If so, has this record been shown to the house-owners concerned?

(g) Are Government aware that this action has caused unnecessary harassment to the house-owners and do Government propose to issue instructions that these encroachments may be condoned? If Government are not prepared to take this action, how do they propose to have these encroachments regularised?

**Mr. G. M. Young:** (a) and (b). Government have no specific information.

(c) Such encroachments, if existing would have been brought to notice by the Special Lands Officer, whose duty it was to compare the actual areas in possession of the house-owners with the Government records. Any area in excess would be regarded as an encroachment.

(d) Presumably the encroachments were first noticed by the Special Lands Officer, when preparing the general land register of the Cantonment.

(e) It was not necessary. All land in Cantonments is presumed to be the property of Government, unless private title is established.

(f) Unless specific cases are quoted, I am afraid that I cannot answer this part of the question.

(g) Government are prepared to examine any case brought to their notice by the house-owner concerned. Resumption cannot in any case take place without the order of Government.

#### PROMOTION OF JUNIORS IN THE LOWER SELECTION GRADE IN POSTAL CIRCLES.

**664. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Will Government be pleased to state the formula prescribed by the Director General, Posts and Telegraphs, for the information of all the Postmasters General in India for awarding the fifth vacancy in the lower selection grade in each circle to the juniors in preference to the senior passed officials?

(b) If no formula has been adopted, will Government be pleased to state the principle adopted by the Postmaster General, Punjab and North-West Frontier Circle, in giving the fifth vacancy to the juniors and how their position in the circle gradation list has been regulated?

**Mr. T. Ryan:** (a) The rule is that the first four of every five vacancies in each cadre will be filled by four senior candidates who have passed the

lowest selection grade examination, and the fifth by a passed junior candidate. For fuller details I refer the Honourable Member to rule No. 4 of the Rules for the lowest selection grade examination of which I place an extract copy on the table.

(b) Does not arise, in view of the reply to part (a).

*Extract copy of Rule 4 of the Rules for the Posts and Telegraphs Department Lowest Selection Grade Examination.*

4. (I) Officials who have passed the examination, whether as *senior* or as *junior* candidates, will be eligible for promotion against vacancies in the Lowest Selection Grade, officiating, temporary or permanent, in their own cadres in accordance with the principles laid down below.

(II) The first four of every five vacancies in each cadre will be filled by four passed *senior* candidates and the fifth by a passed *junior* candidate.

*Note.*—A passed *junior* official will also be eligible for promotion against a vacancy intended for a passed *senior* official, but only when he becomes sufficiently senior to be considered for promotion under Rule 4 (III), and provided that his promotion in such a vacancy would not involve the supersession of any senior who did not have an opportunity of appearing at the examination.

(III) The relative seniority of passed *senior* officials, for purposes of their promotion to the Lowest Selection Grade, will be the same as shown in the gradation list, irrespective of the fact whether they passed the examination in the same year or in different years.

(IV) (a) *Junior* officials will be classified as follows :—

- (i) Those who have already passed the examination for Inspectors of Post Offices and Head Clerks to Superintendents of Post Offices or for Inspectors, Railway Mail Service, and are approved candidates for promotion to the selection grade;
- (ii) Those who were specially allowed to appear at the first Lowest Selection Grade examination, having already been selected to appear at the examination (since abolished) for Inspectors of Post Offices and Head Clerks to Superintendents of Post Offices or for Inspectors, Railway Mail Service, and who have actually passed the first Lowest Selection Grade examination;
- (iii) Those who were specially allowed to appear at the second Lowest selection grade examination as *junior* candidates under rule 3 in the Director General's Special General Circular No. 16, dated the 18th August 1930, and who actually passed that examination or who pass the examination in the next chance specially granted to them; also those who appear as *junior* candidates under Rule 3 above and pass the examination.

(b) Junior officials in category (i) will be eligible for promotion to the Lowest Selection Grade in preference to junior officials in categories (ii) and (iii), and junior officials in category (ii) in preference to junior officials in category (iii).

(c) The relative seniority of officials in each category under Rule 4 for purposes of their promotion to the Lowest Selection Grade will be as follows :—

*Category* (i) : in the order in which their names were arranged on the waiting list at the time of the publication of the results of the first Lowest Selection Grade Examination for purposes of appointment to posts in the Inspectors' line.

*Category* (ii) : according to their relative seniority in the gradation list.

*Category* (iii) : according to their relative seniority in the gradation list irrespective of the fact whether they passed the examination in the same year or in different years.

*Note.*—Heads of Circles will maintain a waiting list showing separately these three categories of officials in the order shown above.

(V) When a vacancy, officiating, temporary or permanent, occurs in the Lowest Selection Grade, the passed official most senior in the cadre *at the time* when the vacancy occurs will ordinarily be eligible for it, provided that he is in all other respects considered fit for promotion to the selection grade.

*Note.*—Rule 4 (V) will not apply when making purely local arrangements in cases of vacancies of not more than one month's duration. In such cases, the existing procedure of selecting the most senior fit official available on the spot (i.e., in the Section, Branch, Office or station where the vacancy occurs) for promotion to the acting vacancy, will continue, except that, if there is a passed official available on the spot, he will be selected to officiate.

#### EMPLOYEES RETRENCHED ON THE NORTH WESTERN RAILWAY.

**665. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Will Government please state the number of employees by communities who have been (i) discharged, and (ii) demoted on the North Western Railway on account of retrenchment during the year 1931?

(b) Will Government please state the number of employees by communities who have been asked to proceed on leave preparatory to retirement as a measure of retrenchment on the North Western Railway during the year 1931?

**Sir Alan Parsons:** (a) I would refer the Honourable Member to the reply given to question No. 324 asked by Shaikh Fazal Haq Piracha on the 12th February, 1932.

(b) Government have no information as to the number of men discharged or under notice of discharge to whom leave prior to retirement was granted.

#### PAUCITY OF MUSLIMS IN THE LOWER GAZETTED SERVICE OF THE NORTH WESTERN RAILWAY.

**666. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Is it a fact that there is not a single Muslim in the lower gazetted service on the North Western Railway with the exception of one who is officiating as an Assistant Personnel Officer?

(b) If the reply to part (a) is in the affirmative, are Government prepared to inquire into the reasons for the paucity of Muslims in this service?

**Sir Alan Parsons:** (a) Yes.

(b) No. Appointments to the Lower Gazetted Service are made by Government essentially by promotion of selected subordinate irrespective of community.

#### MUSLIM PERSONNEL OFFICERS IN THE NORTH WESTERN RAILWAY.

**667. \*Mr. Muhammad Muazzam Sahib Bahadur:** Will Government please state the number of Muslim and Non-Muslim Assistant Personnel Officers, Divisional Personnel Officers, Junior Assistants Personnel, Senior Assistants Personnel on the North Western Railway during the years 1925 to 1931, before and after the dates of Assembly meetings?

**Sir Alan Parsons:** Government regret that they are not prepared to supplement with figures for individual classes of establishment the information in regard to communal representation given in the Annual Report by the Railway Board on Indian Railways.

**CREATION OF A POST OF CHIEF PERSONNEL OFFICER ON THE NORTH WESTERN RAILWAY.**

**668. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Is it a fact that the post of Chief Personnel Officer has recently been created on the North Western Railway when the Administration is seriously considering the question of retrenchment and economy?

(b) If the reply to part (a) is in the affirmative, will Government please state the necessity for burdening the revenue with heavy extra expenditure at such a juncture?

**Sir Alan Parsons:** (a) The post was created with effect from April, 1931.

(b) I would refer the Honourable Member to the replies given to questions Nos. 358 and 221 asked by Mr. Jagan Nath Aggarwal on the 16th September, 1931, and 10th February, 1932, respectively.

**SUPPRESSION OF CERTAIN OFFICERS ON THE NORTH WESTERN RAILWAY.**

**669. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Is it a fact that Mr. T. B. Chandwani has recently been confirmed in the Senior Revenue Establishment of State Railways prior to his confirmation in the lower gazetted service resulting in the supersession of several European and Indian officers?

(b) If the reply to part (a) is in the affirmative, are Government aware of the discontent caused by his unparalleled supersession of the officers of the North Western Railway, and also state if Government are going to take any action in order to redress their grievances? If so, what?

**Sir Alan Parsons:** (a) Mr. T. B. Chandwani was promoted to the Superior Revenue Establishment of State Railways while officiating in the Lower Gazetted Service. He was selected by Government for promotion after full consideration of the claims of others who were also considered to be eligible.

(b) The reply is in the negative.

**Lieut.-Colonel Sir Henry Gidney:** Will the Honourable Member inform this House whether it is not a fact that by the meteoric promotion of this officer, the hitherto undisputed claims of many worthy Local Traffic Service officers who, for years, have been officiating as officers have been overlooked?

**Sir Alan Parsons:** The promotion in this case was purely one of selection, and Mr. Chandwani was selected as being the best of the persons then available. Promotion of this kind cannot be claimed as a right by anybody.

**Lieut.-Colonel Sir Henry Gidney:** I know that, but will the Honourable Member inform this House whether in this and such promotions selection is the only deciding factor and seniority is not considered or whether seniority is also taken into account?

**Sir Alan Parsons:** So far as I am aware from the cases that have come to my notice or have come before me, they go entirely by selection.



**Mr. Lalchand Navalkai:** Will the Honourable Member be pleased to say if it is not a fact that Anglo-Indians are also selected similarly and given preference?

**Lieut.-Colonel Sir Henry Gidney:** No doubt! No doubt! But because they are better men.

**Mr. B. Das:** Who says that?

**Lieut.-Colonel Sir Henry Gidney:** I say that, what about it?

**Mr. B. Das:** I disagree with you.

#### NON-APPOINTMENT OF MUSLIMS TO THE HEADQUARTERS OFFICE, NORTH WESTERN RAILWAY.

670. **\*Mr. Muhammad Muazzam Sahib Bahadur:** Will Government please state the number by communities of clerks of all grades in the Personnel Branch, Head Clerks and Superintendents of the Headquarters Office, North Western Railway, Lahore, during the last five years? If the number of the Muslims has not been increased during these years, will Government please state how the promises held out to the Muslims by the Government of India from time to time are reconciled?

**Sir Alan Parsons:** With your permission, Sir, I propose to reply to questions Nos. 670 and 672 together. Government regret they are not prepared to supplement with figures for individual offices or classes of establishment the information in regard to communal representation already given in the Annual Report by the Railway Board on Indian Railways.

#### REPORTS OF MR. K. M. HASSAN ON EMPLOYMENT OF MUSLIMS ON STATE RAILWAYS.

671. **\*Mr. Muhammad Muazzam Sahib Bahadur:** Will Government please place on the table the reports submitted up to this time by Mr. K. M. Hassan, who was appointed last year to examine the position of the Muslims on State Railways, stating the action which Government propose to take on his recommendations if any?

**Sir Alan Parsons:** The report has already been laid on the table. The recommendations made in it are under consideration.

#### APPOINTMENT OF MUSLIM OFFICERS IN THE HEADQUARTERS OFFICE, NORTH WESTERN RAILWAY.

†672. **\*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Is it a fact that the number of the Muslim Officers in the different branches of the Headquarters Office, North Western Railway, Lahore, has been decreasing during the last five years?

(b) Will Government please state the number of Muslim officers in Personnel, Works, Operating, Commercial, Survey Stores and Medical Branches of the Headquarters Office, North Western Railway, Lahore, during the last five years?

---

†For answer to this question, see answer to question No. 670.

**APPOINTMENT OF MUSLIMS AS ASSISTANT PERSONNEL OFFICERS ON THE NORTH WESTERN RAILWAY.**

**673. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Is it a fact that there is not a single permanent Muslim Assistant Personnel Officer in the whole of the North Western Railway?

(b) Will Government state the number of permanent Superintendents by communities on the North Western Railway during the last six years? If the reply to part (a) above is in the affirmative, are Government prepared to consider the advisability of making permanent Muslim Assistant Personnel Officers?

**Sir Alan Parsons:** (a) The post of Personnel Officer and Assistant Personnel Officer are as a rule filled by officers of the Indian Railway Service of Engineers or of the various branches of the Superior Revenue Establishment. The information available shows that on the 1st December, 1931, 4 posts of Personnel or Assistant Personnel Officers on the North Western Railway were filled by Muslims.

(b) The information in regard to permanent Superintendents is not available. In view of the reply to part (a) the latter portion of this part of the question does not arise.

**APPOINTMENT OF MUSLIMS AS CLERKS AND ASSISTANT SURGEONS ON THE NORTH WESTERN RAILWAY.**

**674. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Will Government please state the number of clerks by communities in the Medical Branch of the Headquarters Office, North Western Railway, Lahore, during the last three years?

(b) Will Government please state the number of Assistant Surgeons, Sub-Assistant Surgeons and Dispensers by communities appointed on the North Western Railway during the last three years?

(c) If the number of Muslims in categories (a) and (b) is very small, are Government prepared to consider the advisability of appointing more Muslims in this Department in order to arrive at a fair proportion of communal representation according to the population of the provinces through which the North Western Railway runs?

**Sir Alan Parsons:** (a) and (b). Government regret their inability to supply figures of recruitment by communities for individual offices or classes of establishments.

(c) Government have under consideration the recommendations made by Mr. Hassan, Officer on Special Duty, which cover the point raised by the Honourable Member.

**DISCHARGE OF MUSLIM CLERKS FROM THE HEADQUARTERS OFFICE, NORTH WESTERN RAILWAY.**

**675. \*Mr. Muhammad Muazzam Sahib Bahadur:** Will Government please state the number of clerks by communities discharged in the Medical Branch of the Headquarters Office, North Western Railway, Lahore, during the last three years, and if only Muslims were dismissed, are Government prepared to make enquiries as to why Muslims alone have been dismissed?

**Sir Alan Parsons:** I am calling for certain information and will lay a reply on the table later.

**DUTIES OF PERSONNEL OFFICERS AT THE HEADQUARTERS OFFICE, NORTH WESTERN RAILWAY.**

**676. \*Mr. Muhammad Muazzam Sahib Bahadur:** (a) Are Government aware of the duties entrusted to the Personnel Officer of the Headquarters Office, North Western Railway, Lahore?

(b) Is it a fact that the personnel matters of the subordinates on the North Western Railway are dealt with by European Officers and that of the officers is done by a Personnel Officer who is a Hindu and the Muslim Personnel Officer is entrusted with general duties?

(c) If the reply to part (b) above is in the affirmative, will Government please state whether they intend to appoint Muslim Personnel Officers in effective control of the personnel matters of staff?

**Sir Alan Parsons:** There are three Personnel Officers at the Headquarters Office of the North Western Railway. The distribution of duties between these officers is made by the Agent and Government see no reason to intervene in the matter.

**REMOVAL OF THE NORTH-WEST FRONTIER CRIME REGULATIONS.**

**677. \*Maulvi Sayyid Murtuza Saheb Bahadur:** Will Government be pleased to state when the North-West Frontier Crime Regulations will be removed in pursuance of the recommendations of the Niamatullah Committee?

**Sir Evelyn Howell:** The Honourable Member presumably refers to the Frontier Regulations Enquiry Committee presided over by Mr. Justice Niamatullah. The recommendations of this Committee are still under the consideration of Government.

**Maulvi Sayyid Murtuza Saheb Bahadur:** Will Government be pleased to state as to when they will be in a position to arrive at a definite conclusion, because it is already too late?

**Sir Evelyn Howell:** I can give no information on that point.

**Mr. Gaya Prasad Singh:** In view of the introduction of reforms in the North-West Frontier Province, do Government propose to arrive at an early decision with a view to repeal the special Regulations which form the subject matter of this question?

**Sir Evelyn Howell:** Government propose to give the Provincial Council of the North-West Frontier Province an opportunity to discuss this question before taking any action.

**Mr. K. Ahmed:** Is it a fact that in this Report there is a note of dissent by the Chairman and some other member? If so, what are they?

(No answer was given.)

**Mr. K. Ahmed:** Since no answer is forthcoming, is it a fact that the difficulty arises, because the Chairman has given one finding and other members another finding contradicting themselves?

**Sir Evelyn Howell:** No, it is not a fact.

**Mr. K. Ahmed:** What is the reason then?

**Sir Abdur Rahim:** May I inquire if the Government have not considered that it will facilitate the working of the new reforms introduced into the North-West Frontier Province if these Regulations are repealed or modified simultaneously as recommended by that Committee?

**Sir Evelyn Howell:** Government have considered this question and are of opinion that it is essential to give the provincial representatives of the North-West Frontier Province an opportunity to discuss the whole question before they take action.

**Sir Abdur Bahim:** Have Government really any doubt that popular opinion will support or does support the recommendations of the Committee?

**Sir Evelyn Howell:** Clearly an expression of opinion is required.

**Sirdar Harbans Singh Brar:** Will the Government publish the Report before discussion takes place in the North-West Frontier Province.

**Sir Evelyn Howell:** It has been published.

**Sardar Sant Singh:** Is it not a fact that since the publication of the Report, no action has been taken to see that the Regulations have been used?

**Sir Evelyn Howell:** Certainly not.

**Dr. Ziauddin Ahmad:** In view of the fact that the Honourable Member said that the new Council will be given an opportunity to discuss the North-West Frontier Province Regulations, may I ask whether the Members will not be put under section 40 of one such Regulation which will debar them from speaking on that point at all? Section 40 is to the effect that Government can bind over any one for three years without giving any reason?

**Mr. Gaya Prasad Singh:** But they will be privileged there.

**Dr. Ziauddin Ahmad:** Will it be the privilege of the House?

(No answer was given.)

#### AMOUNT REALISED BY SALE OF STAMPS AND POSTCARDS IN THE NORTH-WEST FRONTIER PROVINCE.

678. **\*Maulvi Sayyid Murtuza Saheb Bahadur:** What was the total amount of sale of postal stamps and postcards in the North-West Frontier Province, in the following months—October, November and December, 1931, and January, 1932, and that of the corresponding months of the previous year?

**Mr. T. Ryan:** The figures for the months in question in 1930, were Rs. 1,26,000; 1,17,000; 1,36,000 and 1,16,000; and in 1931, 1,07,000; 1,11,000; 1,45,000 and 1,24,000. The last figure is an approximate one only.

**INVITATION OF KHAN ABDUL GHAFAR KHAN TO A DURBAR IN PESHAWAR.**

**\*Maulvi Sayyid Murtuza Sahab Bahadur:** (a) Is it not a fact that Khan Abdul Ghaffar Khan was not invited to the Durbar held at Peshawar just before last Christmas?

(b) Was there any mention of the introduction of reforms in the invitations issued for the Durbar?

(c) Is it not a fact that the son of Abdul Ghaffar Khan has contradicted the rumour that Khan Abdul Ghaffar Khan was invited to the Durbar and he refused?

(d) If the invitation was sent to Khan Abdul Ghaffar Khan, will Government be pleased to state the date and to what address the invitation was posted? Was it sent in a registered cover? Was the acknowledgment received by Government and, if so, by whom was it signed?

**Sir Evelyn Howell:** (a) It is not a fact.

(b) No; but that the recipient of the invitation was aware of the object of Durbar is clear from the nature of the proceedings at the meeting held by the Provincial Congress Committee at Utmanzai on the 20th December.

(c) Government have no knowledge of any such contradiction which, if issued, would have been untrue.

(d) Dr. Khan Sahab wrote on the 21st December stating that as his brother was unwell neither he nor his brother, Abdul Ghaffar Khan, would be able to attend the Durbar. A copy of his letter is laid on the table.

