

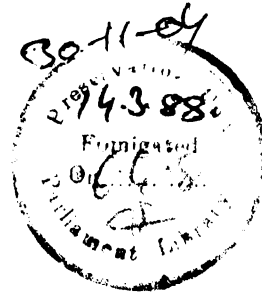
Friday, 16th February, 1934

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1934

(8th February to 27th April, 1934)

SEVENTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1934



PUBLISHED BY MANAGER OF PUBLICATIONS, DELHI.
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI.
1934.

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COUNCIL OF STATE.

Friday, 16th February, 1934.

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

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, which was passed by the Legislative Assembly at its meeting held on the 15th February, 1934.

RESERVE BANK OF INDIA BILL—concluded.

THE HONOURABLE THE PRESIDENT: The debate will now resume on the Reserve Bank of India Bill.

*THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras Muhammadan): Sir, a central banking institution has come to be a characteristic feature of democratic constitutions. On this account it behoves us to welcome this measure which is intended to establish this kind of institution in the country. Sir, I congratulate the Honourable the Finance Member and the Honourable Finance Secretary for having so carefully prepared and so successfully piloted in the Central Legislature this important Bill which is designed to secure for India financial responsibility without which any form of self-government would be a nullity. Sir, the world has come to recognise that the absence of more stable monetary standards, the lack of co-operation and co-ordination among the different nations in respect of banking activities, have been among the main causes of the present economic troubles. Though owing to the failure of the World Economic Conference the chances for international action have become somewhat remote, it is yet possible to do something so that the various parts of the British Empire might come together and co-operate in respect of banking activities. Sir, at the great world conference those countries of Europe which were on the gold standard did not lose heart but on the initiative and under the leadership of France formed themselves into a group determined to continue on the gold standard. Similarly an effort will be made to devise some scheme by virtue of which the various members of the British Commonwealth might come together and co-operate in the matter of banking. Sir, if this scheme is adopted and if India decides to actively participate in that scheme, it is this measure which will enable India to take the utmost advantage of that scheme.

*Speech not corrected by the Honourable Member.

[Saiyed Mohamed Padshah Sahib Bahadur.]

Sir, there have been differences of opinion, and occasionally sharp difference of opinion, in respect of some of the provisions of this Bill, but, Sir, on the main question there has been a perfect unanimity of opinion. All sections in this House have equally realised the necessity of this Central Bank. Therefore, Sir, now that the Bill is going to be passed, I would appeal to all my friends to give this a fair trial. This is a measure which should have been adopted six years back, and now that this is going to be passed I would appeal to all my friends to sink their differences and combine to make this a success. Sir, it would be up to us to show to the world that Indians who purchased the shares of this Bank did not do it merely for the purpose of selling them away for some small profit and that the earning of dividends was not the be all and end all of shareholding, but that on the other hand the larger interests of the nation were perfectly protected and kept before the mind's eye. With these words, I support the motion.

THE HONOURABLE MR. J. S. HENDERSON (Bengal Chamber of Commerce): Sir, in rising to support this Bill, I should like to say that the entire commercial community which I and my colleagues in this House represent—including the Exchange Banks—are ready to give their fullest co-operation to the new Bank. As a member of the Joint Select Committee, I can give Honourable Members the assurance—if indeed any such assurance were necessary—that the Bill now before us has only been evolved as a result of the most careful and painstaking examination and analysis. As has already been said in the course of the debate, every single clause, and indeed practically every individual sentence, has been subjected to the closest scrutiny throughout the four weeks' hard and conscientious work put in by the Committee. These have, indeed, been given the most searching consideration, and have only passed muster after the majority of us were thoroughly satisfied that they were in every way competent to do so. And so, Sir, I venture to submit that this Bill as it has emerged from the Joint Select Committee and from the other House is a measure in every way worthy of our fullest support, and I am confident that it is a sound one and that it will be found to work successfully and well.

As I have pointed out on a recent occasion elsewhere, the Reserve Bank of India Bill may be said to be Sir George Schuster's swan-song, and surely no man could have wished for a more worthy and impressive one, or one of which any Finance Minister could be more justifiably proud. As we have been reminded, this Bank is one of the greatest transfers of power that has ever been made since the British Government assumed the government of this country. Surely, therefore, to have had such an effective hand in the efficient carrying out of that transfer is an achievement of which Sir George Schuster and his able and deservedly popular lieutenant, Mr. Taylor, may well be proud.

On what has proved to be the two most controversial features of the Bill, namely, the relative merits of a State as opposed to a Shareholders' Bank, and the vexed question of the ratio, I need only say a very few words. In deciding, as this House has done, in favour of a Shareholders' Bank, we are assured of an independent banking authority, as free from political influence as the many carefully designed safeguards the Bill

contains in this direction can make it, and we are confident that this decision will prove to be a wise one. As regards the question of the ratio, I need not attempt to add anything to the telling arguments which have been advanced by the Finance Minister and the Honourable Mr. Taylor against any attempt to alter clauses 40 and 41 of the Bill as they at present stand. As has already been aptly said, no individual action of this nature which any one nation or country can take, can of itself bring back prosperity to that nation or country, otherwise I think we may be perfectly certain that the Government of India would have anticipated the claims of the advocates of the 1s. 4d. or 1s. 2d. exchange by adopting their proposals long ago.

As I have said, Sir, we consider this to be a sound and well balanced Bill, well calculated to bring about the benefits desired, and we accord it our fullest support.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK
(West Bengal: Non-Muhammadan): Sir, if at this last stage of the debate I intervene, it is not with the intention of decrying the measure as a whole, nor with the object of joining in the chorus of praise for the Honourable the Finance Member and his colleague who were responsible for bringing about this Bill, for that is a thing which I can safely delegate to better hands, but it is with the intention of pointing out that the Bill as discussed in this House and as passed elsewhere is fraught with so many limitations that it would hardly satisfy the public mind as to its utility to the country as a whole.