Residence,  
3, Michni Road.

Consulting Rooms,  
Bazar Kalan,  
Peshawar City,  
21st Dec. 1931.

DEAR CAPTAIN BARNES,

Thanks very much for your letter in connection with the Durbar. I have just come back from the village with my brother, he is not feeling well and we both won't be able to attend the Durbar. I am sorry for not writing earlier but I did not know whom to write to.

Yours sincerely,

(Sd.) KHAN SAHIB.

To

Capt. H. A. Barnes,  
Under Secretary to the Hon'ble the  
Chief Commissioner, and Agent to the  
Governor General, N.-W. F. P.

**Maulvi Sayyid Murtuza Sahab Bahadur:** Did the Government take the trouble of ascertaining whether it was a fact that he was not keeping well and fit?

(No answer was given.)

**Mr. Gaya Prasad Singh:** Are Government aware that the non-attendance at the Durbar by Khan Abdul Ghaffar Khan was brought up as a charge against him by the Chief Commissioner of the North-West Frontier Province?

**Sir Evelyn Howell:** Government are not aware of that fact and do not believe it to be true.

**Mr. Gaya Prasad Singh:** Is it a crime for a man to refuse to attend a Durbar even when invited?

**Sir Evelyn Howell:** Certainly not.

**'APPOINTMENT OF ASSISTANT CONTROLLERS ON THE NORTH WESTERN RAILWAY.**

**680. \*Mr. Lalchand Navalrai:** (a) With reference to Government's reply to question No. 385 on 16th February, 1932, will Government be pleased to state if it is not a fact that the official approval of the Agent to the appointment of these Assistant Controllers was obtained before they were confirmed?

(b) Will Government be pleased to explain what is meant by personal approval of the Agent referred to in the aforesaid reply?

(c) Is the Agent's personal sanction constitutionally essential to the confirmation of a subordinate as the Assistant Controller?

(d) Is it a fact that constitutionally some appointments on the Divisions are controlled by the Headquarters office and not personally by the Agent?

(e) Is it a fact that Col. Walton, the Agent of the North Western Railway, approved of and gave sanction to the confirmation of these Assistant Controllers, or at least the orders were issued over his signature?

(f) Is it a fact that Mr. Highet who temporarily took over charge in the absence of Col. Walton on leave interfered with the previous decision of the Agent's Office on the plea of a mistake and gave notices to those Assistant Controllers that they should not consider themselves confirmed?

(g) Will Government be pleased to state where lies the mistake?

(h) Are Government aware that Assistant Controllers in particular and the Railway staff in general feel extremely distracted at such official ways?

(i) Do Government propose to advise the Agent of the North Western Railway to stick to his original decision of confirming these Assistant Controllers?

**Sir Alan Parsons:** (a) No.

(b) Approval given by the Agent personally.

(c) No.

(d) Certain appointments in Divisions are controlled by the Headquarters Office which is the office of the Agent, but these need not necessarily come before the Agent personally. It is open to the Agent to rescind any order issued from the Headquarters Office if in his opinion it is proper to do so.

(e) No.

(f) The confirmations were countermanded by orders of Mr. Highet after full consideration when the matter came under his review.

(g) The confirmations had been made without a sufficiently complete examination of the position.

(h) Government have no information.

(i) No.

**Mr. Lalchand Navalrai:** Does the Honourable Member remember that the answer to a similar question was that the Government were awaiting a reply from the Agent? Has that reply come?

**Sir Alan Parsons:** I am afraid I must ask the Honourable Member to give me notice: I do not remember exactly which of his previous questions he is referring to.

**Mr. Lalchand Navalrai:** The Honourable Member may be told that it was with respect to the Agent deciding whether the confirmations will be restored to these men or not: the reply was that communication was going on between the Agent and the Government. Has there been any reply to that effect?

**Sir Alan Parsons:** I am afraid I have not got the details in my recollection: I am afraid I must ask the Honourable Member for notice.

; CIVIL AVIATION ESTABLISHMENT IN THE IMPERIAL SECRETARIAT,  
NEW DELHI.

681. **\*Mr. S. C. Mitra** (on behalf of Mr. Nabakumar Sing Dudhoria): Will Government be pleased to state:

- (a) the amount that has been spent on civil aviation establishment in the Imperial Secretariat, New Delhi, since its establishment;
- (b) whether there are any experts in aviation matters among the staff;
- (c) if so, the name or names of such people; and
- (d) the pay and emoluments enjoyed by each?

**The Honourable Sir Joseph Bhoré:** (a) The expenditure incurred on the establishment employed in the office of the Director of Civil Aviation since its constitution in January 1927, up to the 31st March 1932 will amount to Rs. 4,58,536.

(b) Yes.

(c) and (d). 1. Mr. F. Tymms, M.C., Director, pay Rs. 2,500 per mensem; 2. Mr. N. Vintcent, D.F.C., Deputy Director, pay Rs. 1,500 per mensem.

INDIANS TRAINED AS AVIATION EXPERTS.

682. \***Mr. S. C. Mitra** (on behalf of Mr. Nabakumar Sing Dudhoria): Will Government be pleased to state:

- (a) the names of Indians who have been trained as aviation experts by the Government;
- (b) the place or places where they are posted at present;
- (c) whether those experts have done any flying since they have been appointed;
- (d) whether they have been provided with machines for flying occasionally to keep them in practice;
- (e) the nature of duties that those experts are performing normally at present;
- (f) the number of Indians that are being trained abroad at present for aviation purposes;
- (g) whether the Aero Club of India receives any financial assistance from the Government of India; and
- (h) if so, the sort of control Government exercises on that club?

**The Honourable Sir Joseph Bhore:** (a) and (b). Under the scheme sanctioned by the Government of India for the training of Indians in Civil Aviation in England, seven scholars, *viz.*, Messrs. D. Chakraverti, G. S. Subramaniam, K. M. Raha, M. G. Pradhan, S. M. Ally, Man Mohan Singh and Gurdial Singh, have completed their course of training. The first four are at present in Government employ as Aerodrome Officers and have been posted as follows:

1. Mr. D. Chakraverti, Rangoon (Mingaladon).
2. Mr. G. S. Subramaniam, Allahabad (Bamrauli).
3. Mr. K. M. Raha, Calcutta (Dum Dum).
4. Mr. M. G. Pradhan, Karachi Air Port, Drigh Road.

(c) None so far as Government is aware.

(d) No.

(e) Regulation and control of air traffic; maintenance of aerodromes and collection of landing and housing fees, rents and other Government dues.

(f) Two.

(g) Yes. The Aero Club of India and Burma has been in receipt of a Government grant of Rs. 30,000 per annum from the year 1928-29. The grant was reduced in 1931-32 to Rs. 20,000 and it has been decided to reduce it still further, in 1932-33, to Rs. 16,000.

(h) The Aero Club of India and Burma, Limited, functions as a central co-ordinating agency between the Government of India and the subsidised flying clubs in India, and the grant of the Government subsidy is made on certain conditions which allow of Government exercising a general control over the activities of that Club. The Club works in close association with the Government on all matters connected with the flying clubs.



**Mr. Gaya Prasad Singh:** Are Government aware that there is a general complaint that the Indian air officers are not given a chance of flying in order to keep them in practice?

**The Honourable Sir Joseph Bhoré:** I do not quite know to whom my Honourable friend refers when he speaks of Indian air officers.

**Mr. Gaya Prasad Singh:** I am speaking of officers of whom mention has been made in part (c) of the question. They are in charge of aerodromes.

**The Honourable Sir Joseph Bhoré:** They are aerodrome officers and not air officers, and Government could not possibly provide them with facilities for flying as suggested in the question. They could not for instance possibly provide an aeroplane for them.

**Mr. Gaya Prasad Singh:** May I take it then that there is no Indian air officer in this country whose duties are connected with actual flying operations?

**The Honourable Sir Joseph Bhoré:** No, Sir; I have explained the duties of the officers in the reply I have just given.

#### ECONOMY AND SAFETY IN ELECTRIC LIGHTING AND POWER SUPPLY.

683. **\*Mr. Nabakumar Sing Dudhuria:** Will Government be pleased to state:

- (a) whether their attention has been drawn to an article entitled "Economy and Safety in Electric Lighting and Power-supply in India" by Prof. B. C. Chatterjee, Head of the Department of Electrical Engineering, Benares University, in which he has raised the general plea for economy and safety in the matter of electric consumption in this country; and
- (b) if so, whether they are prepared to consider through an expert committee the learned professor's suggestions for protective devices as introduced in foreign countries and Indian States and the means to ward off the increasing number of electrical accidents in this country?

**The Honourable Sir Joseph Bhoré:** (a) Yes.

(b) I invite the Honourable Member's attention to the reply given to part (c) of starred question No. 4 on the 26th January 1932. The Government of India propose to await the receipt of the reports to which I referred in that reply before proceeding further in the matter.

#### APPOINTMENT OF INDIAN CHRISTIANS IN GOVERNMENT OF INDIA DEPARTMENTS.

684. **\*Dr. F. X. DeSouza:** (a) Will Government be pleased to state the number of Indian Christians both in the upper division and the lower division of the Government of India Departments and their subordinate offices? (The number should be given Department by Department.)

(b) Is it a fact that in some of the Departments the representation of Indian Christians is quite inadequate in both the divisions mentioned in part (a) above?

(c) Is it a fact that the Indian Christian community now forms the third largest community in India? Do Government propose to instruct their Departments to appoint Indian Christians in future in both the divisions till their representation is adequate?

**The Honourable Sir James Orerar:** (a) I have not got separate figures for the upper and the lower divisions of the Secretariat and its attached offices but statements showing the communal strength of the clerical staff of these offices are prepared annually and placed in the library. I would refer the Honourable Member to the statements of 1930 in the library.

(b) The statements will show the percentages for each department. On the total the percentage of Indian Christians in the Secretariat is 2.04 per cent. and in the attached offices 1.64 per cent.

(c) The population of Indian Christians according to the latest census is 5,979,609 and on the basis of religion it is the 5th largest community in India. Government do not consider that any special instructions of the kind suggested are required.

#### RECRUITMENT OF MINOR COMMUNITIES IN GOVERNMENT OF INDIA DEPARTMENTS.

685. **\*Dr. F. X. DeSouza:** What method have the Government of India to see that their instructions regarding recruitment of minor communities in various Departments of the Government of India and their subordinate offices are duly observed by the heads of offices?

**The Honourable Sir James Orerar:** I would refer the Honourable Member to the reply given in this House to question No. 848 on the 28th March, 1930. The returns mentioned therein are placed regularly in the Library.

#### APPOINTMENT OF A NON-CHRISTIAN IN THE ARCHÆOLOGICAL DEPARTMENT.

686. **\*Dr. F. X. DeSouza:** (a) Is it a fact that a vacancy occurred in November, 1931, in the Archæological Department on account of the transfer of an Indian Christian to the Medical Directorate, Army Headquarters?

(b) Is it a fact that the vacancy has been filled by the appointment of a non-Christian? If so, why?

(c) Was due publicity given to this vacancy as was done in 1929? If not, why not?

(d) How many Indian Christians did actually apply for this post?

**Sir Frank Noyce:** (a) Yes, a temporary one.

(b) Yes, a non-Christian was appointed in this vacancy for about a fortnight but from the 20th January 1932 the post has remained vacant.

(c) The Public Service Commission will be consulted in the usual course if it is decided to fill this post by recruitment.

(d) Three.

## SELECTION OF MEN FOR RETRENCHMENT IN GOVERNMENT DEPARTMENTS.

687. **\*Mr. S. C. Mitra:** Will Government please state:

- (a) what principles have been adopted for the selection of men for retrenchment;
- (b) the number of posts in each grade retrenched in each Department of the Government of India Secretariat; and
- (c) how far the principles referred to at part (a) have been observed in each case?

**The Honourable Sir George Schuster:** (a) I would invite the Honourable Member's attention to part (a) of the reply given by me on the 17th February, 1932, to Mr. Lalchand Navalrai's starred question No. 409.

(b) The Honourable Member will find the effect of retrenchment in each Department in the Demands for Grants for 1932-33 and in the retrenchment statements to be circulated therewith.

(c) Government have no reason to believe that the principles referred to have not been observed.

**Mr. Lalchand Navalrai:** Sir, I rise to a point of order. I would request the Chair to lay down a practice that if any replies are laid on the table, they should first be read out so that we may be in a position to put further supplementary questions. If on the day the questions are put the replies are also given at the same time, we will get an opportunity to put supplementary questions. I am therefore obliged to ask for a ruling from the Chair that the answers to the questions which will be laid on the table should first be read out to the House so that we may have an opportunity to put supplementary questions to get more information in connection therewith.

**Mr. K. Ahmed:** Sir, I want to ask a question on the point of order . . . .

**Mr. President** (The Honourable Sir Ibrahim Rahimtoola): Order, order, You cannot ask any question when a point of order is raised.

**Mr. K. Ahmed:** If replies are not given to questions at the same time, will the Chair be pleased to enlighten the House as to what is the practice in the House of Commons? (Laughter.)

**Mr. President** (The Honourable Sir Ibrahim Rahimtoola): Order, order. The Honourable Member has access to all the literature that is available on the subject, and the Chair is not here to enlighten Honourable Members on questions, which they could solve for themselves.

As regards the point that the Honourable Member, Mr. Lalchand Navalrai has raised, he ought to know that supplementary questions are intended to elicit further information when the answer is given. When the answer is laid on the table, the occasion for asking supplementary questions has passed. The replies laid on the table are printed in the proceedings and if any Honourable Member wishes to obtain more information on the subject he should give notice to get it. The procedure which is now followed is quite correct.

**Mr. Lalchand Navalrai:** Sir, I want to . . . .

**Mr. President** (The Honourable Sir Ibrahim Rahimtoola): Order, order: the ruling having been given the Honourable Member cannot say anything more.

RETRENCHMENT IN THE FINANCE DEPARTMENT.

688. **\*Mr. S. O. Mitra:** Is it not a fact that the Finance Department has delayed carrying out retrenchments in the Finance Department itself? If so, why have retrenchments been delayed?

**The Honourable Sir George Schuster:** The Honourable Member will see the effect of retrenchments made and proposed by the Finance Department in the Demands for Grants for 1932-33 and in the Retrenchment Statement circulated with them. No personal considerations whatsoever have delayed the implementing of retrenchment decisions. Account must, however, be taken of the work in hand, and the full retrenchments cannot be realised until the heavy seasonal work of the Budget is completed, and the special task of giving effect to the decisions as regards retrenchment in all branches is completed also. Nevertheless the Department has already dispensed with half the permanent posts offered for abolition, while work connected with the Budget has never since the reforms been done with a smaller staff than has been engaged this year.

PERMANENT LOCATION OF THE SECRETARIAT IN NEW DELHI.

689. **\*Mr. S. O. Mitra:** (a) What will be the additional income from rents during the summer if offices were permanently located in Delhi?

(b) What will be the interest on capital cost of the new scheme for water supply?

(c) Will not the permanent location of the Secretariat at Delhi result in a net saving to Government?

(d) Do Government propose to make any announcement as regards their intentions for the permanent location of the Secretariat at Delhi? How long will the new water supply scheme take to complete?

**The Honourable Sir James Orerar:** The material for a complete answer to this question is being collected and will be given to the House as soon as possible.

**Mr. B. Das:** Is it a fact, Sir, that the Chief Engineer to the Government of India stated that the water consumption in New Delhi for officers is about 100 gallons per head?

(No answer was given.)

Shall I repeat the question, Sir? Is it a fact that the Chief Engineer to New Delhi in the Honourable Member's Department appeared before the Executive Council and made a statement there to the effect that the water consumption for officials in New Delhi is 100 gallons per head and there would be a water shortage and therefore there should be the Simla exodus?

**The Honourable Sir Joseph Bhore:** I am not aware, Sir, that he made that statement at all.

**Mr. B. Das:** May I know from the Honourable Member what is the water consumption per head in New Delhi?

**The Honourable Sir Joseph Bhoré:** If the Honourable Member will give me notice of that question, I shall supply him with the information that he requires.

**Mr. B. Das:** Is it not in the knowledge of the Honourable Member that it was published in the Press that the Simla exodus was not going to be stopped and that Mr. Brebner had made a statement before the Executive Council that the water supply in New Delhi would be insufficient?

**The Honourable Sir Joseph Bhoré:** The proceedings of the Executive Council Sub-Committee are confidential and the Press were not authorised to publish that statement, nor am I in a position to state whether the information published by the Press is correct or not.

**Sirdar Harbans Singh Brar:** Is it not a fact that when New Delhi was in the course of construction, 50,000 coolies were working in this city, and filtered water was found to be sufficient for all during the whole year, and when the present population is much less, what is the difficulty about the water being sufficient for the whole population?

**The Honourable Sir Joseph Bhoré:** I am not in a position to go into the question of population without due notice. It deals with figures and I regret to say that I have not all those figures at my fingers' ends.

#### BAD STATE OF REPAIR OF ROADS BETWEEN DELHI AND NEW DELHI.

690. **\*Mr. S. C. Mitra:** Are Government aware that roads leading from New Delhi to Delhi city are in a very bad state of repair? Who is responsible for their maintenance—the Public Works Department or the Municipal Committee?

**Sir Frank Noyce:** I place on the table of the House a statement giving particulars regarding roads leading from New Delhi to Delhi City.

*Statement showing particulars regarding roads leading from New Delhi to Delhi City.*

Road.	Condition.	Authority which maintains the road.
1. Connaught Place to Ajmere Gate.	Good up to the junction of the Circular Road, from where it is not so good.	New Delhi Municipal Committee, except for a small portion near Ajmere Gate which is maintained by the Delhi Municipal Committee.
2. Connaught Place to Sadar Bazar, known as the Qutab Road.	Good . . . .	Up to the Hardinge Serai, by the New Delhi Municipal Committee, from thence by the Delhi Municipal Committee.
3. Delhi-Muttra Road	Good . . . .	The portion of the road which connects New Delhi with Delhi City is maintained by the New Delhi Municipal Committee.

*THELA* TRAFFIC IN NEW DELHI.

691. **\*Mr. S. C. Mitra:** Is it a fact that no arrangements exist for *thela* traffic in New Delhi and that *thelas* are not allowed to ply on tarred roads?

**Sir Frank Noyce:** There is at present no restriction on *thela* traffic in New Delhi.

RETRENCHMENT IN THE OFFICE OF THE CHIEF ENGINEER, DELHI.

692. **\*Mr. S. C. Mitra:** Is it a fact that in the scheme for retrenchment, the Chief Engineer, Delhi, has allowed for the reduction of a large number of subordinate staff and left the officers' staff as it was?

**The Honourable Sir Joseph Bhoré:** No. Certain officers' posts have also been retrenched.

RETRENCHMENT IN SUBORDINATE OFFICES.

693. **\*Mr. S. C. Mitra:** Will Government please furnish a statement showing separately retrenchments carried out in offices subordinate to each department of the Secretariat and the percentage in each case of reduction to total cost?

**The Honourable Sir George Schuster:** I would refer the Honourable Member to the retrenchment summaries to be circulated with the Demands for Grants for 1932-33.

LETTER TO MAULVI MUHAMMAD SHAFEE DAOODI *RE* HIS VISIT TO THE NORTH-WEST FRONTIER PROVINCE.

694. **\*Sardar Sant Singh:** (a) With reference to the reply given by the Foreign Secretary to starred question No. 169 of the 10th February, 1932, will Government kindly state if the letter dated 9th January, 1932, was the only letter written by the Foreign and Political Department to Maulvi Muhammad Shafee Daoodi, relating to his visit to the North-West Frontier Province?

(b) Is it a fact that another letter previous to the one dated the 9th January, 1932, was delivered to Maulvi Shafee Daoodi on the evening of the 8th January, 1932, at the residence of Maulana Ahmed Said, Secretary, *Jamiat-ul-Ulama*, in a sealed cover from the Foreign and Political Department, bearing post marks of different dates prior to the 9th January, 1932? Will Government kindly lay a copy of this letter or all other letters on the table?

**Sir Evelyn Howell:** (a) No, Sir.

(b) Two other letters dated respectively the 5th and 20th January, 1932, were sent to Maulvi Shafee Daoodi. Copies of these are laid on the table. No other letters were sent to him.

[7TH MAR. 1932.]

*Confidential.*

Foreign and Political Department,

New Delhi;

The 5th January, 1932.

MY DEAR MAULVI,

I have been in conversation on the telephone with the Chief Commissioner of the North-West Frontier Province, and he desires me to convey to you and through you to one or two other members of the All-India Muslim Conference now in session at Delhi an invitation to visit the North-West Frontier Province and see conditions there for yourself. If you accept this invitation he would only ask that you would go straight to Peshawar and while in Peshawar would be guided by his advice as to the places which you should visit and generally the persons to whom you should give interviews. If you decide to accept this invitation, will you please let me know as soon as possible.

Yours sincerely,

(Sd.) E. B. HOWELL.

To

Maulvi Muhammad Shafee Daoodi, M.L.A.,

C/o The Editor, "Alaman" (Maulvi Mazhar-ud-din),  
Delhi.

Camp, Peshawar,

20th January, 1932.

MY DEAR MAULVI,

I have discussed again with the Chief Commissioner your suggestion that you and Mr. Mazhar-ud-Din might visit Haripur jail, but is quite sure that, if you did so, the only effect would be to cause excitement amongst the prisoners, however mistaken might be the grounds on which that excitement would rest and thus delay the process of reconciliation and release which is now beginning. I am afraid therefore that you had better cut out this portion of your proposed itinerary. I hope, however, that you have no reasonable cause of complaint as you have apparently been wherever you wished to go all over the place and seen whatever you wished to see.

As regards the alleged excesses I would ask you to bear two facts in mind: first, that Government has set its face against these as strongly as possible from the very start and second, that any tendency to give undue publicity to such incidents as may have occurred can only have a bad effect. It is in fact playing into the hands of the local Congress by widening the breach between the Government and the people of the Province which all of us are anxious to see closed up as soon as possible.

The Chief Commissioner joins with me in thanking you for the spirit in which you have approached your task and for various suggestions of value in connection with releases and other matters of which he has taken note. If you can now induce your friends of the intelligentsia and of other shades of opinion to come forward in open co-operation with Government to accelerate the processes incidental to the introduction of reforms, we shall have still further cause for gratitude.

Yours sincerely,

(Sd.) E. B. HOWELL.

To

Maulvi Muhammad Shafee Daoodi, M.L.A.,

C/o Legislative Assembly Department, New Delhi.

**Sardar Sant Singh:** May I draw the attention of the Honourable Member to this envelope bearing the seal of the Foreign Office, which bears the post mark 5th January, 1932? May I know what was the letter contained in this envelope?

**Sir Evelyn Howell:** Did the Honourable Member say that it bore the date 5th January, 1932?

**Sardar Sant Singh:** Yes.

**Sir Evelyn Howell:** Presumably it contained the letter of the 5th January, 1932.

**Maulvi Ziauddin Ahmad:** May I know, Sir, how the Honourable gentleman got hold of this envelope?

**Maulvi Muhammad Shafee Daoodi:** Will the Honourable Member inform the House whether the permit given to us to visit the Frontier was due to a resolution of the Working Committee of the All-India Muslim Conference passed in Delhi on the 3rd and 4th January, 1932, appointing Maulana Mazharuddin and myself to find out the actual condition of affairs in the Frontier and make our report to the Working Committee?

**Sir Evelyn Howell:** Yes, Sir.

**Maulvi Muhammad Shafee Daoodi:** Is not the suggestion that the initiative in the matter—I mean the actual initiative—was taken by the Chief Commissioner of the North-West Frontier Province, absolutely unfounded?

**Sir Evelyn Howell:** I do not think so, Sir.

**Maulvi Muhammad Shafee Daoodi:** Is it a fact that after the receipt of your letter dated the 5th January, 1932, by me, I approached you the next day and protested against the restrictions imposed upon the visit of the members of the All-India Muslim Conference by the Chief Commissioner of the North-West Frontier Province?

**Sir Evelyn Howell:** Not precisely, Sir. As far as I recollect, my letter of the 5th January did not reach the Honourable Member until the 8th, and on the morning of the 9th he came to me and said he did not like the wording of the letter with regard to the conditions on which the invitation was extended. We discussed the matter and a revised edition was drawn up with his consent, which has already been laid on the table and published.

**Maulvi Muhammad Shafee Daoodi:** Is it a fact that you said in reply that the letter had been written in haste to catch me here in Delhi on the 5th January, and you would modify the terms?

**Sir Evelyn Howell:** I believe that is so.

**Maulvi Muhammad Shafee Daoodi:** Is it a fact that you further stated that no visitors to the Frontier Province in the conditions in which the province was could be allowed to go unless they agreed to abide by the restrictions considered reasonable by the Chief Commissioner?



**Sir Evelyn Howell:** I have no recollection of making that statement, Sir.

**Mr. M. Maswood Ahmad:** Was the information that the Foreign Secretary had modified the restrictions imposed by the Chief Commissioner on the visitors conveyed to Maulana Ahmad Sayeed of the Jamiat-ul-Ulema the same day, i.e., 9th January before the visitors started for Peshawar?

**Sir Evelyn Howell:** I did not catch the Honourable Member.

**Maulvi Muhammad Shafee Daoodi:** I conveyed the information that very day.

**Mr. B. Das:** Who is answering the question—the Foreign Secretary or Maulvi Muhammad Shafee Daoodi?

**Sir Abdur Rahim:** Are special permits still needed for any one visiting any part of the North-West Frontier Province?

**Sir Evelyn Howell:** No.

**Mr. M. Maswood Ahmad:** Was the statement supplied to the Associated Press through the office of my Honourable friend in charge of the Foreign Department? The Associated Press message says that these men went there on an invitation from the Chief Commissioner?

**Sir Evelyn Howell:** Certainly an invitation was extended by the Chief Commissioner.

**Mr. M. Maswood Ahmad:** Was this information supplied by the Department?

**Sir Evelyn Howell:** Presumably.

**Maulvi Muhammad Shafee Daoodi:** Will the Honourable Member kindly say whether the initiative in the matter was taken by the Chief Commissioner, or that the Muslim Conference had initiated the matter and the Chief Commissioner might have been consulted and things like that, which I do not know, and then the invitation was extended?

**Sir Evelyn Howell:** As I have already said, I think it is rather hard to define exactly what is meant by initiative, but the actual course of procedure, so far as I am aware, that was followed was this. When it appeared in the Press that the All-India Muslim Conference had charged my Honourable friend and another gentleman with the duty of finding out the actual state of things in the North-West Frontier Province, an invitation to visit that province and find out the state of things was extended to him by the Chief Commissioner through me in the letters which I have laid on the table. The Honourable Member did not answer those letters, but he went to the province. So, presumably he accepted the invitation.

**Mr. B. Das:** With reference to the battery of supplementary questions put by my Honourable friend Maulvi Muhammad Shafee Daoodi to the Honourable the Foreign Secretary, may I know if some of those supplementary questions came out of the documents that have been already placed on the table, or he was referring to private conversations he had with the Honourable the Foreign Secretary?

**Sir Evelyn Howell:** The Honourable Member has seen the two letters which I have sent him. No other Member has seen them. I do not quite follow the rest of my Honourable friend's question.

**Mr. B. Das:** My Honourable friend (Maulvi Muhammad Shafee Daoodi) was also referring to certain private conversations he had with the Foreign Secretary . . . . .

**Mr. President:** Is the Honourable Member asking a supplementary question?

**Mr. C. S. Ranga Iyer:** On a point of order, Sir. I believe my Honourable friend Mr. B. Das, the Chief Whip of my Party, has raised an important issue to be answered by you, Sir, for future guidance, for my Honourable friend Maulvi Muhammad Shafee Daoodi in the course of his supplementary questions clearly stated, "You told me" and so on. Therefore, is it in order for any Honourable Member to use the privilege given under supplementary questions to repeat on the floor of this House certain private conversations and secure confirmation thereof?

**Mr. President** (The Honourable Sir Ibrahim Rahimtoola): The Honourable Member knows very well the kind of supplementary questions that are put and answered. The Honourable Member did not raise a point of order before. When a supplementary question is put, it is open to any Honourable Member to get up and raise a point of order as to whether it was a proper supplementary question. Such points cannot arise at this stage.

#### MACHINERY LOST IN THE GOVERNMENT OF INDIA PRESS, ALIGARH.

695. **\*Mr. Muhammad Anwar-ul-Azim:** Will Government be pleased to mention the total value of the patent parts of the rotary machines lost from the Government of India Press, Aligarh, and what action was taken against the official in whose custody the machines were?

**The Honourable Sir Joseph Bhoré:** Certain parts were missing from the rotary machines and were replaced by local manufacture at a cost of Rs. 27. The amount was recovered from the printing foreman, the assistant foreman and the crews of the machines.

#### RETRENCHMENTS IN THE GOVERNMENT OF INDIA PRESS, ALIGARH.

696. **\*Mr. Muhammad Anwar-ul-Azim:** (a) Are the authorities of the Government of India Press, Aligarh, complying with the orders regarding the reductions passed by the Government of India? If not, are Government prepared to send further instructions to the authorities of the Government of India Press, Aligarh, to save the men who have got a few years permanent service against those who have completed more than 25 years service?

(b) Is it a fact that the claims of the employees of the Government Press, Aligarh, who were brought under reduction, were not considered against the employees who served the Department for more than 25, 28 and 30 years and who were able to obtain the full benefit of their services, if so, why?

(c) Is it a fact that the employees who were brought under reduction were ready to serve on reduced pay but that they were not considered for re-employment; if so, why?

(d) Will the Government be pleased to give the number of all the employees who have got 28 years service and whether at the time of reduction the authorities of the Press gave any consideration to those employees?

**The Honourable Sir Joseph Bhoré:** The information has been called for and will be placed on the table of the House in due course.

#### THE NORTH WESTERN RAILWAY CO-OPERATIVE CREDIT SOCIETY.

697. **\*Shaikh Sadiq Hasan:** (a) Has the attention of Government been drawn to an article in the *Pilot*, Lahore, dated 10th February, 1932, headed "North Western Railway Co-operative Credit Society"?

(b) Will Government be pleased to place on the table a statement showing the total number of members of the North Western Railway Employees' Co-operative Credit Society?

(c) How many of them are Muslims?

(d) What is the total number of Directors and how many of them are Muslims?

(e) Do Government propose to allot seats for Muslims in the Directorate of the Society according to their proportion in the membership? If not, why not?

**Sir Alan Parsons:** Government have not seen the article referred to. The North Western Railway Co-operative Credit Society is not, however, administered by Government and I would suggest that the Honourable Member should address the Secretary of the Society for the information he desires.

#### RETRENCHMENTS IN THE RAILWAY DEPARTMENT.

698. **\*Shaikh Sadiq Hasan:** (a) Has the attention of Government been drawn to an article published in the *Pilot*, Lahore, dated 10th December, 1931, under the caption "Thirty years' service"?

(b) Do Government propose to turn out people having completed 30 years' service or 52 years' age, from the Railway Department?

(c) If so, what steps are being taken by Government and how many such people have been discharged up to 31st January, 1932?

(d) If not, are Government aware of the serious results of turning young people out of employment?

**Sir Alan Parsons:** (a) Government have not seen the article.

(b) No.

(c) Does not arise.

(d) Government appreciate the results of turning people of any age out of employment.

APPOINTMENT OF MUSLIMS ON THE NORTH WESTERN RAILWAY.

699. \***Shaikh Sadiq Hasan:** (a) Has the attention of Government been drawn to an article headed "Lahore Division" published in the *Pilot*, dated 10th February, 1932?

(b) Will Government be pleased to state what the total number of officers working in the North Western Railway, Lahore Division, is?

(c) How many of them are Muslims?

(d) What steps do Government propose to take to increase the number of Muslim officers in Lahore and other Divisions, where there is a paucity of Muslims?

**Sir Alan Parsons:** (a) Government have not seen the article.

(b) and (c). Government regret that they are not prepared to supplement with figures for individual Divisions of Railways the information in regard to communal representation which is given in the Annual Report by the Railway Board on Indian Railways.

(d) Recruitment of officers is made for State Railways as a whole and at the time of recruitment the policy of Government for the redress of communal inequalities is followed.

**Dr. Ziauddin Ahmad:** May I ask whether the Honourable Member made any effort to get a copy of this paper and read it?

**Sir Alan Parsons:** I have had several other questions mentioning this particular paper and I was only on one occasion able to get a copy of it.

**Dr. Ziauddin Ahmad:** Has not the Railway Board a publicity office? Is it not their duty to supply all these articles to the Member in charge, especially when questions are asked?

**Sir Alan Parsons:** It is distinctly not part of their duties to supply such copies.

**Dr. Ziauddin Ahmad:** When certain papers are referred to, is it a fact that Government never read them?

**Sir Alan Parsons:** On the contrary, the Director of Public Information sends copies of cuttings from newspapers to the departments concerned.

**Dr. Ziauddin Ahmad:** Did the Honourable Member make any effort to get this paper from the Publicity Office?

**Sir Alan Parsons:** I presume my office tried to do so.

**Dr. Ziauddin Ahmad:** The Honourable Member here is speaking for his office.

**Mr. President:** The Honourable Member is arguing.

**Dr. Ziauddin Ahmad:** I should like to know why the Honourable Member did not take the trouble to get a copy from the Publicity Office and give a reply to us?

**Sir Alan Parsons:** I do not know if the Honourable Member's suggestion is that I should go myself to the Director of Information to get a copy of this paper. If so, I certainly do not expect that duty to be required of me.

**Mr. K. Ahmed:** In view of the fact that the questioner has definitely put the question, what steps do Government propose to take to increase the number of Muslim officers, because there is a paucity now? Do Government propose to send for the paper and see the article quoted by the questioner and why don't Government try to read it before answering the question.

**Sir Alan Parsons:** The questioner can satisfy himself on this point from the statistics furnished by the Administration Report to which I have referred.

**Mr. M. Maswood Ahmad:** Do Government propose to get a copy from the Director of Public Information?

**Sir Alan Parsons:** No, Sir.

**Sir Cowasji Jehangir:** When an article is referred to in a question by an Honourable Member, is it or is it not the duty of the Government to read that article in order to supply the information asked for in the question?

**Sir Alan Parsons:** I have not been able to obtain a copy of it, Sir.

**Sir Cowasji Jehangir:** Is a department like the Railway Department, along with a Director of Information under the service of Government, not able to obtain a copy of a paper which is available to every Honourable Member of this House?

**Sir Alan Parsons:** I am not aware that this particular paper is available to every Member of this House. On this particular occasion apparently my office failed to obtain a copy of a month old newspaper.

**Sir Cowasji Jehangir:** Will the Honourable Member go into the working of that part of his own department, which supplies such information?

**Sir Alan Parsons:** I will look into the arrangements to see whether they require any change, but I know that no Government department is likely to have all the papers published in India, irrespective of their circulation or importance.

**Mr. Gaya Prasad Singh:** Why don't you ask the questioner himself to supply a copy of the paper?

#### EMPLOYMENT OF ORIYAS ON THE BENGAL NAGPUR RAILWAY.

700. **\*Mr. B. N. Misra:** (a) Are Government aware that the entire portion of the Bengal Nagpur Railway runs in the Oriya country between Kharagpur and Chicacool Road on one side and Kharagpur and Jharasugura on the other with eight branch lines amounting to 60 per cent. of the entire line?

(b) If not, what proportion of it runs in the Oriya country to their knowledge? Will Government be pleased to make an enquiry from the Bengal Nagpur Railway management and communicate the result?

(c) Are Government aware that in the portions referred to above there are not even 2 per cent. of Oriya employees and even 1 per cent. of Oriyas in the entire lines? If so, what are the reasons therefor?

(d) Are Government aware that several representations were made by the Oriyas to the Bengal Nagpur Railway authorities complaining about the difficulties of the Oriya passengers and asking for the removal of the same by employing a fair number of Oriyas on the staff?

(e) Is it a fact that the Bengal Nagpur Railway management has not taken any steps to employ even 5 per cent. of Oriyas in the portions referred to above? If so, what are the reasons therefor?

(f) If information is not available with Government, will they be pleased to make an enquiry from the Bengal Nagpur Railway authorities and communicate the result to the House?

**Sir Alan Parsons:** (a) and (b). Of the sections mentioned by the Honourable Member, approximately 55 per cent. of the mileage lies in Orissa.

(c) to (f). Government have no information, and as they do not propose to interfere with the discretion of the administration of the Bengal Nagpur Railway in the matter of the employment of Oriyas, they are not prepared to make the enquiries suggested by the Honourable Member. I may add, however, that the Agent, Bengal Nagpur Railway, has informed Government that sympathetic consideration is given to the claims of Oriyas for employment.

**Mr. Gaya Prasad Singh:** In view of the fact that the Bengal Nagpur Railway passes through predominantly Oriya country, do Government propose to take any steps to increase the number of Oriyas employed in that railway?

**Sir Alan Parsons:** The steps which we are prepared to take were explained a few days ago in the course of the Railway Budget discussion.

**Mr. B. N. Misra:** Is the Government aware that in every Government Department such as a Collectorate, District Court, Police, Post office and Educational Department, there are cent. per cent. Oriyas and, if so, why in the Bengal Nagpur Railway alone there is no such percentage mentioned?

**Sir Alan Parsons:** I am not aware of the facts mentioned by the Honourable Member about the percentage in other offices.

## UNSTARRED QUESTIONS AND ANSWERS.

### RECRUITMENT IN THE OFFICE OF THE ASSISTANT DIRECTOR OF ORDNANCE SERVICES (PROVISION).

133. **Mr. S. C. Mitra:** (a) Will Government be pleased to say whether it is a fact that the clerical establishment of the Assistant Director of Ordnance Services (Provision), Army Headquarters, was separated from

that of the main branch of the Master-General of the Ordnance, and exempted from the operation of the Staff Selection Board in respect of First and Second Division clerks? Was this exemption made on the ground that recruitment for the office was essential from among experienced non-commissioned officers of the Indian Army Ordnance Corps and storekeepers and assistant storekeepers of arsenals?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to say from which arsenals Messrs. Badri Lal, an upper time-scale assistant, and Manohar Lal, a lower time scale assistant, in the Assistant Director of Ordnance Services (Provision's) office, were recruited?

**Mr. G. M. Young:** (a) The clerical establishment of the office is self-contained for purposes of internal administration. Recruitment for the First Division is ordinarily made from civilian storekeepers of the Indian civil wing of the Indian Army Ordnance Corps and up to a maximum of eight from British units; while recruitment for the Second Division is ordinarily made from the lower division clerks of the Indian Army Service Corps.

(b) Mr. Badri Lal was not recruited from an arsenal. Mr. Manohar Lal was recruited from the Ferozepore Arsenal.