We are well aware that the Reserve Bank is a *sine qua non* and not only its establishment but also its proper functioning is a condition precedent for the next set of Reforms. And as such it would seem most meet and proper that we should pass it without the least delay. But we are at the same time afraid that in trying to make the institution free from political influence in India you have made it an institution which will have outside influence, I mean the influence of Whitehall, the London City. It is true that the various political parties of India will have very little influence on the day to day administration of the Bank but, Sir, after all the selection of Governors and Deputy Governors of Banks and the nomination of Directors remain in the hands of the Governor General in Council, which will mean that in the Federal Government the Governor General will make these appointments in exercise of the special responsibilities of safeguarding the credit and finance of the country. For the exercise of these powers, he is answerable to none but the Secretary of State, which will be tantamount to an indirect control by the party politics of England.

Another matter which strikes me is that we find in the Bill an absence of the minimum limit of shares to be held in any particular register. I do not intend to enter into a detailed discussion of the matter, as it has already been dealt with at some length by my Honourable friend Mr. Basu, but would merely point out that the absence of such a limitation would be unfair on the Directors of other registers who have to face a larger number of voters at their election.

[Mr. Satyendra Chandra Ghosh Maulik.]

Then again, there should have been placed certain limits to the shares that can be held by non-nationals. Because after all unfettered holding of shares by non-nationals would mean, as has been pointed out yesterday by one of my friends of the opposition, an indirect control of the Bank by the British section of the public. If it is desired that the Bank should be free from political influence of any party, and rightly so, then this would be exactly the very thing that we should try to avoid. If the Bank is to be a National Institution, and I hope it is going to be one, it should be also free from non-national political influence. We are taking away from the control of the future popular Finance Ministers the banking and other aspects of finance and want to leave it to a body of experts who would not be left at the whim and caprice of party politics. As you say that the handling of the finance of the country should not be left to ever changing political party, and should be divorced from all party politics to be run on sound financial grounds, so we at the same time do not want that there should be any indirect control of the Bank by the non-nationals whose aims and ideas may not always be for the good of our motherland.

Sir, I do not want to go into that much vexed question over which there is great divergence of opinion, I mean the ratio question. I know, Sir, that this is not the proper time or place where we can settle it for all times to come. It is dependent on various other factors over which this country alone has not much control. The future events will I hope show whether the apprehensions expressed here and elsewhere are well-founded or not. Sir, if the Bank is to function well it is necessary that the public mind should not be exercised over these apprehensions. Let me hope that after all my apprehensions may prove to be ill-timed. However, like many things in nature this Bill is not an unmixed blessing. There are certain good features of the Bill which we appreciate very much. The roping in of indigenous Banks will no doubt bring about in the long run steady financial stability in the country, the benefit of which is too great to be computed. Another thing I find is the creation of a special agricultural credits department. Although it is true that the Bank is not going to give credit on agricultural produce, the agriculturist can get credit from those Banks who advance money on agricultural produce and these Banks in turn can look up to the Reserve Bank for an advance. This will I hope bring some relief to the agriculturist and go a long way towards bringing about a high level of prices in the market for the good of the country in general.

I hope in the working out as well as in the interpretation of these clauses, all these points and defects will be taken into consideration and if possible the defects remedied under the rule-making powers. After all is said and done we are in an experimental stage and it would be only too early to suggest that the Bill will not be beneficial to the country as a whole. The Reserve Bank Bill will be an accomplished fact very soon and I do hope and trust that as we go on working it the light of the experience gained therein will certainly bring about changes in the Bill which will ultimately allay all this distrust and be conducive to the good of India as a whole, and we shall obtain that financial stability and financial Swaraj which we all desire. The Bill is a great move in that direction and I give it my fullest support.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, as an elected representative and a senior Member of the Council of State for Bengal, and as one who has served on the Joint Select Committee which considered this Bill in 1933, I rise to support the Bill with the following observations. Sir, everything that could be said in favour of this Bill has already been said ably and eloquently by my Honourable friend Mr. Taylor in this House and by the Honourable Sir George Schuster in the other. And everything that was said in both the Houses by the Honourable Members was, with equal ability and eloquence, answered by both these Honourable gentlemen who are acknowledged to be the best financial authorities in this country. It now remains for me and for my friends on this side of the House to congratulate both Sir George Schuster and Mr. Taylor for their great achievement which has justly been called the greatest measure of India's financial autonomy or Swaraj. This Bill which is about to become law is not only the most valuable contribution which Sir George Schuster has made and which any Finance Member could possibly have made for the lasting good of this country, but is also a most valuable step which has been taken for the removal of the financial and economic evil under which the world is labouring at present. Sir, I once more congratulate my Honourable friend Mr. Taylor and the Honourable Sir George Schuster and support the third reading of the Bill in the fullest conviction that it is a measure the like of which this country has not seen for at least the last one generation.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam: Non-Muhammadan): Sir, I think the House generally will agree with me that the Government deserves our congratulations as also our gratitude for bringing in this Bill. I also wish to congratulate the House in advance, for the indications are that it will pass this Bill. As the Honourable Mr. Taylor said the other day, this Bill is the greatest measure ever passed since the British came into this country. The currency and credit of this country are going to be entrusted into the hands of a body which will be independent not only of the Government but also of political exigencies. Now, Sir, one thing that struck me in connection with this Bill was that there were so few points in controversy, and that is a fact that shows that the Bill has great intrinsic merits. Two questions have been agitating the minds of our countrymen one of which I need touch on. It is the question whether it should be a Shareholders' Bank or a State Bank. A curious situation seems to have developed in this connection. My friend the Honourable Mr. Hossain Imam seemed to be appealing for oligarchy while the bureaucrats seemed to be pleading for democracy. I think, Sir, I am a little obscure and might explain myself further. Bryce in his work on Democracy says that it is the oligarchy that rules in the world and not democracy. Certain people get themselves elected to a Parliament and those who are in a majority constitute a Government, and after they constitute the Government themselves they work just as they like in defiance of the wishes of their constituency. In asking for a State Bank, my friend Mr. Hossain Imam was asking for having a rule of an oligarchy. He probably expects that he will be one of them. As for the Honourable Mr. Taylor, he pleads for democracy. He thinks that a certain element agreeable to his views will be predominant. But I warn him that India is wide awake and that the time is coming