#### RELATIVES IN THE OFFICE OF THE ASSISTANT DIRECTOR OF ORDNANCE SERVICES (PROVISION).

**134. Mr. S. C. Mitra:** (a) Will Government be pleased to state whether in violation of previous Government orders to this effect, the element of relatives in the office of Assistant Director of Ordnance Services (Provision) is daily on the increase?

(b) Will Government be pleased to state the present number of relatives in the office of the Assistant Director of Ordnance Services (Provision)? Have not Messrs. Badri Lal and Manohar Lal brothers in that office?

**Mr. G. M. Young:** (a) No.

(b) A brother of Mr. Manohar Lal and two cousins of Mr. Badri Lal are employed in the office. No other members of the staff are related to each other.

#### PAY OF THE CASHIER IN THE OFFICE OF THE ASSISTANT DIRECTOR OF ORDNANCE SERVICES (PROVISION).

**135. Mr. S. C. Mitra:** (a) Will Government be pleased to say whether in accordance with existing orders a cashier of an office can be a higher grade clerk than Second Division, with a cashier's allowance of Rs. 50 per mensem?

(b) If the answer to part (a) above be in the negative, will Government be pleased to state whether Mr. Manohar Lal, who is a First Division clerk, is employed as cashier of the office of Assistant Director of Ordnance Services (Provision)?

(c) If the answer to part (b) above is in the negative, will Government be pleased to mention the name of the cashier and whether he is in receipt of the cashier's allowance; if not, why not?

**Mr. G. M. Young:** (a) No.

(b) and (c). Mr. Manohar Lall performs the duties of cashier, but these form only a small portion of his work. He does not draw a cashier's allowance nor does any other clerk in the office.

**APPOINTMENT OF SUPERINTENDENT IN THE OFFICE OF THE ASSISTANT DIRECTOR OF ORDNANCE SERVICES (PROVISION).**

**136. Mr. S. C. Mitra:** Are Government prepared to consider the desirability of lifting the ban now placed on suitable First Division assistants at present in the main branch of the Master General of the Ordnance, under which the latter cannot compete for appointment as Superintendents in the office of the Assistant Director of Ordnance Services (Provision)?

**Mr. G. M. Young:** The matter is under consideration and it is expected that a decision will be reached shortly.

**REDUCTION OF CLERICAL APPOINTMENTS AND APPOINTMENT OF SUPERINTENDENTS IN THE OFFICE OF THE ASSISTANT DIRECTOR OF ORDNANCE SERVICES (PROVISION).**

**137. Mr. S. C. Mitra:** (a) Will Government be pleased to say whether quite recently six clerical appointments in the office of the Assistant Director of Ordnance Services (Provision) (*viz.*, two First Division, two Second Division and two Third Division clerks) have been brought under reduction in order that two appointments of Superintendents could be sanctioned by Government?

(b) Is it a fact that the arrangement mentioned in part (a) is the outcome of a strong representation from Col. Dickins, Assistant Director of Ordnance Services (Provision) that the existing staff was inadequate to deal with the work in the office?

(c) Is it a fact that Mr. MacDonald, the so-called "expert", also supported the case for increased staff?

**Mr. G. M. Young:** (a) and (b). Six clerks have been temporarily replaced by men from arsenals on lower rates of pay. These men have not been replaced in the arsenals. Two appointments of Superintendent have been created as they were necessary for the efficient supervision of work in the office.

(c) These arrangements were supported by Mr. MacDonald.

**ALLEGATIONS AGAINST MR. MANOHAR LALL, A CLERK IN THE OFFICE OF THE ASSISTANT DIRECTOR OF ORDNANCE SERVICES (PROVISION).**

**138. Mr. S. C. Mitra:** Will Government be pleased to state:

(a) whether Mr. Manohar Lall recently came to Delhi from Simla with the file dealing with the sanction for two Superintendents?

(b) whether they are aware that he had two draft Government letters with him;

(c) whether they are aware that he had succeeded in withdrawing from the file, immediately it came out of the Financial



Adviser's room, the draft that was approved by all, and substituting for it the one that eventually issued from the Army Department; and

- (d) whether the expression "provisional" used in the letter was unauthorised and whether as a result of this Mr. Manohar Lal was promoted to the upper time scale?

**Mr. G. M. Young:** (a) Yes, with the knowledge of the Assistant Director of Ordnance Services (Provision).

(b) Two drafts were on the file, one embodying the original proposals and one prepared after the proposals had been modified by the Army Department.

(c) No. The orders issued were in accordance with the decision of Government.

(d) Does not arise.

#### HOUSE RENT ALLOWANCES OF DUFFRIES AND PEONS.

**139. Shaikh Fazal Haq Piracha:** (a) Is it a fact that the duffries and peons in the Secretariat are paid a house rent allowance of Rs. 1-8-0 in Delhi and Re. 1 in Simla?

(b) If so, will Government please state what is this difference due to?

(c) Are Government aware that house rents in Simla are much higher than in Delhi?

(d) If the reply to part (c) is in the affirmative, are Government prepared to reconsider the house rent allowance of peons and duffries in Simla?

**The Honourable Sir James Orerar:** (a) Yes.

(b) to (d). Until 1922 when the Delhi rate was raised from Re. 1 to Rs. 1-8-0 the house-rent allowance at both places was fixed at Re. 1. Government realise that the existing difference cannot be strictly justified but they are not prepared in present financial conditions to increase the allowance at Simla.

---

#### STATEMENTS LAID ON THE TABLE.

##### RETRENCHMENT IN ACCOUNTS AND AUDIT OFFICES.

**The Honourable Sir George Schuster** (Finance Member): I lay on the table the information promised in replies to starred questions Nos. 408 and 410 asked by Mr. Lalchand Navalrai on the 17th February, 1932, regarding retrenchment in Accounts and Audit Offices.

---

*Information promised in replies to starred questions Nos. 408 and 410 asked by Mr. Lalchand Navalrai on the 17th February, 1932, regarding retrenchment in Accounts and Audit Offices.*

408. Government have no reason to believe that injustice is being done to the men of the Audit and Accounts Offices under the Central Government in the selection of personnel for retrenchment.

410. (a) and (b). It is possible that cases of the kind mentioned by the Honourable Member have occurred, but it must be remembered that such selections are not necessarily incorrect. For example, men selected for retrenchment with under 10 years' service may be those whose work has been consistently unsatisfactory. In any case, the instructions issued regarding retrenchment are not absolute, but are subject to the general implication that they will be so applied as to produce the greatest economy and efficiency compatible with the least hardship to individuals. To secure efficiency it is essential to have a balanced residual staff, and therefore it may often be expedient to retain experienced senior men, even if this means some reduction amongst those at the beginning of their service.

(c) Does not arise.

---

#### CLASSIFICATION OF WOMEN POLITICAL PRISONERS IN THE DELHI JAIL.

**The Honourable Sir James Crerar** (Home Member): I lay on the table the information promised in reply to starred question No. 435 asked by Mr. Gaya Prasad Singh on the 22nd February, 1932, regarding classification of women political prisoners in the Delhi Jail and the general discontent in the Jail.

---

*The Honourable Sir James Crerar*: (a) Fifty-one women have so far been arrested in Delhi in connection with the civil disobedience movement and the Ordinances. Of these 50 have been convicted while the case against one is still pending. Four have been placed in "A" Class, 34 in "B" and the remaining 12 in "C" Class; the classification rules have been followed.

(b) There is some over-crowding in the Delhi Jail, but arrangements are being made to construct a Camp Jail to provide for the over-flow of prisoners. A sufficient quantity of bedding and blankets is reported to be available for all prisoners.

(c) If there is any such report, Government have no reason to believe there is any truth in it.

---

#### TREATMENT OF UNDER-TRIAL LADY PRISONERS IN THE DELHI JAIL.

**The Honourable Sir James Crerar** (Home Member): I lay on the table the information promised in reply to starred question No. 451 asked by Mr. Bhuput Singh on the 22nd February, 1932, regarding the treatment of under-trial lady prisoners in the Delhi Jail.

---

*The Honourable Sir James Crerar*: No. All women prisoners, whether convicted or under-trial, are classified according to the rules.

---

#### SUB-POST OFFICES IN THE DEHRA DUN DIVISION AND COMMUNAL COMPOSITION OF THEIR STAFFS.

**The Honourable Sir Joseph Bhore** (Member for Industries and Labour): I lay on the table the information promised in reply to parts (b) and (c) of starred question No. 401, asked by Khan Bahadur Haji Wajihuddin on the 17th February, 1932, regarding the number of sub-offices in each district in the Dehra Dun Division and the communal composition of the staff placed in charge of them.

*Statement showing the number of sub-offices in each district in the Dehra Dun Division and the communal composition of the staff placed in charge of them.*

	Saharanpur.		Dehra Dun.		Mussoorie.		Remarks.
(b)	15		9		5		
	Hindus.	Muslims.	Hindus.	Muslims.	Hindus.	Muslims.	
(c)	10	4	8	Nil.	5	Nil.	Anglo-Indians work at Chakrata and Roorkee.

**APPOINTMENT OF A MUHAMMADAN AS TOWN INSPECTOR OF POST OFFICES, MUSSOORIE.**

**The Honourable Sir Joseph Bhore** (Member for Industries and Labour): I lay on the table the information promised in reply to part (b) of starred question No. 404 asked by Khan Bahadur Haji Wajihuddin on the 17th February, 1932, regarding the appointment of a Muhammadan as Town Inspector of Post Offices, Mussoorie.

(b) It is the case that the post has not been filled by a Muhammadan, but there is no reason to ascribe this to communal bias. As regards the second part, it is not a fact that the Hindu clerks who have been acting are junior.

**TRAVELLING ALLOWANCE PAID ON TRANSFER TO A SUPERINTENDENT OF POST OFFICES IN MYSORE.**

**Mr. T. Ryan** (Director General, Posts and Telegraphs): I lay on the table the information promised in reply to starred question No. 827 asked by Kumar Gupteshwar Prasad Singh on the 13th February, 1932, regarding travelling allowance paid on transfer to a Superintendent of Post Offices in Mysore.

(i) and (ii). The facts are not quite as stated by the Honourable Member. Only the re-transfer of Mr. Scott O'Connor to Mysore was made at his own request. He was deprived of travelling allowance for his journeys to Malabar and back.

(iii) Yes, the transfer being made at the request of the officer in question.

(iv) In August 1928 on his transfer from the Central to the Madras Circle Mr. Scott O'Connor was posted to the Travancore Division (Headquarters at Quilon; on his way he was diverted to the Godavari Division (headquarters at Rajahmundry) to take over charge from another officer in urgent need of relief. He was subsequently allowed to proceed to his permanent destination at Quilon. In March, 1929, in connection with a chain of leave arrangements the opportunity was taken to meet the wishes of Mr. Scott O'Connor for a transfer from Quilon. On both occasions the circumstances did not warrant the officer being denied his travelling allowances.

## THE BUDGET FOR 1932-33.

**The Honourable Sir George Schuster** (Finance Member): Sir, I rise  
12 Noon. to present the Budget for 1932-33 in circumstances which are somewhat unusual. The House is already familiar—almost painfully familiar—with the main features of the present financial situation, and a special occasion has already been taken to ask for the supplies which six months ago we considered to be necessary in order to carry us safely through next year. As His Excellency the Governor General has already announced, we do not propose to ask the House at the present stage to approve any extensions or modifications of the plan for raising revenue which we put forward last September. A Budget speech must therefore lack much of the interest which normally attaches to it. Nevertheless a very important part of the financial business still remains to be performed—the voting of the actual grants for expenditure—while the occasion is an appropriate one for attempting a general review of the financial position. I should indeed be failing in my duty if I did not utilise this occasion to the full—for on the occasion of the emergency session it was impossible to put forward really accurate estimates of expenditure or to deal fully with a most important part of Government finance—the Ways and Means position.

I must therefore ask Honourable Members to bear with me at some length on the present occasion, even though my speech may lack the interest—real even if painful—of an occasion for proposing new taxation.

2. *General Economic Position.*—I shall not attempt any exhaustive review of economic conditions, but a picture for the current year can be drawn in a few lines. Generally speaking the monsoon was favourable, and India has had quite a normal year as regards agricultural production. Yet her exports and imports have fallen in value to a bare half of what they were two years ago. Exports of merchandise for the first 10 months of the current year amounted in value to Rs. 134½ crores as against Rs. 265 crores for the first 10 months of 1929-30, while the value of merchandise imported has fallen from 201 to about 105 crores. These are staggering figures, and indicate the extent to which our present difficulties are due to low prices produced by world conditions. The most striking falls in exports for the period mentioned are in Jute and Jute products which have fallen from Rs. 69 crores to Rs. 28½, and raw cotton which have fallen from just under 51 crores to 20½, while as regards imports, the most notable cases are cotton manufactures which have fallen from 49·67 to 15·86 crores, and sugar which has fallen from 13·8 to 4·9 crores.

Nevertheless, in spite of this enormous fall in the value of trade, our favourable trade balance, if movements of Treasure are included, for the first 10 months of this year is Rs. 71 crores as compared with Rs. 43 crores for 1929-30. Here is the significance of the export of gold.

As an indication of our higher rates of taxation I may remind the House that this year we have collected for the 10 months about Rs. 29 crores of import duties on Rs. 105 crores of imports, as compared with about Rs. 33 crores of duties on Rs. 201 crores of imports for 1929-30.

These are the salient facts in the situation. They tell their own story, and provide the clue to the whole of the account of our finances which I have now to give.

If Honourable Members wish to study the position more closely I would add that, following the practice which I initiated last year, I am

[Sir George Schuster.]

circulating a full report by the Director General of Commercial Intelligence and Statistics reviewing the trade statistics for 1931. I trust that this will be found of value.

3. *Last year, 1930-31.*—I will deal very briefly with last year's accounts. The actual results have shown a substantial improvement on the revised estimates which I gave last year. Revenue proved actually Rs. 84 lakhs larger than I expected and expenditure Rs. 26 lakhs less, so that the total result was Rs. 1,10 lakhs better—the actual deficit being Rs. 11·58 crores instead of Rs. 12·68 as anticipated.

#### REVISED ESTIMATES FOR 1931-32 AND BUDGET PROSPECTS FOR 1932-33.

4. Turning now to the position for the current year, and the prospects for next year, I need not remind Honourable Members of the circumstances in which we were forced during last September to undertake *interim* measures to fortify our budgetary position. According to our estimates at that time we should, on the existing basis of taxation, have had to face deficits of over 19 crores in each of the years 1931-32 and 1932-33. We hoped by our new measures of retrenchment and taxation to reduce the deficit for the current year to Rs. 10·17 crores, and for next year—when the effects of retrenchment would be fully felt and with the new rates of taxation applicable for a whole year—to realise a surplus of Rs. 5·23 crores.

But I emphasised in presenting the estimates in September that they could not, in the extremely uncertain circumstances then prevailing, be regarded as more than guesses, and that we looked to the estimated surplus for next year mainly as a reserve margin against this uncertainty. The actual Customs returns for the months since last September have made it necessary for us to revise our estimates.

As a result we now allow for a deterioration in the figures by about 3 crores for each year, and we anticipate that the current year will close with a deficit of 13·66 crores and that the surplus for 1932-33 will be Rs. 2·15 crores. This surplus of 2·15 crores, based as it is on severely reduced estimates of revenue, we regard as providing a reasonable margin of safety.

I would remind the House also of another consideration. For this year and next year combined we are providing from Revenue no less than 13·71 crores for Reduction or Avoidance of Debt. This of course in no way represents recurrent expenditure. Moreover in our case a provision for writing off our debt is a measure of a specially conservative nature, seeing that practically the whole of our debt is covered by productive undertakings which themselves make adequate financial provision against depreciation of the value of their capital assets. The matter may therefore be looked at in this way. If we combine the results for this year and next year our estimates show a net deficit of 11·51 crores. But as this is arrived at after providing 13·71 crores for Reduction of Debt, our recurrent receipts for the two years will exceed our recurrent expenditure by 2·20 crores.

If this result is achieved over two years of unexampled depression when practically every Government in the world is having to show very heavy deficits, we may, I think, justifiably regard the Indian financial position as comparatively sound.

## COMPARISON OF PRESENT ESTIMATES WITH SEPTEMBER FORECASTS.

5. I will not attempt any detailed comparison of the present figures with the forecasts which I gave in September. The latter did not profess to be more than rough approximations, and we were not able to present detailed estimates under the various account heads.

The comparisons between the two may be broadly summarised as follows. As regards the current year we are reducing our estimates by Rs. 5 crores on Customs and Rs. 1 crore on Income-tax, and as against this we are reckoning on a net improvement under other heads of about Rs. 2½ crores. This leaves a deterioration of about Rs. 3¼ crores, or, to be exact, Rs. 3,49 lakhs, which, added to our estimated deficit of Rs. 10,17 lakhs, brings the total to Rs. 13,66 lakhs.

	Lakhs.
For next year we are reducing our estimates for tax revenue and Opium receipts by	4,58
while the net result under other heads shows an improvement of	1,50
The net deterioration on balance is thus	3,08
which deducted from the previously estimated surplus of 5,23 lakhs gives a surplus of	2,15

The main improvement in the case of both years occurs under the Finance heads, and this is mainly due to the improvement in the Government's position as currency authority owing to the increased demand for currency.

## ANALYSIS OF PRESENT ESTIMATES.

6. Having thus briefly summarised the main differences between the September forecasts and our present estimates, I must turn to a fuller exposition of the latter.

The broad picture may be presented as follows. So far as gross revenue and expenditure are concerned:

	In crores of Rupees.	
	Revenue.	Expenditure.
The results for 1930-31 are	124.60	136.18
Our Budget Estimate for 1931-32 was	134.87	134.86
Our Revised Estimate for 1931-32 is	120.77	134.43
Our Budget Estimate for 1932-33 is	129.96	127.81

I must, while giving these figures, remind the House that as they include gross interest payments and the counterbalancing receipts from commercial departments, they do not show the true picture as regards reduction in administrative expenditure.

I will now explain the position more fully as regards the main heads of Revenue and Expenditure.

## REVENUE, 1932-33.

## 7. Customs—

	Lakhs.
The actual revenue (less refunds) for 1930-31 was	46,81
The Budget Estimate for 1931-32 was	56,46
The Revised Estimate for 1931-32 is	46,23
The Budget Estimate for 1932-33 is	52,31

The Budget estimate for next year is thus 4,15 lakhs less than the current budget estimate in spite of the fact that the increased and new

[Sir George Schuster.]

duties imposed by the Supplementary Finance Act were expected to bring in additional revenue of 9½ crores.

8. The main deterioration as compared with the current budget occurs under the heads of sugar, silver, cotton piecegoods and liquors. These require special mention.

The decrease in imports of sugar has been the most important single factor in upsetting our estimates. On the basis of the past five years' consumption it seemed that until the beginning of the current year a quantity of about 850,000 tons could be regarded as a normal figure for imports, excluding the sugar which enters over the land customs line at Viramgam. As against this we now in fact only reckon for the current year on imports of about 475,000 tons and about 500,000 tons for next year. This decrease may be partly accounted for by the increase in Indian production—a subject to which I shall return again—but it is mainly due to decrease of purchasing power.

As it may be argued that the increased duties have themselves been responsible for reduced consumption, I give the following figures which are interesting. In the first place the actual cost to the consumer, in spite of the recent increases in import duty, has on the whole declined over the last few years. The wholesale price including duty averaged about Rs. 312 per ton for 1926-27

289 per ton for 1927-28

273 per ton for 1928-29

258 per ton for 1929-30

237 per ton for 1930-31

255 per ton for the first six months of 1931-32.