[Rai Bahadur Promode Chandra Dutt.]

when Indians will try to capture this institution. He professes that he likes it and I hope he likes it sincerely and seriously. Sir, I accord to the Bill my heartiest support.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I regret that I cannot support the motion for the passage of this Bill nor join in the chorus of congratulations showered upon the Finance Secretary and the Finance Member. Sir, I can certainly thank them for all the labours they have done in connection with the Joint Select Committee in which they had to spend not only the whole day but several hours at night also in preparing for the next day. We can thank them certainly on that account. Sir, I do not see what is in the Bill that has been discussed in this House and passed in the other House over which we can congratulate the Government. We all know, Sir, that the Bill of 1927-28 which was passed by both Houses but which was given up by the Government was far better than the present one. Sir, I will prove this contention on the floor of the House today. The Bill passed then was in favour of a State Bank and this Bill is for a Shareholders' Bank. In that Bill, Sir, the Directorate was all representative. Every section was to be represented on the Directorate. But in this Bill, time only will show whether the Directors come from a particular community or class or interest—I mean the capitalists—or whether the agriculturists and the representatives of co-operative movements will find adequate representation. Sir, I do not know for what reasons the Government gave an undertaking then and have given it up now. At that time, the then Finance Member Sir Basil Blackett said—

THE HONOURABLE THE PRESIDENT: What are you quoting from?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am quoting from the speech which he made then in the Assembly.

THE HONOURABLE THE PRESIDENT: Are you quoting from the Official Report?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I have not got the Official Report here, but a passage has been quoted here—

THE HONOURABLE THE PRESIDENT: How can you guarantee the accuracy of that passage?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: It has been quoted in one of the journals here.

THE HONOURABLE THE PRESIDENT: Unless you are prepared to quote it from the Official Report I will not permit it.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I will not quote the wording then. He accepted a State

Bank. The Central Banking Enquiry Committee also, which was presided over by Sir B. N. Mitra, an official all his life, recommended in favour of a State Bank.

THE HONOURABLE MR. J. B. TAYLOR: Would the Honourable Member mind quoting the recommendation? There was no recommendation of the Banking Enquiry Committee in favour of a State Bank.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: There is a note from which I understand that the Report was unanimously in favour of a State Bank. If Mr. Taylor will give anything contrary I will accept it and withdraw my remarks.

THE HONOURABLE THE PRESIDENT: It is for you to show. You assert a certain fact and you must be prepared to show its accuracy.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am not quoting exact words, I am just giving the gist.

Then, Sir, so far as the Directors are concerned, I find from the Bill that one Director was to be elected by the Provincial Co-operative Banks. There was a definite provision for that. So far as this Bill is concerned we can only get one by nomination. Then under that Bill 3 Directors were elected by the Indian Legislature and 3 were to be elected from Legislatures of Governor's Provinces, of whom two were to represent Agriculture and one Commerce and Industry. So that all interests were to receive adequate representation. But under the present constitution we do not know whether they will represent all interests or not. Then there are several defects in the Bill owing to which I cannot agree to the motion for passage of the Bill. I will just relate some important ones. Under this Bill the Legislatures will not be able to criticise the actions of the Governor and Directors of the Reserve Bank, that is, they will be immune from the criticism of the Legislature. Then, if the Central Legislature want to amend certain sections of the Bill they cannot do so unless they get permission from Government which I expect will not be given if the amendment does not find favour with them. These are most fundamental defects preventing both these Houses from making comment, criticism or amendment of the Bill. We will have a Finance Minister responsible to the Legislature, but I do not find any place for him in the Reserve Bank which will control currency and credit policy of the country. The Governor General in Council is the only authority mentioned in this Bill and in the Joint Committee we wanted it made clear as to whether that expression included the future Finance Minister or not, but could not get any satisfactory answer. I think it is very necessary that he should have a voice in the nomination of Directors as well as in the control of the policy of the Reserve Bank. Then, Sir, the value of the share has been reduced to Rs. 100, but the voting strength has been kept at 5 shares. Therefore those of the agricultural and middle classes who will purchase less than 5 shares will have no vote. On the other hand there is no limit to the purchase of shares, and if capitalists for the sake of just an investment yielding 5 to 6 per cent. want to obtain further shares they can raise the value of the shares by a few rupees and purchase most of them from those who have been allotted a few in the first instance and thus acquire voting strength. Another most important defect is that no limit has been fixed

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

that the majority of the shares should be held by nationals. Any Company incorporated in India can purchase any number of shares and control the financial policy of this country. We do not grudge this in the case of Britishers, but there is no limit to the holdings of non-Britishers and we certainly protest most strongly against that. Then, Sir, in the 1927-28 Bill I find that the Governor—

THE HONOURABLE THE PRESIDENT: We have had enough of the old Bill which has been buried long ago. Will the Honourable Member now confine his remarks to the Bill before the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am just making comparisons and showing that that was a far better Bill than this.

THE HONOURABLE THE PRESIDENT: That will not help the Council in any way. Will you kindly proceed with your observations on the present Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, the posts of Governor and Deputy Governor are very important, and for the three such posts in the present Bill there is no provision at all for giving at least one to an Indian. Of the three, two at least ought to be held by Indians.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I do not like to interrupt, but that statement is also incorrect. I would like him to say which particular Bill he is referring to.

THE HONOURABLE THE PRESIDENT: I know, the Honourable Member has made many incorrect statements.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I am quoting from the Bill of 1927-28. Under the present Bill eight Directors will be elected, but they will not be elected all at once. It will take four years to complete the full election of eight Directors. In the first three years there would in a way be a Government majority on the Board of Directors. The number of the Local Boards has been fixed at five. I am of opinion that it is inadequate and in such a large area it is not possible for all interests to be represented even on the Local Boards from which the Directors of the Central Board will be elected.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: On a point of order, Sir, the Honourable Member might have placed these points before the Joint Select Committee.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: My Honourable colleague here says that it would have been better if I had placed these facts before the Joint Select Committee. I may assure him that we did so, but we were defeated as we were in a minority.

Sir, there is a statutory provision for 1s. 6d. ratio in this Bill. All sections of the country from the agriculturist to the commercial are unanimous in saying that it is harmful to the interests of India and they want that the hands of the Directors of the Reserve Bank should not be fettered with the insertion of this clause here. Let the ratio find its own level and let the Directors do as best as they think in the interests of India; but with clauses 40 and 41 the Directors will have no option but to abide by and carry out the policy which has been so much found fault with. The terms of the Imperial Bank also have been given on a liberal scale.

THE HONOURABLE SIR HOMI MEHTA: We are not discussing the Imperial Bank just now.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: The terms are given in the Reserve Bank Bill and they are exactly the same as in the 1928 Bill. Since then 5 years have elapsed and all obligations of the agreement are over and two years have exceeded, but still we find that more liberal terms have been given than the first contract which was made in 1920. That contract was only for 10 years, and now we are going to have a contract for 15 years. As regards the details of the working of the Imperial Bank I shall defer my remarks till that Bill is before us. It is quite sufficient here to submit that the terms are much more liberal than we wanted. My friend Mr. Taylor said yesterday that they are based on certain calculations. I do not know how far those calculations are right. The Joint Select Committee wanted that they should be thoroughly scrutinised by the Auditor General and a report submitted to it. Since then, Sir, I have not found any report of the Auditor General as to whether they have been scrutinised and whether they are correct or not. The report may have been made, but I have not seen it. If the figures are correct, I have no quarrel on the point; but still I think that the question ought to have been thrown open to all the indigenous banks which are working on sound financial position and tenders ought to have been invited. After all at places where there are no branches of the Imperial Bank some such arrangement will have to be made with other banks, and if that arrangement is feasible at one place, why should it not be feasible at other places? If according to that arrangement we are to gain something, why should we give preference to the Imperial Bank? Sir, with these remarks, I am sorry to oppose the motion for the passage of this Bill.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, coming from Madras, I wish to give expression to the sense of satisfaction and gratification felt in that province in seeing that this Bill has reached its present stage when it will become law very soon. Sir, I consider that the Bill is a historic one. Many Bills no doubt have been passed in the years before us in this Council and elsewhere, but I believe that there is no other which can compete with this in its aspirations for the welfare of the people of this country. Sir, history now is being written not so much about wars and battles, not so much about the glories of kings, not even about constitutions, but it is indeed now concerned more with the economic development of various countries and with their prosperity and in fact with the way in which people could be fed on a higher standard than at present. Sir, the war which was believed to be a war to see that there was no more war has

[Sir Kurma Venkata Reddi.]

failed in that object, but it has taught one great lesson to humanity. It is this, that unless the entire world has combined, until all humanity feels that it is all one race, the human race, there will be no salvation in this world of ours, whatever be the reasons which have caused this present state of affairs. Now, Sir, as I said on a previous occasion, I believe that this Bill places before us a machinery which if properly used might achieve for India her proper place in the monetary system of the world. Sir, it has been asked, what has this Bill done? We are told even that the Bills of 1927 and 1928 were better than this. Sir, I do not wish to enter into a controversy, nor do I wish to answer questions that have been raised, but it would be enough to say that every objection that was raised against the Bills of 1927 and 1928 was considered by 3 responsible bodies or even 4, including the Central Banking Enquiry Committee, the London Committee, the Joint Committee of the two Houses on which the Members of this House were represented and in the two Houses. Sir, those defects have been remedied. But there are some who still believe there are more defects. All that I would say is this, that it would be impossible to be free from defects of some kind or other. After all, human intelligence and human ingenuity have their own limitations, and all that we can say is that if there are really defects in this Bill we have not yet been able to be satisfied with the reasons that have been given to show that there are defects. If there are defects, experience is bound to disclose them and it will be for the bank itself to see that those defects are cured. Now, Sir, I think my Honourable friend was wrong in thinking that we will have no power to revise this Bill at any time. That is a mistaken impression, Sir. No Legislature can bind its posterity. The future House will be at perfect liberty, whenever occasion arises, when the need is felt, to see that those defects are removed by legislation. I would only answer one more question, Sir, one to which I have referred, namely, the question—what has this Bill done? I am surprised that at this late stage of the discussions on this Bill any Member of this House should ask that question. What has been provided here? Have we not seen the provisions? Have not the discussions disclosed what future is before us in this matter of the monetary system? The Bill, Sir, as I on previous occasions have pointed out, makes provision for correlating currency, and credit, a thing which we have not got at present. There is a divorce between currency and credit. And here is an agency provided to bring them together. At what cost is Government parting with its power of note issue, entrusting it to a body in which there is an elected majority. Then, Sir, this is a Bill which makes provision for a bill market. We have all known to our cost that there has been no bill market created hitherto and consequently that interest could not be controlled. Here then are provisions which will affect us so materially that to say that this Bill has not provided for any good for this country is, I should think, far from correct. Then, Sir, it can issue currency on special terms whenever an emergency arises. I am not aware that the existing law provides for such a contingency.