For the five years from 1926-27 to 1930-31 the average amount of cash spent on the imports of sugar including the duty averaged about Rs. 23 crores, and this average kept up even till 1930-31, when the present crisis had begun.

Now, however, for 1931-32 and 1932-33 on the quantities and prices which we have allowed for in our estimates the total amount of cash spent on imported sugar *plus* duty will only be about Rs. 12½ crores and Rs. 14½ crores respectively.

These figures indicate that it is a falling off in purchasing power and not any rise in the price of sugar brought about by our increased duties which has mainly affected consumption. Our estimates had allowed for a substantial decrease in consumption, but not so large as we feel we must now face. Under this head we are in fact down by Rs. 3,56 lakhs for the current year, and 2,16 for next year, as compared with the original budget estimates for 1931-32 on the basis of customs duties without the surcharge.

Silver, again, is an important factor in the decrease. For 1930-31 the duty actually collected was Rs. 2,33 lakhs, but for next year with the increased duty we are not counting on more than Rs. 1,60 lakhs. The former represented imports of 111 million ounces and next year's estimates only allow for 34 million ounces.

Apart from sugar or silver another most disappointing head has been cotton piecegoods. Here as compared with the 1931-32 Budget we are down in the current year by 1,96 lakhs and next year by 1,86 lakhs. Again in the case of liquors, we have had to reduce our estimate for the current

year by 88 lakhs, and for next year by 79 lakhs, as compared with the Budget estimate for 1931-32.

*Results from New Import Duties.*

9. It may be interesting at this point to add some comments on the operation of the new customs duties imposed in the Emergency Finance Bill of last September.

10. *Import Duty on Machinery.*—The new duty of 10 per cent. on machinery produced for the four months to end of January 1932 Rs. 35 lakhs and is estimated to produce up to March 31st a total of 49 lakhs, and for 1932-33 Rs. 1.00 lakhs. This compares with the estimates furnished in September of Rs. 52 lakhs for the current year and Rs. 1.03 lakhs for next year. On the current year's results it is therefore making a satisfactory showing in comparison with our estimates.

11. *Import duty on Raw Cotton.*—As regards the new import duty of  $\frac{1}{2}$  anna per pound on raw cotton, we have had to be more cautious in present estimates and to reduce substantially the figures from those anticipated at the time of the Emergency Finance Bill. Here we are now only counting on Rs. 16 lakhs for the current year and Rs. 32 lakhs for next, as compared with our original estimates of Rs. 43 lakhs and Rs. 87 lakhs respectively. Our reduced figures are based on estimates of imports of about 22,800 tons in the last six months of the current year (making a total for the year of about 72,000 tons) and of about 46,000 tons for next year. The need for caution in estimating was brought out by the fact that imports in the first three months after the duty was imposed fell to 6,500 tons as against 10,600 tons in the corresponding period of the previous year. The total quantity imported in the previous year was 58,000 tons. Taking these facts into account together with the shortage of this season's Indian crop and the present activity of the Indian mills, the figures on which we have now based our estimates for next year may be regarded as providing a distinct margin of safety.

As regards the general effects of the duty a precise estimate is difficult just now owing to the presence of a number of abnormal complicating factors.

Conditions in the world's cotton market have been abnormal, and this may equally be said of local conditions in India, as there has been a shortage of production owing to unfavourable weather conditions, with a resultant rise in prices for grades which are primarily exported and not affected by the import duty. Expert opinion, however, agrees that the imposition of the duty has been responsible for a definite improvement in the prices paid for staple cotton. The shortage of the Indian crop has been offset by a bumper crop in America, and it seems very probable that had the duty not been imposed American cotton would have been imported at cheap rates to the detriment of Indian agricultural interests. It is fortuitous circumstances of this kind that have been mainly responsible in the past for large imports of American or Egyptian cotton, where these have taken place; while it seems unlikely that the steady demand from Bombay for East Africans will be seriously dislocated by the duty. It is, of course, too soon to trace the effect of the duty on the actual development of the production of staple cotton in India, but I am confident that all interests concerned will soon realise that the import duty will do much to accelerate this desirable development. A particularly interesting point is that for progress on these lines it is reasonable to look towards



[Sir George Schuster.]

the area that will be developed by irrigation from the recently completed Sukkur barrage. The general conclusion is that the effects of this duty have been definitely favourable to Indian interests.

12. *Import duty on Dyes.*—The other new duty imposed in September was on dyes. Here we now expect to get 20 lakhs next year against our September estimate of 17.

13. These three new import duties (on machinery, cotton and dyes) are therefore now expected to produce altogether 1,52 lakhs against our first estimate of 2,07—but, as I have said, the present provision allows for a very cautious estimate as regards cotton.

Lakhs.

#### 14. *Taxes on Income—*

The actual revenue (less refunds and share of Provincial Governments) for 1930-31 was	16,00
The Budget estimate for 1931-32 was	17,44
The Revised estimate for 1931-32 is	17,30
The Budget estimate for 1932-33 is	18,73

My present estimate of 18,73 lakhs for next year includes a payment of 23 lakhs by Railways, already referred to in the Railway budget. The House will recollect that according to our proposals for cuts in pay the new income-tax charges estimated in September were to be merged in the cut. This really had the effect that a Government employee was to be subject to a deduction of 10 per cent. made up of cut in pay *plus* income-tax combined. In the case of ordinary Government officials the whole of the deduction is treated as a cut in pay. But in the case of Railway employees we have decided for various reasons—chiefly connected with the position of the Company Railways—to treat them as meeting this deduction partly by way of the new income-tax charged and partly by way of cut. Therefore in the case of the Railway officials, Rs. 23 lakhs of the total deductions which they suffer by way of cut and tax combined is treated as income-tax receipts.

Excluding this special item of 23 lakhs, my present estimate for next year is only 1,06 lakhs more than the Budget estimate for the current year in spite of the fact that the increase in the rates of income-tax and the levy of income-tax for the first time on incomes between Rs. 2,000 and Rs. 1,000 were expected to yield an additional revenue of 3½ crores. We have therefore made substantial allowance for deterioration in the general conditions of business in the current year.

#### *Effect of recent increases and extensions of Income-tax.*

The supplementary and extending Finance Act lowered the minimum income liable to income-tax from Rs. 2,000 to Rs. 1,000 and imposed a surcharge of 12½ per cent. in the current year on all rates of income-tax and super-tax. Unlike the changes in customs duty, these provisions only took effect when the Act actually became law, that is to say at the end of November last. So far as the taxation of the lower incomes in particular was concerned, extensive additions to our staff had then to be made to cope with the additional work. Some delay was inevitable in organising the new staff and in effecting the new processes of assessment. We have therefore not yet conclusive evidence as to what the yield of the taxation of the lower incomes will be in the current year. It is hardly probable that the assessments

will all be completed in the short time that remains while it is of course quite certain that the whole demand will not be collected this year. This will mean no more than throwing forward some of the revenue due on account of the current year into next year, and this has been allowed for in our estimates.

The imposition of the surcharge on assessments already made was of course a far simpler matter than the invasion of the new field of taxation offered by lower income, and here we anticipated a yield for the current year of Rs. 1,74 lakhs. Up to the end of January the demand on this account was Rs. 1,16 lakhs and collections Rs. 62 lakhs.

### *Income-tax Evasion.*

There is one further point to which I must allude in dealing with income-tax. In my reply to the speeches made by certain Honourable Members in the course of the debate on the supplementary Finance Bill, which indicated a belief that evasion of income-tax was widespread and serious, I promised to enquire into the matter and endeavour to ascertain the facts.

I have had the whole subject reviewed and have taken stock of the weapons in our armoury to see whether due use was made of the powers which we have got and whether they required to be reinforced. I also invited suggestions, both in regard to evidence of evasion and in regard to measures for dealing with it, from the business community. On the first point, I cannot say that we have received any enlightenment. As to the second, while the response has not overwhelmed me, suggestions, for which I am grateful, have been elicited that merit consideration and will receive it. As a result of these suggestions and our own reflections we are feeling our way towards certain methods that I trust will prove valuable. In regard to their precise nature I am sure that the House will appreciate my motives for reticence. In vain is the net spread in the sight of the bird.

#### 15. *Salt revenues—*

Lakhs.

The actual revenue (less refunds) for 1930-31 was	6,83
The Budget estimate for 1931-32 was	7,05
The Revised estimate for 1931-32 is	8,48
The Budget estimate for 1932-33 is	9,43

I now estimate for an increase of 2,38 lakhs in 1932-33 as compared with the current budget, from the abolition of the Salt Credit System and the surcharge on the duty. In my September forecast I had only allowed for an improvement of 1,85 lakhs. The further improvement is due to the fact that the figures of salt issues so far in the current year do not indicate any drop in offtake which at one time we considered probable.

#### 16. *Other Tax revenue—*

Lakhs.

The actual revenue (less refunds) for 1930-31 was	1,10
The Budget estimate for 1931-32 was	1,15
The Revised estimate for 1931-32 is	1,05
The Budget estimate for 1932-33 is	88

[Sir George Schuster.]

The fall of 27 lakhs as compared with the current budget is due mainly to the exclusion of the provincial revenues of the North-West Frontier Province.

	Lakhs.
17. <i>Opium revenue</i> —	
The actual revenue (less refunds) for 1930-31 was . . . . .	2,53
The Budget estimate for 1931-32 was . . . . .	2,16
The Revised estimate for 1931-32 is . . . . .	1,98
The Budget estimate for 1932-33 is . . . . .	1,33

The Budget estimate for 1932-33 is 83 lakhs less than the current budget, the reduction being due partly to our policy of reducing exports and partly to two of the foreign purchasing Governments not taking their quota in 1932. This has been an unexpected factor in worsening our estimates.

	Lakhs.
18. <i>Commercial Departments</i> —	
The actual net revenue for 1930-31 was . . . . .	4,03
The Budget estimate for 1931-32 was . . . . .	3,93
The Revised estimate for 1931-32 is . . . . .	—1,39
The Budget estimate for 1932-33 is . . . . .	—19

Honourable Members are already familiar with the position as regards the Railway Budget. We do not expect any contribution from Railways either in the current year or the next.

As regards Posts and Telegraphs, the loss in the working of the Department in the coming year, after allowing for the full effect of the retrenchment and taxation measures, is now expected to be about Rs. 16 lakhs. This does not, however, take into account the effect of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee except in one small respect explained in the Finance Secretary's Memorandum. Whether the further recommendations are to be adopted is still under consideration by the Government, and we have announced that if we ultimately reach the conclusion that we ought not to accept any particular recommendations, we shall refer the points of difference for consideration by the Public Accounts Committee. I would, in this connection, remind Honourable Members of what I said in my Statement in this House on the Financial Position on the 29th September last. If all the recommendations of the Committee were accepted, the deficit of about Rs. 16 lakhs would be converted into a surplus of about Rs. 27 lakhs, but that would represent merely an adjustment in the Government accounts and no improvement as regards the financial position of the Government as a whole.

19. *Finance Heads*.—Here we must consider the general Finance headings, Interest receipts, Currency and Mint receipts, Interest on Debt and the provision for Reduction or Avoidance of Debt.

Before dealing in detail with these heads, I would mention that we have this year adopted a change in the accounting procedure in regard to discount on treasury bills, so as to include in the accounts of each year only that portion of the discount which has been earned during the year. In the case of bills issued to the Paper Currency Reserve we have similarly decided to take credit in the accounts of the year for the profit that has actually been earned during the year. The previously existing procedure, under which in the case of the latter class of bills the debit on

account of interest was taken in the accounts of one year and the corresponding credit for profit on note circulation in the following year, resulted in an inaccurate presentation of the financial results of the year, especially when the volume of bills outstanding was undergoing fluctuations. Apart from this, a credit on account of Gain on Exchange appears for the first time in the revised estimates of the current year, and is due to the decision to transfer to revenue each year the net credit or debit on account of exchange resulting from the year's transactions, which was hitherto kept in suspense as explained in the Financial Secretary's Memorandum.

	Lakhs.
20. <i>Under Interest receipts—</i>	
The actual receipts in 1930-31 were . . . . .	3,38
The Budget estimate for 1931-32 was . . . . .	2,92
The Revised estimate for 1931-32 is . . . . .	2,25
The Budget estimate for 1932-33 is . . . . .	1,80

The fall of over a crore in the budget of the next year as compared with the estimate for the current year is due to two facts. In the first place, we were able to supplement actual receipts in the current year by drawing 58 lakhs from the Gold Standard Reserve Revenue Equalisation Fund—the creation of which I explained in my Budget Speech of February 1930. There will be no balance left in this fund to be drawn upon next year. In the second place the proportion of interest-bearing securities in the fund to gold has now been substantially reduced.

	Lakhs.
21. <i>Under Currency and Mint—</i>	
The actual net receipts in 1930-31 were . . . . .	27
The Budget estimate for 1931-32 was . . . . .	—15
The Revised estimate for 1931-32 is . . . . .	81
The Budget estimate for 1932-33 is . . . . .	2,61

The improvement is almost wholly accounted for by the anticipated increased profit on note circulation due to the expansion of currency during the current year against treasury bills. I shall deal with this subject more fully in a later part of my speech. For the present I would remind Honourable Members that this merely represents a restoration of part of the reduction in currency profits which resulted from the much heavier contraction of the preceding two years.

It will be convenient on this occasion, in order to deal fully with the whole field of administrative expenditure to give here also the gross receipts under the heads "Currency and Mint."

	Lakhs.
The actual receipts in 1930-31 were . . . . .	1,24
The Budget estimate for 1931-32 was . . . . .	63
The Revised estimate for 1931-32 is . . . . .	1,85
The Budget estimate for 1932-33 is . . . . .	3,31

22. <i>Under Interest payments—</i>	
The actual net expenditure in 1930-31 was . . . . .	11,28
The Budget estimate for 1931-32 was . . . . .	11,99
The Revised estimate for 1931-32 is . . . . .	13,14
The Budget estimate for 1932-33 is . . . . .	13,11

[Sir George Schuster.]

I estimate the total gross payments at 45,95 lakhs for ordinary debt and 8,87 lakhs for other obligations, recoveries from Railways and other Commercial Departments and the Provincial Loans Fund at 41,71 lakhs and total net payments at 13,11 lakhs. The increase in the net interest payments is due partly to the deficits in the years 1930-31 and 1931-32 and partly to the increase of the rate of interest allowed on Provident Fund balances from 5 per cent. in the current year to 5½ per cent. in the next. The increase is partly counterbalanced by a decrease in the interest payable on Railway Depreciation and Reserve Fund balances owing to fact that these have, as Honourable Members are aware, to be heavily drawn on for meeting the deficit in the working of the Railways.

### 23. Under Reduction or Avoidance of Debt—

	Lakhs.
The actual provision in 1930-31 was . . . . .	6,15
The Budget estimate for 1931-32 was . . . . .	6,78
The Revised estimate for 1931-32 is . . . . .	6,89
The Budget estimate for 1932-33 is . . . . .	6,82

As a large portion of our capital resources during the current year was found from Treasury Bills issued to the Paper Currency Reserve, and as these bills are excluded from the calculation of total debt for purposes of the Debt Redemption Scheme, the provision in 1932-33, instead of showing the usual increase, shows a reduction of 7 lakhs as compared with the Revised estimate for the current year.

### 24. Other heads of revenue—

	Lakhs.
The actual revenue in 1930-31 was . . . . .	4,12
The Budget estimate for 1931-32 was . . . . .	3,39
The Revised estimate for 1931-32 is . . . . .	4,03
The Budget estimate for 1932-33 is . . . . .	3,00

The deterioration of 89 in 1932-33 as compared with the current budget is chiefly due to the elimination of the provincial revenue receipts of the North-West Frontier Province and to a reduction in the receipts on Reparation account.

25. *Summary of Revenue Estimates.*—To sum up, the Budget for 1932-33 under the heads of Tax Revenue, Net Revenue from Commercial Departments, Opium Revenue and Other Revenue and the Finance headings shows as compared with the current budget:

	In lakhs of Rupees.	
	Better.	Worse.
	+	—
Tax Revenue retained by the Central Government, i.e., excluding the transfer to the Road Fund	..	—88
Net Revenue from Commercial Departments	..	—4,12
Opium Revenue (gross)	..	—83
Finance headings	+41	..
Other revenue	..	—39
	+41	—6,22
	—5,81	

## EXPENDITURE ESTIMATES.

26. *Summary.*—I must now turn to the expenditure side, but before going into details I will summarise the position so as to complete the other side of the picture to the Revenue summary which I have just given.

*Civil Expenditure—*

	Lakhs.
The actual Civil expenditure in 1930-31 was . . . . .	24,93
The Budget estimate for 1931-32 was . . . . .	23,34
The Revised estimate for 1931-32 is . . . . .	22,65
The Budget estimate for 1932-33 is . . . . .	20,65

*Military Expenditure—*

The actual Military expenditure (net) in 1930-31 was . . . . .	54,30
The Budget estimate for 1931-32 was . . . . .	52,00
The Revised estimate for 1931-32 is . . . . .	51,76
The Budget estimate for 1932-33 is . . . . .	46,74

From these figures it will be seen that total Civil and net Military expenditure in 1932-33 is estimated at 67,39 lakhs, which is 11,84 lakhs less than for 1930-31, and 7,95 lakhs less than the current budget.

To complete my comparison between the Budget for the current year and next year—according to the summary which I have given:

	Lakhs.
The reduction in net Receipts under the headings of Tax Revenue, Commercial departments, Finance heads, and other receipts is . . . . .	5,81
While the net reduction in Civil and Military expenditure is . . . . .	7,95
Thus accounting for a net improvement of . . . . .	2,14
As the surplus in the current year's budget was Rs. 1 lakh, the surplus we are estimating in 1932-33 is . . . . .	2,15

27. In considering the expenditure figures which I have just given I would ask Honourable Members to concentrate on the reduction of 11,84 lakhs from the actuals of 1930-31, for it is over the two years that our Retrenchment work must be assessed. Apart from this, I must point out that the figure of 7,95 lakhs, representing the reduction for next year's as compared with the current year's budget does not represent the full amount of our retrenchment measures.

The following points must be borne in mind in interpreting this figure.

First, it includes nothing for retrenchment measures in the Posts and Telegraphs Department, the results of which are of course merged in the net result on their working account, which is included in the Budget figures, not under Civil expenditure but under the Commercial Department head.

Secondly, the Civil expenditure figures were reduced by an abnormal item in the current year, because the amount for capital expenditure on the commercial departments charged to Revenue was actually a minus figure owing to receipts of 54 lakhs on the sale of the Indo-European telegraph undertaking. If capital expenditure is excluded from the comparison the reduction in Civil expenditure for 1932-33 as compared with the Budget for 1931-32 is 3,18 lakhs, and the total reduction for Civil and Military expenditure combined is 8,44 lakhs.

[Sir George Schuster.]

Thirdly, there are changes in accounting and otherwise as between the current year and next year which must be taken into account in making a final comparison. These will be explained in the remarks which I have now to make on the retrenchment measures which have been actually effected.

28. *Retrenchment measures.*—I must now give some account of how we have given effect to the Retrenchment programme which was promised on my presentation of the Emergency Finance Bill. On this point I must ask Honourable Members to give their close study to the memoranda which we are circulating. These show in considerable detail how the Retrenchment plans have been worked out under each head of the Demands for Grants. It is only by studying these details that one can understand what is involved and what has been achieved. For my present purpose—unless I were to speak at interminable length—I must confine myself to the broadest outline. I will take Civil and Military expenditure separately.