THE HONOURABLE MR. HOSSAIN IMAM: There is a provision for 12 crores emergency currency.

THE HONOURABLE SIR KURMA VENKATA REDDI: And how many thousands of it have been spent? If it was being used certainly a bill

market would have come into existence, but the machinery for carrying out the existing provision is so hemmed in that it was impossible for the provision to come into effect at all. That is why I say there is at present no provision. Sir, this Bill and this Bank can maintain the international value of the rupee and, Sir, as the lender of last resort the Bank will be taking upon itself a heavy responsibility in that it cannot refuse to lend to any eligible borrower. I should think, Sir, that these are matters which would have satisfied anyone who has got the good of his country at heart. I do not mean to say that Honourable Members who oppose are not honest in their purpose. But let me assure them that this Bill is bound to improve not only our financial condition but also add to our material progress in a very great measure.

Sir, when I say all this I do not in the least mean to say that everything will happen to ensure the prosperity of the country. All that I mean is that a machinery has been provided which if properly worked and utilised to its fullest capacity is bound to increase the prosperity of this land and to give us a place in the monetary system of the world. I said, Sir, that this is a historic Bill and may I take this opportunity of congratulating those who are responsible for sponsoring it on the fact that their names will pass into history. With these words, Sir, I support this Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, but for the speech of my friend Rai Bahadur Lala Mathura Prasad Mehrotra I should have thought that the controversy about this Bill was over. The battle was fought very valiantly, very courageously and very boldly by the Opposition in all the stages of the Bill. As a matter of fact, I thought, when amendment after amendment was moved and lost in this House yesterday, that the battle had been taken to the last ditch, but now I find that there are some more last ditches. However, Sir, if I may have the temerity to do so, I congratulate the Opposition for the fight that they put up in all the stages of the Bill. I do not want to refer to what happened in the Joint Select Committee but I think I should be permitted to praise where praise is due, that is, to the Government Members on the Select Committee, for the patience, suavity and unfailing courtesy which they showed to the members of the Select Committee day after day, week after week, when some of us nagged them, if I may say so, with elementary economic and financial questions. Sir, the Bill will be passed into law in a very few moments' time. As has been said by Sir Kurma Reddi, I also consider this to be a historic Bill. This will mean the economic emancipation of the country if it is properly worked and transference of large powers to the people of India. And if it is not properly worked, I think it will be in the power of the Legislature to make it work properly. The Bank that will be set up by this piece of legislation should be considered not as a money-making machine but as a national institution, an institution which will give us that freedom in our financial affairs as prevails in other parts of the world where they have Central Banks working. I think, Sir, now that the Bill has practically passed into law, I think it behoves the non-official Members of this House and the other House, as also the leaders of the country, to rage a tearing propaganda to see that the Reserve Bank shares should be taken up by everybody who has the means to pay Rs. 500 and be a voter in the Reserve Bank electorate. By this means alone, Sir, if this propaganda is waged and successfully waged, I am sure the national character of the Bank will be preserved. And this duty, F

[Mr. Bijay Kumar Basu.]

think, should be performed with the greatest speed and with convincing arguments by all the non-official Members of the Legislature as well as the leaders of the country.

Then, Sir, although some of us did not see eye to eye with the Government members in many of the details of the Bill, yet I am sure that we all worked for the same end according to our own lights and the end that I mean is the establishment of financial stability in the country. There is also, Sir, a very onerous duty which has been cast on the Government by this Bill at least in its primary stage, namely, the selection of a Governor and two Deputy Governors for the Bank and also of the first Directorate. I am sure the persons responsible for the selection of the officers of the Bank will take into account the important responsibility attached to the appointments, and also the fact that people who have sympathy with this country and its people should become the first officials of this Bank so that when this Bill is worked with sympathy and with the idea of promoting the financial welfare of this country and that alone, I think there will be very little for my friends in the Opposition to cavil at in the working of the Bank and the results that will be achieved. But on the other hand, if people are chosen who are mere experts and automatons without imagination they would not be able to bring that human sympathy into their work which is absolutely necessary for the successful working of an Act like this. The same remarks apply

12 Noon. to the choice of the first Directorate and I have no doubt in my mind that the authorities responsible for the selection of these members of the Directorate would select such as will comply with the ideas that I have just given expression to. Sir, I have every reason to believe that the Bill as it is emerging from the Legislatures today will be a real beneficial piece of legislation to the country and its people, especially to the agricultural masses which are now groaning under the heavy burden of debts which they have absolutely no means of re-paying. If the working of this Bank brings relief to even a fractional part of those teeming millions of agriculturists I think it will have achieved its purpose. I have therefore, Sir, absolutely no hesitation in supporting the passage of the Bill and also hope that the Bill will be worked with that human sympathy which is necessary to make this Bill beneficial to the country.

(The Honourable Mr. Hossain Imam then rose in his place.)

THE HONOURABLE THE PRESIDENT: Do you also wish to give your blessings to the Bill?

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): I will take a few minutes, Sir. Mr. President, we are all very grateful to you for the indulgence you have shown us in allowing us to speak fully both at the second reading and the third reading. I do not wish to encroach further on your indulgence. I simply wish to say a few words to clear the position why we are opposed to this measure. Originally I had intended to reply in some detail to the snappings from the Central Benches but now I shall confine myself to a few remarks. I want to reply to one or two points but I will not go into detail. First of all I

*Speech not corrected by the Honourable Member.

wish to say a few words about the gallant Knight from Bombay. He was very vehement in stating that there are no advantages in depreciating the currency and instead of putting forward arguments against him I would like to quote a few facts and figures. I am quoting the export figures of three countries, the United States, Great Britain and Japan—the difference between 1931 and 1932. The exports of the United States between 1931 and 1932 declined by 33·3 per cent., the exports of Great Britain in the same period declined by 8·1 per cent. while the export trade of Japan during the same period rose by 23·6 per cent. The United States remained on gold, Great Britain went off the gold but did not depreciate sufficiently and Japan went wholeheartedly for it. Then, Sir, my Honourable colleague from Bombay was very vehement and said that if the experiment which the Roosevelt Government has taken now, the National Recovery Act and other things, had been taken by a Finance Member in India, he would have been recalled the next day and India would not have stood the strain for five minutes. I am quoting from his speech. That reminds me of a proverb which is current in rural India that if there is a woman who shows more love for a child than its mother, then be sure she is a witch who wishes to harm the child. If the solicitude of Englishmen for the welfare of India is more than that of the American Government for its people, then I have nothing further to say. It would be a blessing if we find that Englishmen are more careful of our interests than the Government of a free country like the United States of their country. You see every day measure after measure being brought forward in the Congress which are being passed with an overwhelming majority thus showing the complete confidence which the Roosevelt Government enjoys in its own country. If that treatment is not good for India, that shows exactly what our masters are up to, whether they are working in the interests of India or adversely to those interests. The learned Doctor of Bombay asks us to put our faith in the nostrums of Dr. Schuster in preference to others who are talked of as quacks. But the mere fact that a faculty of doctors are calling them quacks will not make them quacks. A Harley Street specialist will remain like that, and if Montagu Norman and others believe in having planned money, I am not going to take the panacea prescribed by Dr. Schuster. Sir, I should like to make clear that the reason why we are objecting to this Bill is not that it creates a Directorate with an elected majority. Our reading of the affair is that it is neither a Shareholders' Bank nor a Directors' Bank. It is a Governor's Bank. He is all in all and the most powerful man who will work it. That is the custom in the world. I do not say that the Government of India has introduced any innovation. It is practically the custom in the world that the personality of the Managing Governor counts and here too it is he who will count. But there is this difference. In the Bank of England there is a Committee meeting almost every day and as all the Directors and the Managing Governor live in one and the same city, they can always consult each other even informally, but here in India, on account of the magnitude of immensity of its area, this will be impossible. We admit that. There was a possibility that all his external actions should be taken in consultation with the Local Committee which exists at the present moment under the Imperial Bank. But even that has not been allowed to us. The provisions of clause 18 are quite clear on this point. I would not be divulging the secrets of the Select Committee, how we fought over this question of stopping the emergency powers from flowing into the hands of the Managing Governor himself. In the former

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Bill—and here I should like to say that we should not very much particularise about these Bills, because there are half a dozen Bills in addition to this seventh Bill which makes the Act. There was the 1927 original Bill, the Bill out of the Select Committee, then the 1928 Bill, then the original 1933 Bill, then the Select Committee Bill, and then the Assembly Bill and the seventh Bill which will become the Act is the Bill as amended by us. So, there are so many Bills. The last one is the Act. So we must say exactly which Bill we mean. Perhaps my Honourable colleague was quoting from the Bill as reported by the Select Committee of 1927 when my Honourable friend the Finance Secretary called him to task. Sir, we wanted that the emergency powers under clause 18 should either remain with the Central Board or if it was impossible to do it, that at least the Local Committee should have that power. Even that was denied to us. The emergency powers are the real criterion of the successful working of a Reserve Bank. If there are no emergencies, the day to day working is almost the same whether the controlling authority is the Government Department or a Bank. I may point out that our colleague from Madras was under some misapprehension when he thought that emergency currency was large. The House is aware that emergency currencies were issued to the Imperial Bank for two or three years, and in the end the Finance Department made a very good innovation; as it was impossible to get bills they allowed them to transfer Government securities for the time being and then gave them credit facilities, and they functioned exactly in the manner in this respect as a Reserve Bank would function, even with the prohibition of a higher rate of interests which was a condition precedent to the issue of emergency currency. Now, Sir, as far as this Bill is concerned, I will join with the nominated Member from Calcutta in saying that we were very thankful to the Honourable Chairman of the Committee for his courtesy and accommodating attitude in all matters which did not involve essential issues and principles. He was always ready to accept our suggestions and accommodate us, but as soon as the stumbling blocks in which Whitehall was interested came up we found we were fighting not our Chairman, who may even have had some sympathy with us, but another party whom we knew. And I can say this that even in our fight against that outside authority we had, if not support from our Chairman, at least his sympathy on many occasions. Sir, this Bill in its preamble states that it is a temporary measure, but in the Bill itself no legislative sanction to its temporary nature has been given. We expected that the Government would make its temporary nature more apparent in the Bill itself, for instance, when they accepted the amendment that the Reserve Bank will report to Government the time when in its opinion it would be suitable to have a definite standard of value. At least there ought to have been a provision that as soon as this report is received by the Governor General he will introduce an amending Act. That would have gone a long way to satisfy the demand of India. We are afraid, Sir, that this is an intentional omission. I said the other day that this legislative body cannot be bound by the action of its predecessors. But, Sir, there is a supreme controlling authority, I mean the British Parliament. In the Government of India Act we find that in all legislative matters the Indian Legislature is not a sovereign body; it is a subordinate body and as such it is bound by the laws framed for its constitution. In this respect we have the stumbling block that no financial measure can be brought in the Indian Legislature without the sanction

of the Governor General. It is this stumbling block we wished to get over by making a provision in the Act that it should come up for revision after the lapse of a certain time. Even in that we failed in the Select Committee and in the Assembly too we failed. That would have been some assurance to us that we were going to have a square deal from the Government.