### *Civil Expenditure.*

29. In my speech on first introducing the Emergency Finance Bill in September I indicated that as regards civil expenditure (including Posts and Telegraphs) we hoped to achieve Retrenchment measures providing for a reduction of Rs. 3.25 lakhs, against which we allowed for terminal charges, compensation, etc., about Rs. 75 lakhs, so that we were reckoning on a net saving of Rs. 2.50 lakhs for next year. I elaborated this estimate somewhat in November, while the general forecast of expenditure which I then gave allowed for certain further reductions. The position which is revealed in the papers which I am now presenting may be summarised as follows:

	Lakhs.
On account of definite measures carried out in accordance with the recommendations of the Retrenchment Committees (for which my previous figure was Rs. 3.25 lakhs) the gross savings now incorporated in the Demands for Grants are . . . . .	3.48
But on top of this we have insisted on further miscellaneous reductions amounting in all to . . . . .	88
Thus producing total reductions of . . . . .	4.33
As against this the cost of terminal charges now comes out at . . . . .	33
So that the net figure (to be compared with my earlier figure of Rs. 2.50 lakhs) is increased to . . . . .	4.00

To this must be added the temporary saving on cuts in pay which for Civil heads—including the Posts and Telegraphs—we now put at 1.22 lakhs, instead of my former figure of 1.15.

30. The total saving on Retrenchment and cuts in pay on the Civil side including Posts and Telegraphs is thus 522 lakhs after allowing for terminal charges as against a figure of 365 which I estimated in September. Having arrived at this figure one is confronted by the fact—which perhaps Honourable Members do not always appreciate—that, even in times like this, expenditure cannot stand still, and that there is a constant swelling tide of increasing demands to be kept back. The various Retrenchment Committees working on the budget figures for 1981-82 could not of course make allowance for this.

In the first place there is the automatic increase imposed on our expenditure by the addition of increments to pay under the present time-scale system. This accounts for an unavoidable increase of Rs. 35 lakhs.

On top of this I have to provide for new expenditure under various heads which I will, for my present purpose, divide into two classes:

*First*, apparent additions to expenditure which do not represent real increases in the net cost of administration.

*Secondly*, unavoidable new outgoings.

31. Under the first head the following important items may be noted:

*Nasik Printing Presses.*—Here we are adopting recommendations made both by the General Purposes Sub-Committee and the Public Accounts Committee and in future will show in the accounts the gross figures of expenditure and receipts instead of, as formerly, a net figure of the surplus of receipts over expenditure. This means adding Rs. 22½ lakhs to the expenditure side—which is of course more than balanced by countervailing receipts.

*Aden.*—The Central Government is now taking over directly the administration of Aden from the Bombay Government. This adds Rs. 5 lakhs to the expenditure side, against which Rs. 6½ lakhs are added to revenue.

*Delhi Capital Account.*—The Capital account has now been closed down and expenditure on the maintenance of buildings, etc., formerly charged to capital, has now to be borne on revenue. This adds Rs. 17 lakhs to the budgetary expenditure, which is in no sense a new item. Against this there are certain receipts of about Rs. 7 lakhs.

*Payments to Travancore and Cochin Durbars.*—Here there is an increase shown as expenditure of Rs. 9 lakhs accounted for by the increased share which these two Durbars have to receive from the customs collected at Cochin Harbour. This has to be treated as expenditure, but it is clearly not expenditure in the true sense.

*Increased Income-tax Staff.*—Again, in this class of expenditure I must mention Rs. 18 lakhs which represents the cost of the additional income-tax staff required for dealing with the 350,000 new assesseees who are brought in by reducing the income-tax limit to Rs. 1,000. This is indeed increased expenditure, but it is of course essential, and is more than balanced by receipts. I would here note that the net increase under Income-tax is only about Rs. 12½ lakhs—the difference being accounted for by retrenchment in the existing staff.

Another item is Rs. 2 lakhs for developments at Khewra salt mine and other Northern India salt sources. This is balanced by our share in the special import duty on foreign salt.

Lastly I must include in this class an extra charge of about Rs. 8½ lakhs for interest payable by the Posts and Telegraphs Department.

32. I will now turn to the second class of expenditure which really represents additional outgoings. Honourable Members may think that in these hard times we ought to have admitted nothing new, but certain items have been absolutely unavoidable.



[Sir George Schuster.]

I will mention the following more important items :

Rs. 5½ lakhs for the Round Table Conference committees now touring in India.

Rs. 3½ lakhs representing the increased rupee equivalent of our contribution to the League of Nations due mainly to the fall in the gold value of the rupee. This is notable as being practically our only external obligation which has increased owing to this change in our currency.

Rs. 2 lakhs for the All-India Medical Council, and the Calcutta Hygiene Institute.

Rs. 6 lakhs for the inauguration of the new province in the North-West Frontier area.

Rs. 3½ lakhs for the Delhi conspiracy case, etc.

33. Altogether the items of unavoidable new expenditure of the class which I am now describing come to about Rs. 29 lakhs, while the apparent increase under the first class of items which I mentioned is about Rs. 89 lakhs—the total thus added to the expenditure side of the budget being Rs. 1,18 lakhs.

34. I have mentioned these items in order to explain how the position is complicated when an attempt is made to see how the retrenchments made affect the actual budgetary figures, but I would again refer Honourable Members to the detailed statements now circulated which show the exact position under each head of the Demands for Grants.

For the present I would remind them of the following broad facts, when they compare what we have achieved with the recommendations of the various Retrenchment Committees. The total recommended by the four civil Sub-Committees was Rs. 4,99 lakhs, and we have against this achieved economies of Rs. 4,33 lakhs or nearly 87 per cent.—before allowing for terminal charges which, of course, the committees did not take into account.

35. I would mention two other striking results in this connection. The first is the actual reduction in Expenditure. I have already given the figures from the accounts showing a reduction of 11,84 lakhs for Civil and Military Expenditure (excluding Posts and Telegraphs) since 1930-31. The position may also be stated in another way. If Honourable Members will look at the analytical table which is included in the Financial Secretary's memorandum (which is prepared now on a slightly different basis from that which I circulated in September) they will find that what I may describe as the net controllable administrative expenditure, civil and military (which excludes the cost of collection of taxes and of the administration of salt and Posts and Telegraphs expenditure) has been brought down from just over Rs. 76 crores in 1930-31 to just over Rs. 64 crores for 1932-33, a reduction of about 16 per cent.

The second fact is of a more distressing nature, but it indicates the magnitude of the effort which we have made. In pursuance of the retrenchment campaign the following appointments in the Civil Departments

(including Posts and Telegraphs) have been or will shortly come under reduction so far as information is at present available—

Gazetted officers' . . . . .	289
Ministerial establishment and other superior establishment . .	5,279
Inferior establishment . . . . .	1,485
Total . . . . .	7,063

36. *North-West Frontier Province.*—Before I leave the subject of Civil Expenditure I must make special reference to one substantial change in the estimates before the House this year. This arises from the change in the constitutional position of the North-West Frontier Province. The position is explained in detail in the Financial Secretary's Statement and for my present purpose I need merely summarise it by saying that a sum amounting to about Rs. 66½ lakhs drops out from the Government of India receipts, representing the revenue for the area of the new Governor's Province, while, on the other side expenditure amounting to about Rs. 1,63½ lakhs is taken over by the Province. The net difference between these two figures is a deficit of about Rs. 97½ lakhs, and as against this our proposal is that the Central Government should give a subvention of one crore to the new Province. It is a subvention on this basis which appears in the Demands for Grants placed before the Assembly. It has been fixed at a round figure and give the Province a small margin of about 2½ lakhs. The subvention is to be operative for three years, or until the new Constitution for India is inaugurated—whichever is the earlier. In either event the position will again be reviewed.

The account which I have just given represents the position for a full year. For next year the position as set out in the Demands for Grants is slightly complicated for the following reason. We had anticipated that the new province would come into existence from the 1st April next, and we had made our financial arrangements accordingly. It has, however, been found impossible to get the elections over and the new Council into being until later in the month. Consequently, under the Government of India Act, the expenditure and revenue of the Province for the first part of the month of April constitute Central transactions. Honourable Members will observe from the form of the Demand for the North-West Frontier Province that we have therefore been forced to provide (a) for a certain amount of direct expenditure in the early part of April next, and (b) for virtually handing back to the province the revenue which we may collect during that period.

The problem of fixing the subvention on a fair basis just at the present time of economic disturbance has been one of great difficulty. In fact, had financial considerations alone to be taken into account, one would hardly have chosen the present time for the fixing of a subvention. On the other hand, it had to be done; and it seemed also necessary to fix it for a reasonable period, as it would have been impossible to impart any degree of financial autonomy to the province if the amount of the subvention had to be determined afresh from year to year. The North-West Frontier Province Subjects Committee faced the problem and indicated the various elements in the calculation. That Committee suggested a basic subven-

[Sir George Schuster.]

tion of 1,17 lakhs; but they left it to the Government of India to make allowance in the revenue figures for the present low level of prices. Also, reporting as they did in the month of June last year, and relying for their material on the facts of the past, they naturally failed to adjust the figures to the lower level of expenditure now prevailing in all parts of India as a result of the present retrenchment campaign. We were fortunate, while dealing with this latter factor, to have had before us for the North-West Frontier Province the main propositions and figures of Sir Abdur Rahim's Retrenchment Sub-Committee. We concluded that the fair and proper course was to set out a budget for the North-West Frontier Province exactly as we should have framed it had the administration of the province been remaining with the Government of India. We, however, made allowance for the extra cost of the necessary administrative and legislative machinery, and for carrying out the recommendation of the Subjects Committee to transfer the management of Roads and Buildings to the local Public Works Department. Except in regard to these two matters, we had to recognise that any further increase of resources placed at the disposal of the North-West Frontier Province could be made only by withdrawing funds from other parts of India. The Government of India could hardly have contemplated a programme of expanding activities in that province while the rest of India is having seriously to restrict all its activities. In fixing the recurring subvention at the figure of a crore we have, I believe, dealt fairly with the new province, consistent with our responsibilities for other areas. With more direct contact with the administrative needs, the new provincial Government may, we hope, be in a position to make better use of the money than we have been able to from the Centre. So far as we are concerned, we shall be relieved of a responsibility which it has always been difficult for the Government of India to exercise—a difficulty which is felt in connection with the financial control of all the directly administered Central Areas by the Government of India, whose organization is really designed for purposes of a different nature.

### *Military Expenditure.*

37. I must now turn to the Army Budget.

*Revised Estimate, 1931-32.*—The budget allotment for military expenditure in 1931-32, excluding the special grant for expansion of the Territorial Force, was Rs. 51·90 crores. 22 lakhs, representing the proceeds of the emergency cut on the pay of officers, has been surrendered, and the revised estimate now stands at 51·68 crores.

The military authorities have conducted their retrenchment campaign on an 18 months' plan, extending over the period from the 1st October, 1931 to the 31st March, 1933. Retrenchment on a large scale necessarily involves the payment of substantial terminal charges, and it was an essential part of the military programme to reduce expenditure in the last six months of the current financial year in order that credit might be taken in 1932-33 for the full effect of retrenchment. The military authorities were assisted here by a further fall in prices which will produce a saving of about 17 lakhs. With the help of this windfall His Excellency the Commander-in-Chief has been able, by insisting on general economy in expenditure and by

introducing forthwith certain retrenchment measures which bring in immediate savings, to complete successfully the first stage of his programme. Apart from the formal surrender of the 22 lakhs on officers' pay, His Excellency has effected savings sufficient to meet the whole cost of employment of troops in the Burma rebellion and other disturbances (about 30 lakhs) without any additional grant, and to carry forward a sum of 21 lakhs which should suffice to cover terminal charges payable in 1932-33.

38. *Budget Estimate for 1932-33.*—In September last I informed the House that His Excellency the Commander-in-Chief had agreed, as the Army's contribution in the national emergency, to accept a cut of Rs. 5½ crores on his 1931-32 budget. I have now only to say that His Excellency has made good his undertaking in full, and that the estimate for the military budget in 1932-33, excluding again the special grant for the Territorial Force, stands at 46·65 crores.

Honourable Members will find among their budget documents an Army Department paper giving a detailed account of the methods by which this reduced figure has been reached. The total reduction, which is raised to 5½ crores to allow for certain unavoidable new items such as the establishment of the Indian Sandhurst, is made up of first, 1·40 crores from cuts in pay, secondly, 3·10 crores from retrenchment measures in recurring expenditure, and thirdly, 1 crore from postponement of progress with the special re-equipment programme. It is necessary to appreciate the exact significance of these savings. To take the first—the cut in pay, this, except for certain categories of British Army personnel (in regard to whom the reduction, following what has been done in England, is permanent), represents the general 10 per cent. cut which we have imposed on all Government servants, and, as we have undertaken that this cut will be restored as soon as conditions permit, most of this part of the reduction must be regarded as purely temporary. Turning to the second class, the retrenchment in recurrent expenditure, this to some extent is accounted for by special temporary savings, such as the eating down of stocks and postponement of essential buildings. As regards the third class, the postponement of the re-equipment programme, this cannot be regarded as permanently cancelled. It does, however, represent special non-recurring expenditure, and when conditions permit it will be necessary to consider special means for financing the completion of this programme.

The significance of these remarks may be indicated in the following way. As regards the cut in pay, when the general cut of 10 per cent. is removed this will automatically throw back on to the Army a recurrent liability of 1,23 lakhs—(1,40 less 17 which is a permanent cut). As regards the retrenchment in normal expenditure, about 65 lakhs of this represents savings which are not in the strict sense recurrent. About 20 lakhs represents drafts on stocks, etc., and 45 lakhs postponement of the provision for buildings which are regarded by the Army Department as essential. As regards the postponement of the re-equipment programme, the one crore saved on this for next year may have to be found later by some form of special non-recurring provision. The Army authorities have throughout made it clear that they have only agreed to postponement in order to help in meeting the present national emergency, and that the permanent cancellation of these measures could not—consistently with maintaining the efficiency of the Army—be

[Sir George Schuster.]

effected. His Excellency the Commander-in-Chief has given an assurance that he will not relax his efforts to secure further reductions in recurrent expenditure both by pressing on with measures already accepted, and by developing any further lines that may present themselves, but he has made it clear that he does not see any hope of being able to find economies in normal expenditure, that is to say, economies from measures other than the reduction of fighting troops which raises quite different issues, which can go near to balancing the burden of 1.23 lakhs which would arise from restoring cuts in pay combined with the disappearance of the 65 lakhs of special savings on recurrent expenditure from next year. In support of this he points out that in spite of the intensive examination of all sources of economy both by his own officers and by the Retrenchment Committee, it was only possible to work up to the present reduction of  $5\frac{1}{2}$  crores by reducing troops at a saving of 35 lakhs. Further, although provision has been made in the estimates for 1932-33 for some rise in the prices of food grains, as compared with those prevailing in 1931-32, the rates now taken are still far below the recent normal level, and, if prices should rise to, and be stabilised at, something like the 1929 level, this event, though welcome on general grounds would mean an automatic increase in the military estimates. On these considerations His Excellency wishes it to be made clear that he cannot regard the budget figure of 46.65 crores as representing a new *standard* level of standing charges, and that the normal cost of the Forces at their present strength when the cut in pay is restored must be recognised to be about 48 crores even if the prevailing low prices for grain, etc., continue. I have thought it right to let Honourable Members know the conclusions which His Excellency has drawn from the facts of the present situation, and I can only add that the Government will continue to press for all possible efforts to secure further recurrent economies, and that the campaign for retrenchment will not be regarded as finally closed with the achievements of this year.

39. *General Remarks on Retrenchment.*—I cannot turn from this review of expenditure without again paying a tribute to the work done by the various Retrenchment Sub-Committees. Honourable Members will possibly criticise us in the course of this debate for not having given sufficient effect to their recommendations. As a matter of fact I do not believe that, if they carefully study the papers which are now being put before them, they will be able to sustain this charge. But in any case, however much they may attack me, they will not be able to destroy the sense of gratitude which I feel to them for the assistance which they have given us in performing this very arduous and unpleasant task. For such of those Committees as have continued, even till this moment, their labours, the task must long ago have lost any glamour which it possessed. Nevertheless they have continued their pursuit with unfailing vigour. The task of retrenchment is not yet completed; much work still remains to be done in seeing that full effect is given to various measures now being inaugurated, while the search for new economies, and resistance to the pressure for new demands must be sustained for a long period to come. The main work as regards this must rest with the Government; and I trust that Honourable Members will believe me when I assure them that it will be continued without any failing of energy.

## GENERAL REVIEW OF THE BUDGETARY POSITION.

40. Before I conclude my review of the Budgetary position I think it necessary to make certain general observations. The present occasion is an appropriate one to attempt something more than a mere bald enumeration of facts and figures and to take stock of the whole position. I say this for two reasons. In the first place we have in the last two years made some very important changes in our scheme of taxes, the effects of which ought to be carefully noted. In the second place the strain of the present economic crisis affords a good opportunity for testing the strength of the various parts of the structure on which our revenue depends.

41. There are two important points which such an examination reveals, first the effect of recent protective policy on revenue, and secondly, the direction in which reserve powers of taxation to meet an emergency can be exercised.

*The Protective effect of our Import Duties.*

42. I will take these points in order. It is in our import duties that the most significant changes have been made. Among the customs import duties the two largest individual items were until two years ago those on cotton piecegoods and sugar. The recent increases in these duties—which formerly were regarded only as revenue measures—would in any case, and apart from any decisions which the Legislature has taken or may shortly take in regard to them, have given to them a highly protective character. It is obvious that as the protective effect increases, their value as revenue producers must diminish. The facts as regards cotton piecegoods are well known; but they are so striking that they deserve repetition. Today we cannot reckon on more than about 900 million square yards of imports, as compared with an average of about 1,800 million yards for the post-war period up to 1929, and about 3,200 million yards before the war. It is on the present reduced quantity that we must rely for collecting duties. Taking the post-war years of normal prosperity and post-war prices, say 1922-23 to 1928-29, the average annual amount of import duties collected on cotton piecegoods was about Rs. 6½ crores. Today, even with the higher duties, we cannot on the reduced quantities reckon on a revenue of more than Rs. 3½ crores.

43. If we turn to sugar, the protective effect has not yet fully developed and we must look for our comparison rather to the future. In the immediate present the yield of duties on sugar is, as I have already indicated, being affected mainly by the present abnormal drop in purchasing power, but looking to the future the following information may be of interest. According to figures which have been supplied to me by the office of the Imperial Council of Agricultural Research, it appears that Indian production of sugar may increase from 155,000 tons in 1930-31 to about 330,000 tons in 1933-34; that is to say, at the rate of about 60,000 tons per annum, and this rate of increase may be expected to continue in the future. With a duty of Rs. 9 per cwt. this means that if the increase in Indian production is balanced by an exactly corresponding decrease in imports of foreign sugar, there will be a progressive loss of revenue at the rate of Rs. 1.08 lakhs per annum. Needless to say it is to be hoped that we shall also see, as a counterbalancing factor to

[Sir George Schuster.]

this loss, some increase in the total consumption—partly as a result of a normal growth in demand, and partly as representing a recovery from the present abnormal depression. But the fact remains that locally produced sugar must make the imports so much less than what they would otherwise have been. The figure of a progressive loss of Rs. 1,08 lakhs per annum is in fact what the policy of protection will cost the Indian customs revenue, against which may perhaps be set some increase in receipts from income-tax. I am not now expressing any view on the merits of protection as a policy; but it is necessary to realise the facts as regards its effects on revenue.