Now, Sir, as regards the cost, the Honourable Finance Secretary did not like to give any facts and figures by which we could examine whether it was a correct estimate or not. He simply confined himself to saying that the reason for the different estimates was the creation or non-creation of a reserve fund. Besides that we know that it will cost us more money than at present in addition to the expenditure which we incur now on account of the currency and issue department. There is the expenditure which the Reserve Bank will pay to the Imperial Bank in the shape of charges for doing Government business. At present we are paying nothing for Government business being done by the Imperial Bank. But we would be told that we have to keep a certain amount of reserve with the Imperial Bank. The Imperial Bank will still be able to utilize a good deal of that money for its own purposes, though officially they will not be able to utilize it, as Agents of the Reserve Bank they will always be carrying funds from one centre to another, and so for days and days together they will be having Reserve Bank balances with them. Then we have to consider that the Provincial Governments at present have to pay nothing. By this Act we will be saddling the Provincial Governments with some expenditure which will be more than one-eighth of one per cent. on the turn-over, as is given in this Bill. That will mean additional expenditure to the provinces. We being residuary shareholders of the Reserve Bank all the outgoings will in the end affect our pockets, I mean the pockets of the Government of India. Now, Sir, it is really surprising that a section of the House which has always been loud in its praise of Government should now find it incumbent upon itself to condemn the Finance Department after years and years of successful carrying on of the onerous duty of the Issue Department. It is I think a little tactless on the part of the Central Members to come out and praise the new system, bow to the rising sun and say derogatory things about the setting sun. We, Sir, are not like that. We appreciate—

THE HONOURABLE THE PRESIDENT: This is not the time for a general tirade against Government. You will have ample opportunity when the Budget discussion comes on. Will you please confine yourself to the Bill before the Council.

THE HONOURABLE MR. HOSSAIN IMAM: I shall finish up in five minutes. In the Bill, Sir, we find that the obligation on the Bank to maintain a stable exchange is very onerous. It would be better, as I said in my first speech, if more external assets are transferred in this connection. I should like to know what the Honourable Finance Secretary proposes, whether our credit balances standing in the name of the Secretary of State will be transferred outright to the bigger Bank as external assets or whether they will be kept back and treated as Government of India balances in the shape of sterling and in the shape of rupees. That is one point on which I should like to know the decision of the Finance Department. Then, Sir, as regards the general provisions in Chapter IV, we were anxious that a special reduced rate should be introduced to facilitate

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agricultural credit. No legislative provision has been made in the Act. We find that the Bill transfers power to an authority unknown, whether it will be predominantly European, predominantly industrialists or whether it will be by chance neutral consisting of all; but no provision has been made to give representation to that overwhelming majority, the agriculturists, who form 80 per cent. of the population, for their due share of representation. For these reasons, we do not find our way to support the measure.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I am thankful to the House for the almost unanimous chorus of approval with which they have greeted the passing of this measure. From the opposition benches, Sir, there have been criticisms but they are criticisms which I should have thought would have been much more appropriate either on the consideration motion or on amendments. They raise numerous points with which I think that it would be out of place for me to deal here. That does not mean, Sir, that I have no answer to them. In fact, I had some difficulty in keeping my seat and I was not altogether successful in doing so particularly when the Honourable Rai Bahadur Mathura Prasad Mehrotra was giving his description of the history of Reserve Bank legislation in this country. Sir, the comic travesty of history has acquired a certain vogue in recent years. There is a book called "1066 And All That". I think that the Honourable Rai Bahadur might, if he feels in that vein, write "1927 And All That". For instance, Sir, he referred to a Bill which, according to him, passed both Houses, to be finally rejected by Government, but he was really quoting extracts from a Bill put up by the Joint Committee to which all the Government members objected and which never came to fruition in the Legislative Assembly at all.

The Honourable Mr. Hossain Imam also put me various questions. I do not propose to answer them, except those with regard to the position of the Imperial Bank. As we will be proceeding to discuss the Imperial Bank in a few minutes, I should like to say that on the question of their remuneration a very full memorandum was prepared by Government in consultation with the Imperial Bank. There were officials of the Imperial Bank in attendance at the Joint Committee who were willing to answer any questions and give any information which the Joint Committee asked for. These opportunities were fully utilised by the Committee. Thereafter the Committee recommended that the figures should be again scrutinised by the Auditor General and that he should report to the Honourable Finance Member for the information of another place. That report was made. Sir, I submit that the detailed investigation of the remuneration to be given to the Imperial Bank is a matter for the Committee stage and not for discussion on the floor of this House and that we ought to accept the view of the Committee that the arrangement is reasonable to both parties. Now, Sir, I do not wish to delay the House, but I am grateful that they have appreciated what the Government have tried to do in this Bill. We have honestly tried to incorporate all non-official amendments which we thought were in the permanent good of India and which would not jeopardise its permanent interests. We still remain absolutely clear in our own mind as regards the desirability of the present frame-work of the Bill. I have discussed on many occasions the question of a State or Shareholders' Bank, but looking at it from the long view, I would just like to leave this House with one final thought.