44. It is also important to realise that if the Central Government is to have properly balanced machinery of taxation at its command, it ought to have means, either through the income-tax or in other ways, of recovering to itself some increase in revenue to counterbalance the loss which may occur in the revenue from import duties as a result of a protective policy. That is a point which those who are framing a new Federal Constitution should bear in mind.

45. I have dealt only with the two most important individual items—cotton piecegoods and sugar—but similar results may be taking place as regards a number of other articles on the customs list as a result of the higher duties.

#### *Result from various Taxes.*

46. I will turn now to the other point which I mentioned as worthy of examination—the way in which the stresses and strains of the present crisis are showing up the strengths and weaknesses of the various parts of our structure of taxation.

This can be tested by seeing how the estimates of revenue from increased and from new taxes are working out.

In my review of the revenue estimates the fact which I have had chiefly to emphasise is the disappointing yield of customs duties. In spite of recent substantial increases, and of the addition at various recent dates of such new duties as those on silver, machinery, and raw cotton, our final estimates for the current year show a total deterioration under Customs of Rs. 2.90 lakhs, as compared with the average for the 3 years 1928-29 to 1930-31. Now this result is of course mainly due to the general fall in the value of exports and consequently in the purchasing power for imports, combined with the operation of subsidiary causes, such as the protective effect of certain duties to which I have already called attention. A more detailed examination, however, of the heads under which deterioration has occurred shows up some interesting facts.

Leaving aside cotton piecegoods which I have treated solely as an example of the effects of protection, the chief deterioration among other items in the current year, as compared with the three year average, occurs under the following heads:

Sugar, to which I have already referred at such length in spite of special large increases in the rate of duty, accounts for Rs. 1.49 lakhs.

Liquors, tobacco, motorcars and articles in the so-called luxury schedule with the basic rate of 30 per cent., which may be classed together as typical cases of articles required by the well-to-do classes, show a deterioration of Rs. 1.56 lakhs, or 22 per cent.

To these two examples may be added silver (for which I cannot make the same comparison as in the cases which I have just dealt with, because an import duty was only first imposed in 1930) which for the current year shows, as compared with 1930-31, a falling off of Rs. 1,23 lakhs despite the enhancement of the duty.

These three heads account for a deterioration of no less than Rs. 4,30 lakhs from what might have been regarded as the expectation of revenue in a normal year at much lower rates of tax. They cover articles other than prime necessities, for although sugar in some form is perhaps a general necessity, this description does not strictly apply to the kind of sugar which is imported.

On the other hand, if we turn to the main articles of consumption by the Indian masses we find a different picture, and the increases made in the rates of taxation are likely to provide substantial increases in revenue.

In the case of kerosene, for example, we expect to get in the current year, from excise and import duties combined, Rs. 3,57 lakhs, as compared with an average for 1928-29 to 1930-31 of Rs. 2,71 lakhs. Here, therefore, is a reserve to which we have been able effectively to turn.

Then again, as regards salt, the enhancement of 25 per cent. in the duty seems to have had no appreciable effect on the consumption, and we are able to anticipate increased revenue in a full year (apart from the immediate and temporary gain from the abolition of the salt credit system) of Rs. 1,60 lakhs over and above the normal revenue at the old rate.

I might here also mention two other articles of consumption by the Indian masses the results in regard to which are equally interesting. I refer to betel nuts and spices.

As regards betel nuts, the recent substantial increases in duty do not appear greatly to have affected consumption, for we are relying on a revenue of about Rs. 60 lakhs for the current year and Rs. 63 lakhs next year from this duty, as against a normal revenue before the increase of Rs. 33 lakhs.

A similar result appears in the case of spices. From those items (cloves, nutmegs and pepper) for which separate trade statistics are on record—and they constitute 80 per cent. of the whole—we are able to anticipate a revenue of about Rs. 20 lakhs in the current year and of Rs. 22 lakhs next year, against a normal revenue before the increases in duty of under Rs. 9 lakhs.

47. The figures which I have given are of course, in a sense, only an illustration of well-known principles affecting the yield of taxes on articles of elastic and inelastic demand. But it is interesting to examine how these principles work out in practice. Such an examination of these examples indicates that a Finance Member—who has unfortunately to be hard-hearted and exclude all sentiment from his plans and calculations—must be brought to the conclusion that if in times of emergency he needs to raise extra revenue, then his most sure and reliable course is to impose slight increases in the taxes which fall on the masses of the population. A few annas per head from 300 millions is the most effective course, whereas attempts to extract heavy taxation from a limited class seem



[Sir George Schuster.]

almost to have reached their limit. This is a conclusion which is not likely to be popular, but all who share in the responsibility for maintaining the financial position of India must face hard facts.

48. While these facts must be faced, I do not wish to suggest that where increased revenue is sought there should not be a fair and proportionate increase in direct taxation. No critic of the Government could, in the face of the recent heavy increases in income-tax, complain that this proportion has not been preserved. The increase in rates are well known, and beyond this it is merely necessary to state the simple fact that in times of great depression we are counting on getting about 18½ crores from income-tax as compared with an average of slightly over 16 crores for the five years of comparative prosperity from 1923 to 1928.

*Reasons for increased need of Tax Revenue.*

49. After making these observations on considerations affecting the raising of tax revenue I want to ask Honourable Members to give their attention to the circumstances which have made it necessary to put a special strain on such tax revenue at the present time. For this purpose I must direct special notice to the table analysing the various heads of receipts and expenditure which is brought up to date and included on page 2 of the Financial Secretary's memorandum. This shows that whereas in the comparatively prosperous five years from 1923-24 to 1927-28 the extent to which the Government had to rely on Tax revenue (less cost of collection) amounted only to an average figure of about Rs. 67½ crores, we are endeavouring for 1932-33 in a period of unexampled depression to raise from Tax revenue about Rs. 77 crores.

50. What is the reason for this increase in the pressure on Tax Revenue? It is, as the figures, which I have already given, show, certainly not increased expenditure, for that is being enormously reduced. The real reason is the deterioration under other heads of Government receipts. These, according to my analytical table, averaged Rs. 28 crores for the five years from 1923 to 1928, whereas for this year and next year we can only count on about Rs. 9 crores—a drop of no less than Rs. 19 crores. The main factors in this decrease—apart from the relinquishment of the Provincial contributions—have been deteriorations under the following three heads—

- (1) Net revenue from commercial departments,
- (2) Finance heads, and
- (3) Opium receipts.

The total receipts from these three heads for the five years 1923 to 1928 averaged Rs. 15·71 crores, while our estimate for 1932-33 only allows for Rs. 4·83 crores, a reduction of nearly Rs. 11 crores. Thus commercial departments which in the former period assisted revenue to an extent on an average of 6·77 crores will for next year show a net deficit of 19 lakhs. Finance head receipts (Currency and Mint and Interest receipts) which in the former period produced 6·63 crores are reduced for next year to 4·41 crores; and Opium receipts which produced a net profit of 2·31 crores come down next year to 61 lakhs net. Here are the real causes of deterioration, and on top of this must be added the

following main facts; first, that Provincial contributions which were 9.2 crores in 1923 have disappeared, and secondly, that the provision for Reduction or Avoidance of Debt which for the five years 1923 to 1928 averaged about 4.5 crores has now gone up to about 7 crores.

There is one other special point to which I would call attention and that is that we are now meeting our liabilities in regard to Cash Certificates in a much fuller way than was previously the case. In the five years 1923 to 1928 the amount annually charged to the Budget in respect of bonus on Cash Certificates amounted on an average only to an interest charge of about 2 per cent. We are now meeting the full accrued liability and the provision has increased from 23 lakhs in 1927-28 to 2.20 lakhs in next year's budget although the mean capital outstanding has only increased from about 29 crores to about 47 crores.

51. These figures indicate the main sources of the difficulties with which the Government has now to compete, quite apart from the inevitable falling off in tax receipts owing to the economic depression which would in any case have made it necessary to raise the rates. The first effort to deal with such a position should undoubtedly be to reduce expenditure. I have already given a detailed account of what we have done in this direction. But I would remind the House again of the main results. The controllable administrative expenditure under which I include Military expenditure and all Civil expenditure, other than Debt Services, Extraordinary expenditure and the cost of tax collection, averaged for the five years 1923—1928 about 75½ crores and by 1930-31 it had increased to just over 76 crores. The provision for 1932-33 has been reduced to just over 64 crores, a reduction all round of about 16 per cent. The need for increasing tax revenue has been brought upon us not by swollen expenditure but by the tremendous drop in the returns from the economic activities of the Government and in the economic productivity of the country on which the revenue from taxation depends. I would ask all Honourable Members to study carefully the figures which I have prepared, for they indicate the realities of the situation.

#### WAYS AND MEANS.

52. *Summary.*—I will now turn to a review of the Ways and Means position for the current year and the next, a summary of which in the usual form will be included in the printed copies of my speech.

#### *Liabilities.*

	Budget, 1931-32.	Revised, 1931-32.	Budget, 1932-33.
Railway Capital Outlay (Construction) .	11.45	8.35	4.15
Other Capital Outlay . . . . .	1.93	1.82	1.50
Provincial Drawings . . . . .	9.60	15.41	10.62
Discharge of permanent debt (net) .	29.54	33.09	26.56
Loans and Advances by Central Govern- ment . . . . .	1.21	.95	.26
Other transactions . . . . .	— .79	3.50	— .06
	<u>52.84</u>	<u>63.15</u>	<u>43.15</u>

[Sir George Schuster.]

*Resources.*

	Budget, 1931-32.	Revised, 1931-32.	Budget, 1932-33.
Revenue Surplus . . . . .	·01	—13·66	2·15
Rupee Loan (net) . . . . .	15·00	16·95	14·50
Sterling Loan (net) . . . . .	24·76	17·35	8·00
Treasury Bills with public . . . . .	..	..	—7·51
India Bills . . . . .	—5·40	—5·40	..
Post Office Cash Certificates and Savings Bank . . . . .	4·06	7·19	7·00
Other Unfunded Debt . . . . .	5·63	2·69	4·71
Appropriation for Reduction or Avoidance of Debt . . . . .	6·78	6·89	6·82
Depreciation and Reserve Funds . . . . .	·99	—3·73	·52
Expansion of Currency against Treasury Bills (net) . . . . .	..	35·09	..
Reduction of Cash Balance . . . . .	1·01	—·22	6·96
	52·84	63·15	43·15

53. The outstanding features to be noted in the revised figures for 1931-32 are the heavy drawings on their Reserves by the Railways; the reduction in Railway Capital expenditure combined with the large increase in Provincial Government's drawings as compared with the original estimates; the fact that permanent debt was discharged to almost exactly the same extent as it was increased by new rupee and sterling loan; and lastly—and most important—the addition of approximately Rs. 35 crores to our resources as a result of the expansion of currency against Treasury Bills.

54. *Expansion of the currency.*—I will deal first with this last mentioned feature. In my Budget speech for 1930-31 I explained fully the effect of our currency operations on our Ways and Means position. During the years 1930-31 and 1931-32 Government, in their capacity as currency authority, had to effect large contractions of the currency in order to avoid the development of an inflationary position having regard to the tremendous fall in world prices of all commodities. This process continued until September 1931 when the suspension of the gold standard in Great Britain, and the linking of the rupee to sterling instead of gold, produced a complete change in the situation. For various reasons a large demand for currency then arose in India. This demand enabled us to replace in the Paper Currency Reserve a large part of the Treasury Bills which had been cancelled during the previous two years, and in this way to recover resources which had been temporarily lost by the previous contraction. As it had been necessary during 1929-30 and 1930-31 in order to meet contraction against rupee securities and silver, for the Government in effect to provide funds amounting to Rs. 43·60 lakhs, the net result on our Ways and Means position during the last three years of contraction and expansion has been to decrease our resources by about Rs. 8½ crores.

55. *Loans.*—The expansion of Rs. 35 crores to which I have referred, enabled us to meet large unforeseen demands and at the same time decrease our ordinary borrowings. In the budget for 1931-32 I assumed that sterling borrowing would be limited to the conversion of the £15 million outstanding from the 5½ per cent. 1932 loan maturing in January

1932. What actually happened was that a loan of £10 million sterling was raised in London in May 1931, but the 5½ per cent. 1932 loan was repaid from the Home Treasury balances, the net result being that the sterling borrowings during the current year will be £5 millions less than was estimated a year ago. The gross proceeds of the rupee loan amounted to 16,95 lakhs as against Rs. 15 crores estimated at the beginning of the year. The loan took the form of 6½ per cent. Treasury Bonds, 1935 issued at par. The notable feature of this loan was that it was kept open "on tap" for a long period—from the 15th September to the 12th December—and that special facilities were given for subscriptions at all Post Offices doing savings bank business in addition to treasuries and branches of the Imperial Bank. In this way a special appeal was made to small investors in the mofussil who could come into a Post Office at any time and take up a few bonds against a payment which included a proportion of the interest accrued, the proper addition being made to the purchase price from week to week. The response in all the circumstances was extremely satisfactory. While the banks and the money market took comparatively small interest, owing to the exceptionally unfavourable international and internal situation, small investors all over the country took full advantage of the additional facilities given. Of the total subscriptions of 16.95 lakhs, 2.04 lakhs represented conversions of maturing 1931 bonds and the total amount subscribed through the Post Office, including conversions amounted to 6.52 lakhs. The lessons learned from the success of this loan in times of unprecedented difficulty should be of value for the future.

56. Owing to the fall, during the current year, in the price of Government securities large purchases of the 5 per cent. 1929-47 loan and the 5 per cent. 1945-55 loan were effected from the balance in the depreciation funds of these loans. These purchases were mainly responsible for the increase of about 3½ crores in the amount provided in the current year for the discharge of permanent debt.

57. *Railways.*—The Railway Capital outlay in the current year is now estimated to be Rs. 8.35 lakhs as against 11.45 lakhs provided in the budget. To this extent therefore (Rs. 3.10 lakhs) our Ways and Means position, as affected by the Railways, has improved in comparison with the estimates. On the other hand the large deterioration in the working results of the Railways has much more than offset this saving. It was anticipated that there would be a surplus of Rs. 1.22 lakhs available for the Railway contribution, and that by drawing Rs. 4.14 lakhs from the Railway Reserve fund this would be made up to the full figure of Rs. 5.36 lakhs. Instead the Railways showed a deficit, after meeting all interest charges, of Rs. 9.47 lakhs. They can therefore not pay any Railway contribution and have to draw Rs. 4.95 lakhs from their Reserve fund and Rs. 4.52 lakhs from their Depreciation fund balance in order to cover this deficit.

The net result is that, so far as concerns the effect of the Railway operations on our Ways and Means position, this is Rs. 7.59 lakhs worse than anticipated in the Budget.

In order, however, to correct undue pessimism I must point out that the total amount set aside by the Railways for depreciation in the current year is Rs. 13.43 crores, and that the amount to be drawn from the depreciation fund is Rs. 8.25 lakhs for actual expenditure on renewals and

[Sir George Schuster.]

Rs. 4.52 lakhs to meet the deficit, or a total of Rs. 12.77 lakhs. Even, therefore, after providing for this latter deduction, a surplus of Rs. 66 lakhs remains to be added to the balance in the Fund.

58. *Provincial drawings.*—The provincial drawings have been exceptionally heavy. The Government of India in pursuance of its policy of cutting down capital expenditure to a minimum refused to sanction loans from the Provincial Loans Fund for any new scheme but loans were granted for the purpose of completing schemes already in hand. In addition, most of the provincial Governments are faced with heavy deficits, and in some provinces loans to agriculturists on a large scale have had to be granted to assist them in tiding over difficulties due to the fall in prices or failure of crops. The net result is that provincial drawings are expected to be about 6 crores more than was estimated at the beginning of the year.

59. *Public savings.*—The receipts from Post Office Cash Certificates and Savings Bank are expected to exceed the budget estimate by 3.13 lakhs while the amount of Treasury Bills in the hands of the public at the end of the year is expected to be the same as at the beginning of the year.

60. *Revenue Deficit.*—The estimated deficit of 13.66 lakhs will remain uncovered and will be an addition to the public debt.

61. *Next year.*—The Ways and Means programme for next year is necessarily tentative and subject to modification in the light of the actual circumstances which may arise.

62. *Capital Expenditure demands*—(a) *Railways.*—As the House knows, the Railway Capital expenditure has again been drastically reduced, the provision for 1932-33 being 4.15 lakhs only as compared with the revised estimate of 8.35 lakhs for the current year. To appreciate the magnitude of this reduction, which represents the culmination of a policy which we were forced to initiate in 1929 the current figure of 4.15 lakhs must be compared with the past figure of no less than 29.35 lakhs in 1928-29, and 30.16 lakhs in 1929-30.

(b) *Provincial Governments.*—The borrowing programme of the Provinces has also been reduced to a minimum, but in present circumstances they have certain unavoidable financial requirements. Provision for their demands has, however, been reduced from 15.41 lakhs anticipated this year to 10.62 lakhs.

63. *Borrowing Programme, 1932-33.*—With this reduced provision for Railway Capital expenditure and for the Provinces, I estimate that it will be possible to reduce the amount of Treasury Bills held by the public by about 7½ crores from our current resources, and that we shall not have to raise any loans during the year, except for the purpose of meeting or converting maturing loan obligations. As regards the latter, the 6 per cent. sterling bonds 1932-33, which Government have the option to repay on the 15th June 1932, will in any case be repaid. In the estimates which I am now presenting I have treated funds for this purpose as being provided by corresponding new borrowing in London. But it is quite possible that this will not be necessary. If exchange continues as at present it appears likely that we shall be able to repay these bonds without borrowing in London, the necessary funds for the purchase of the

sterling required being provided by borrowing in India. As regards rupee loans, I am reckoning that we shall issue a loan of 14½ crores, *i.e.*, the amount required to provide for the repayment of the 6 per cent. bonds 1932 falling due on the 1st October 1932. I would add that if the recent improving tendency in the Government securities market continues, it should be possible to raise a larger loan in India on favourable terms and in that case we shall probably take advantage of this opportunity to fund a part of the floating debt and thus reduce this to a greater extent than the 7½ crores which I have, as already explained, allowed for meeting out of current resources.

64. *Home charges.*—A year ago it was estimated that the net requirements of the Home Treasury would be £33½ millions. During the first six months of the year the weakness of exchange which had been a feature of previous years increased owing to the export of capital and international complications. Government not only were unable to purchase sterling, but, in order to implement their obligations under the Currency Act, had to sell sterling to the extent of about £14 millions. This amount was obtained by drawing on the securities in the reserves, while in addition to this amount £9 millions were found from the same source to meet the ordinary requirements of the Home Treasury. After the suspension of gold standard by Great Britain the rupee-sterling exchange soon gathered strength mainly due to the export of gold. Before the end of October the tide had definitely turned, and Government were able to effect remittances to London through the market. The total purchases of sterling on treasury account during the year have been taken for the purpose of my estimates at about £35½ millions. It is assumed that if sterling purchases exceed this amount, the surplus will be added to the currency reserves. Taking into account the £9 millions which, as I have already explained, were drawn for Home requirements from the reserves, the total amount provided for the requirements of the Home Treasury for the year will on my estimates amount to about £44½ millions, or about £11 millions more than was estimated at the beginning of the year. This surplus has been used partly to provide for the net reduction of about £5 millions which, as I have already explained, has been effected in the sterling debt, *i.e.*, a repayment of about £15 millions 5½ per cent. sterling loan, less a new 6 per cent. sterling loan, for £10 millions issued in May 1931. The remainder will be retained in the Home Treasury balance, making the closing balance for the year £10·8 millions. This large closing balance will be a reserve for meeting our sterling requirements next year. With this reserve in hand, unless the whole or part of the 6 per cent. 1932-33 bonds is repaid from balances, remittance of £24½ millions will suffice to meet our needs in 1932-33. If further sterling remittances over and above these two requirements are obtained it will be appropriate that they should go to the strengthening of our currency reserves.

#### *General Remarks on Expansion of Currency.*

65. I must now make a few general remarks on the currency position with particular reference to the criticisms of the recent expansion which has been appearing in certain sections of the Indian press. If I treat criticism as worthy of any serious reply I do so mainly because from certain questions which have been asked recently in this House it appears

[Sir George Schuster.]

that Honourable Members are anxious to have their minds cleared on the matter. Put very briefly what is said amounts to this—that the recent expansion of the currency is not justified by any rise in rupee prices; and that the Government is in effect using the note printing press to meet its own requirements, thereby causing a dangerous inflationary position.

66. Now so long as the Government is the currency authority it is simple and obvious for our critics to say that our currency policy is dictated by revenue considerations. But our answer is equally simple and obvious. So long as our exchange is pegged to something external—either gold, or, as at present, an external currency like sterling—we could not follow such a course even if we so desired. We cannot in fact expand or contract currency beyond the actual requirements of the public which uses that currency without the results becoming apparent in our exchange position. If a Government is out-running the constable, and if it has to expand currency to meet its own needs because its revenue is inadequate and because its credit is so bad that it cannot borrow enough to make ends meet, then its exchange will weaken and collapse. The great improvement which has recently taken place both in our credit and exchange is the most effective answer which I can give to Government's critics. The money market is a shrewd judge. And the money markets of India and the world clearly do not share the views of our critics.

67. The criticism has in one respect a certain interest, because its very nature points to one feature in the Indian situation which we all admit to be undesirable—namely, that the Government is also the currency authority. We have a dual role, and so long as we have this dual role not only will it be easy for our critics to say that our currency policy is dictated by revenue considerations, but we ourselves are put into the unfortunate position that fluctuations in our receipts as currency authority react upon and upset our budgetary position. But let me assure this House that we keep these two roles rigidly distinct, and that we never allow our revenue needs to deflect us from a sound currency policy. Surely our own record—particularly recently—proves this. In those difficult eighteen months which preceded last September, when our revenue was falling short of our actual outgoings, we did not hesitate to perform our duty as currency authority by drawing off the market that surplus money which had to be withdrawn in order to maintain stability of exchange. We had to raise our floating debt not merely to meet our revenue requirements, but to a far greater extent in order to contract surplus currency. That process reacted most severely on our budgetary position, and made the deterioration in our general financial position appear far greater than was really the case. I had occasion to deal fully with this aspect of the matter last year. To-day the wheel has turned, and the improvement in our position as currency authority is favourably influencing both our general financial position and our budgetary equilibrium. But we are really doing no more than recovering a part of the ground that we lost last year, and we have not created a single pie of currency beyond what the public requires. Let me again remind the House of the figures which I have already given. Our expansion in the current year has provided us with net additional funds of Rs. 35 crores, but our contraction in the two preceding years was Rs. 43½ crores, so

that in the three years the Government in performing its duty as currency authority has had to lose resources of Rs. 8½ crores. From the recent improvement the whole country is deriving great benefit and we have done our best, to the extent that we were justified by the exchange position in doing so, to ease the position for commerce and industry by supplying them with the currency that they required and by regulating our Treasury Bill policy in a way which has enabled the bank to reduce its rate from 8 per cent. to 6 per cent. Why should our critics cavil at that?

68. To those who say that the recent rise in prices has not been sufficient to justify the extent of our expansion I can only answer that the public whose needs we as currency authority have to supply has absorbed the money. There is no evidence either in the Bank's figures or otherwise of an undue surplus. It is not possible to say exactly where the money has gone. Some is undoubtedly required to meet the greater needs of trade with higher rupee prices for commodities. It is clear also that in certain cases currency must now be held where gold was held before. That shows a gratifying confidence in the country's currency. Apart from this I would make two observations. In the first place stocks of currency held in the banks and throughout the country must have been reduced to abnormally low figures by the contraction which we effected up till September, and as a result of the high rates for Treasury Bills which we had to maintain. There was clearly much lee-way to be made up. In the second place, in a country with a fully developed money market organisation, contraction and expansion of *credit* plays a much more important part than contraction and expansion of currency. India is not entirely on a par with a modern Western country in this respect. Except in a few large towns there is no fully developed money market or credit machinery. In the vast areas of the countryside the organisation is still on ancient lines, and the possibilities of variation in the absorption of currency are comparatively large. In the last few months in India there is no evidence of any large expansion of credit, and the whole demand for extra accommodation has fallen on currency. This must be remembered in assessing the situation in India. In any case, whatever our critics say, we can assert with the greatest assurance that the present position is sound. On the other hand it is quite obvious that the recent improvement in the exchange position and in the demand for currency has been very largely due to the sale and export of gold. If that were to cease, and if there were to be any economic set-back in the world with a renewed fall in gold and rupee prices, then we may again have to reverse the present process in order to maintain a sound position. Will our critics in that case shift their ground yet once more and criticise us again from the other side? For the present at least let us hope that such a necessity will not arise, and until it does let us be thankful for small mercies in the welcome improvement which has recently come about.

69. *Export of Gold.*—The reference to the export of gold which I have just made brings me to that as another matter on which I must say something because the public mind is so much concerned about it. I would at the outset draw a distinction between the export of gold from private holdings and any loss of gold from our monetary reserves. The distinction is not always kept clear in the public mind. There has of course been no loss of gold from our monetary reserves. On the contrary



[Sir George Schuster.]

our holding has largely increased in the current year. Therefore, so far as the backing to our currency is concerned, there has been no weakening of the position.

70. Apart from this, His Excellency the Governor General dealt a few months ago in this House with the broad aspects of this question. He pointed out that in relation to the vast stores of gold held privately in India the quantities now being exported were of minor importance. At present values India has imported over 700 crores worth of gold in the last 30 years alone. Her total holdings must vastly exceed this quantity. In relation to these accumulated stores, exports of about Rs. 50 crores worth, though large in themselves, sink almost into insignificance. What is happening now has not yet, in fact, appreciably affected India's position as a holder of gold.

71. In the meanwhile the export is giving India a favourable trade balance and enabling her people, who are in this way realising a small portion of their reserves, to tide over the present terribly difficult times. India is thereby being saved much of the hardship under which other countries are suffering. Reserves are being drawn upon in hard times, and, as His Excellency asked, of what use is a reserve if it can never be drawn upon.

72. Those, however, who deplore the present export of gold apparently hold the view that gold is so extraordinarily valuable as a possession that no country which has once acquired it should part with a single ounce of it—particularly not in the present times of economic crisis. And many of them go on to assert that the present Government of India alone of all Governments is allowing this export to take place.

73. Now, in the first place, to the general argument I think the answer is simple. What is the special and unique quality of gold which justifies the holding of it? Surely its quality as a reserve which in the last resort is, according to the present world system, the only ultimate sure method for settling obligations as between one country and another. But if this is accepted, then the necessary implication is that the gold must on occasions be used for this purpose. If it is *never* to be used it might just as well be at the bottom of the sea. If no country ought ever to part with its gold, then the logical extension of this argument would be that even a country like South Africa should retain every ounce of gold which is produced from her mines. But the advocates of the contrary view may say that this is an unfair distortion of their argument, and that they only argue that just at the present time, and in India's special circumstances, it is necessary to preserve the gold. Now is it true that there are any special circumstances which make it necessary to hold on to gold now? On broad grounds I should give a directly contrary answer. What is the essential feature of the world position to-day? Surely that gold in terms of commodities is grossly overvalued. Its overvaluation means that all those to whom fixed payments in money based on gold are due have to receive far too large a share of the world's production. The present low level of commodity prices, or, to express it the other way round, the present overvaluation of gold, is just exactly *the* calamity from which the world is suffering, and unless it is set right then one of two results must happen; either the economic system will collapse, or currencies will have to detach themselves from gold. England, and

with her more than half the world, has already accepted the latter result. America, still on gold, is in terrible difficulties, and is straining every effort—as recent announcements show—to find a policy which will bring about a rise in the gold prices of commodities, or, in other words, a fall in the value of gold. If she succeeds her present currency system may survive. If she does not, she, too, may be forced off the gold standard. This is no exaggeration of the position. It is impossible to escape the conclusion that the world is faced now with two alternatives, *either* to find some means (by better international arrangements and the better use of the available monetary stocks of gold) for reducing the real value of gold as expressed in commodities, or to abandon gold altogether as the basis of currency. If those are the two alternatives then surely one is forced inevitably to the conclusion, that in either case—whichever of the two alternatives actually happens, it would, taking a long view, pay to part with gold now. Why therefore should the people of India be deprived of the right to exercise their own judgment in this matter and sell their gold? My critics would answer "Let them do so, but let the Government buy it and use this opportunity to build up reserves for starting a Reserve Bank". But to this there are clear answers. First, "For the Government as currency authority to buy gold now that the currency is divorced from gold would be a pure speculation". Secondly, "The Government could not afford to buy and hold all the gold which is being offered now, for it has its own external obligations to meet". Thirdly, "If currency reserves are required, and if we could afford now to accumulate them, we have already our proper proportion of gold. It is rather external securities that we need to complete an ample margin of reserves". Fourthly, "We are indirectly acquiring sterling securities against the gold exports so far as the proceeds are not required to meet the balance of payments due on private account. So far as our financial position permits of it we shall use these securities to increase our currency reserves".

74. I come now to the last point in the critics' arguments,—that we are doing something which no other Government in the world is doing in permitting the export of gold. On this point there is extraordinary ignorance or misconception. As a general proposition, it is true to say that where the Government of any other country to-day has prohibited the export of gold, it has taken this action in practically all cases as a measure of exchange control. In England there is no sort of restriction on the export of gold, and as recent Press telegrams have shown, the ordinary public in England is doing exactly what the Indian public is doing and seizing this opportunity to realise any gold which they hold at great profit. South Africa, France, Belgium, Holland, and of course the United States have absolutely no restrictions. Nor has even Australia at present, although its Government has power to impose restrictions by proclamation. I can mention two important countries which have restrictions—Canada, where gold exports are only allowed by the Government or by Chartered Banks subject to Government licence, and Japan, where since a decree of December 17, 1931, exports are only allowed under Government licence. In both these cases restrictions are features of exchange control—and fortunately we have no need to impose any control over exchange operations in India to-day. I say, fortunately, because nothing is more damaging to commerce than that.

75. We have given this matter our most constant and careful consideration ever since last October, when the process began, and we are absolutely

[Sir George Schuster.]

certain that in present circumstances the best interests of India are being served by allowing free movement of gold to continue—that in fact this movement is proving that India's gold resources are an immense reserve of strength, the moderate employment of which is saving her people at present from much suffering, and preserving the balance of payments and the credit of the country as a whole in times when other countries, particularly countries whose economic conditions resemble those of India, are sorely strained.

There is much popular misapprehension of the significance of what is happening, which may perhaps be corrected by putting it in the following way.

The phenomena of the last few months should not be viewed by themselves, but as one phase in a process of many years. India requires a certain flow of exports to balance her imports of merchandise and external payments. In the past years the volume of this flow has been more than is required, and has been stored up, as in a reservoir, by being put into gold. Now that the volume has shrunk owing to the immense fall in the prices of India's exports (a fall which has been far greater proportionately than for India's imports) the flow is being supplemented by drawing to a moderate extent on the reservoir of gold. Thus the "reservoir" is performing exactly its proper function of equalising the flow, while the quantities being drawn off are negligible in comparison with the quantities stored.

Our critics often speak as though the interests of Government were somehow different to the interests of the country in this matter. There could be no more absurd idea. The difficulties of Government, either as the authority for revenue and expenditure, or as currency authority, react on the public and *vice versa*. What are the signs at present? We are free from hampering measures of exchange control; exchange is strong; our credit improved; we have reduced our external obligations and strengthened our reserves, thereby saving the taxpayer interest charges, and improving the chances for raising fresh capital when this is needed for the development of the country; the bank rate has come down from 8 to 6 per cent., and, as a result, all who are engaged in trade and industry have obtained great relief; while, as another result, Government securities are rising, a fact which in its turn is improving the position of all banks and investors. If anyone fails to see benefit to the public in all these signs he must be blind indeed.

#### GENERAL CONCLUSION.

76. It has been necessary to cover a wide field in this speech, and I fear that I have detained the House at great length, even though I have only been able to deal most summarily with the points on which I have touched.

On a broad review I think we may feel satisfied with the position. We can face next year with a prospect of a fairly substantial surplus, while even though the current year is closing with a nominal deficit, if we take into account the provision which we are making from revenue for reducing our debt, we can actually reckon on a surplus of receipts over expenditure for the two years combined.

77. If one looks round the country and at the outward signs of its economic and financial position, while I fully recognise that the difficulties are still immense and that large sections of the people are in dire straits, owing to the present low level of prices and trade depression, nevertheless there is not a total absence of encouraging signs.

78. Even if the sales of gold may to some extent represent a forced realisation of savings, yet as against this there are indications that the masses in India still have a considerable amount of money available for investment. The amount invested in Post Office Cash Certificates during the current year is expected to aggregate about Rs. 6 crores as against an average of Rs. 4.5 crores for the preceding eight years, while the increase in the Post Office Savings Bank deposits will be about Rs. 1.20 lakhs as against a decrease of Rs. 10 lakhs last year. Further, the subscriptions by small investors to the 6½ per cent. Treasury Bonds were very large as is indicated by the fact that about Rs. 6½ crores out of a total of Rs. 16.95 lakhs were subscribed through the Post Office.

79. Then, again, certain industries at least are in a healthy condition. I alluded in the course of the last financial debates to the state of the cotton-mill industry, which I still claim to be the only large staple industry in any country in the world which is not only fully employed, but expanding, to-day; and which increased its production for 1931 by about 400 million yards as compared with 1930. The sugar industry (to which I have already referred) is also expanding rapidly, and according to our information thirteen important factories are in course of erection while seven more are being planned.

80. Lastly, one may point to the easing of money rates, the repayment without borrowing or drawing on our reserves of £15 million sterling in January, and to the recent very striking improvement in the price of our Government securities both in India and in London. Our 3½ per cent. sterling stock, which in September last went as low as 43, had risen on March 2nd to about 66, and other securities have also improved substantially. In fact, London has really taken a lead in this matter and it is a curious fact that it is certain sections of the Indian public that are apparently doing their best to spread pessimism and check the return of confidence. This rise in Government securities does not of course in itself indicate a revival of trade. But such a movement is a natural prelude to general recovery, which must have brought about an enormous improvement in the position of all the banks and made them stronger to give support to a revival of trade when the conditions justify such action. Apart from Government securities there has been a general rise in the prices of the leading investment stocks. Taking quotations at the end of February, the following typical examples may be given:

Imperial Bank shares had improved from a bottom figure of 825 to over 1,000.

Bombay Dyeing from about 613 to 681.

Tata Iron and Steel ordinary from 16/6 to about 25.

Indian Cement from 120 to 188.

81. But while I can gladly note these signs for encouragement, and while our budgetary position is sound, such margin as we have provided is certainly no more than is required for safety in these uncertain times.

[Sir George Schuster.]

Even now all the conditions in the world are so disturbed, that no Finance Minister can possibly present his estimates as infallible. We have hardly yet emerged from what Mr. McKenna in a recent speech has described as a state of "cataclysmic instability". The old landmarks are gone and we are living in conditions for which in many respects there is no parallel. What is required above all is a general rise in prices, and an economic revival throughout the world which will lead to an increased demand for our products. Our own action alone cannot provide this. International action is required. On this subject one can at least say that the present signs are more hopeful, and that there now seems to be a fair prospect that the great problems of war debts and reparations which have been weighing so heavily on the world may be settled this summer in such a way as to make some recovery possible.

I have dwelt on world conditions and said little about internal political conditions. Here the mere fact that constitutional changes are impending makes it all the more necessary that we should preserve the country's financial foundations in a sound condition and convince the world that any future Indian Government will so maintain them. The latter is a task on which Indian leaders should concentrate. But just at this time we see, on the contrary efforts in certain quarters to propagate mistrust, and to impede the normal course of trade. I have taken no account of any effects from those efforts in my calculations. Local effects there may be, and Bombay, for example, with her strange passion for self-inflicted wounds, may, unless the commercial interests so threatened bestir themselves, find herself wounded beyond recovery and in danger of losing her place as a commercial market, just as she has been losing her industrial place to other centres. But, so far as India as a whole is concerned, we confidently believe that such efforts will fail to have any appreciable effect on her economic life, and that ultimately the good sense of the country will prevail.

82. In the circumstances which I have described we have taken such financial measures as we think that we can fairly ask the country to support at the moment, but the situation still needs careful watching. And this brings me to the last subject which I wish to mention. In times like the present, when every country is struggling for its financial and economic existence, the best chance for any nation is that all its available forces for national effort should be marshalled together. That is what has happened in England, and as a result England has once again resumed her front place, and may help to give a lead to the countries of the world in finding a way out of this disastrous economic crisis. Is it vain even now to ask for such co-operation in India when we are trying to establish sound conditions for the new constitution? I have just said that the whole financial situation still wants careful watching. Let me mention the following practical points. First, the general question of a permanent reduction in the scale of Government expenditure is by no means yet finally disposed of. Secondly, if the economic condition of the world should worsen during the coming year it may react upon us, and we may require further measures to protect our position. Thirdly, we shall need to consider most carefully before the next Budget the working of the new taxes which we imposed as emergency measures, and the shaping of our financial policy in a more permanent form to meet the needs of the future when greater stability has returned and when conditions can be foreseen with greater certainty.

Lastly, I must make a short reference to one feature on which I have not dwelt fully in my general review—namely, the finances of the Provincial Governments. Many of them are labouring under financial difficulties which in some respects are greater than our own, and, as I have already indicated, have had recourse to loans from the Central Government in order to cover budgetary deficits. This is a problem which affects India as a whole, and in it we all have a common interest. I will say no more now than that the position will require very careful consideration during the coming year. If in the handling of these problems representatives of the unofficial communities in India were ready to give their advice and support to Government, I feel confident that the national interests would benefit from such co-operation. Honourable Members may perhaps take up these points in debate.

83. In the picture which I have drawn I have tried to give a fair account both of the conditions which encourage hope and of the factors which call for caution. For the coming year we must pray for good crops, and recognise that beyond this much depends on events outside India. In the meanwhile let us not belittle such elements of good fortune as have come to us. We have in the past year ridden a storm which might well have wrecked us, but we have emerged from it stronger than before. We have overhauled our expenditure and reduced this to a level which should leave us a margin of revenue when any economic recovery begins, and at least substantially ease the financial problems at the start of the new Constitution. Difficulties there are which still remain to be overcome, and tasks to be accomplished. If the Indian public would co-operate in a common effort with Government, this could be done more surely and more easily; but we are determined that it shall be done. In the meanwhile, if we look round the world in the present times of difficulty we may fairly claim that there is no country in the world whose intrinsic financial position is sounder, or whose ultimate prospect of economic advance in the future is more bright. (Applause.)

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 9th March, 1932.