What is the banking system which has stood up to the storm and stress of the last 10 or 20 years most successfully? The Bank of England. Wherein lies its strength? Its strength lies in the fact that public opinion in England has confidence in it. On all those very difficult matters—and we are obviously going through a period during which monetary theories will be criticised and tested as never before in the past—it is hopeless to attempt to argue on political lines. The curse of politics is that people accept a programme without questioning it *holog bolus*. I do not wish to criticise the arguments of the Honourable Mr. Hossain Imam now, but I would merely leave it to the good sense of this House to see that there must be another side to it and that questions of this intricacy cannot be discussed in the way ordinary political questions can.

Also, Sir, another supreme disadvantage in bringing these financial questions within the political arena is that people's minds are definitely made up before they begin to discuss them, they begin with a certain bias and if that is the attitude in which the very intricate financial questions of the future in India are to be discussed, then there is no hope for the country. Sir, I consider the greatest advantage of this measure to be the fact that it will I hope remove such questions from the political arena.

Sir, I move.

THE HONOURABLE THE PRESIDENT: The Question is:

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

The Motion was adopted.

IMPERIAL BANK OF INDIA (AMENDMENT) BILL.

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

"That the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Sir, this measure is consequential on the Bill which has just passed this House. In that Bill there is provision for the making of an agreement between the Reserve Bank and the Imperial Bank in order that the Imperial Bank may continue to perform upcountry those functions of central banking which it is at present doing so successfully. When the Imperial Bank assumes its new status it will not be desirable that there should be the same Government control over it as at present. That control will be in part diminished and to a certain extent replaced by control by the Reserve Bank. That was the form which the Bill originally took in the Joint Committee. However, Sir, it was considered that even in these changed circumstances it was desirable to retain a certain restricted Government control, because of the important functions which the Imperial Bank will still continue to perform. For that reason the Joint Committee recommended and Government have accepted the continuance first of a liaison officer who will maintain contact between the Imperial Bank and the Reserve Bank and Government and, secondly, the continuance of two nominated non-officials who will replace the present four. This is the only alteration of substance since I first introduced the measure last September. In addition, Sir, opportunity has been taken to effect certain small drafting alterations on legal points where the Imperial Bank had found that the Act of 1920 operated either awkwardly or cumbrously. They are all of a very minor nature; they were carefully discussed in the Joint Committee and I need not mention them in detail.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA (United Provinces Central: Non-Muhammadan): Sir, if I rise to take part in the consideration of this motion about the Imperial Bank of India, it is just to ventilate the grievances of the agriculturists with regard to their dealings with this Bank and to ask the Government, in view of the statutory concessions which have been conceded, to bring pressure to bear on the authorities of the Imperial Bank to give facilities to the agriculturists of this country. Sir, the Imperial Bank in the past has not been in the practice of advancing loans to the agriculturists on the crops or to the landlords on their immovable properties, even at times when they are in difficulties. The Government may come forward to help them but the Imperial Bank would shut its doors against them all the times which is not proper in this country where the agriculturists represent about 85 per cent. of the population. Sir, for instance, I am told by people coming from Bengal and some other provinces that according to the Acts of these provinces if there is even delay for a day in paying up the land revenue, their properties will be sold by auction. If the Imperial Bank would come to their help at such times and give short term credit, say, for three months even, most of the properties would be saved. Then, Sir, my greatest complaint is against the treatment that the Imperial Bank is meeting to the co-operative movement in the country. They used to give them advances on their pro-notes to a large extent but gradually this has been reduced to an insignificant figure. So far as my province is concerned, no co-operative bank has any facility with the Imperial Bank. Bombay and Madras have certain facilities but these have also been greatly reduced and the Banking Enquiry Committee in its findings has laid great emphasis on the point. Representations were made to the Banking Enquiry Committee from all parts of India and they have also written that the Imperial Bank should revert to its previous policy. Sir, with your permission I will just give one or two quotations from a minute of dissent on the Imperial Bank to show how the Imperial Bank has reduced its facilities to the co-operative institutions in the country.

THE HONOURABLE THE PRESIDENT: All this has nothing to do with the Bill. I have heard you with patience for some time. Will you kindly confine your observations to the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, as the motion is for consideration, I think I am justified in narrating the grievances against the Bank. As I was just saying, Sir, the Banking Enquiry Committee has also agreed with the representations that were made from the co-operative departments as to the treatment which has been meted out to them by the Imperial Bank. They have said in their report:

"The policy of the Imperial Bank of India in regard to the grant of financial assistance to some of the provincial and central co-operative banks seems of late to have undergone a definite change and it is stated that it shows today a much smaller measure of readiness to help them than it used to do in the past. The ultimate result, therefore, of the action of the Imperial Bank will probably be to make money dearer to the agriculturist. We feel that the change of policy to which we have referred is unfortunate, especially at a time when the co-operative movement is growing in vitality and is extending the scope of its usefulness towards the social and economic uplift of the rural population and when its financial needs are likely to increase rapidly."

This is the recommendation of the Banking Enquiry Committee. So, Sir, I would just request the Government that if they are giving statutory protection to the Imperial Bank after creating this Reserve Bank they are giving statutory protection to two banks at the one and same time and they must force the hands of the Imperial Bank to give all possible facilities to the co-operative banks in the country and by co-operative banks the agriculturist will have the facilities he needs. With these few words I close my observations.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clauses 2 to 20 were added to the Bill.

Clauses 21 to 41 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

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

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

STATEMENT OF BUSINESS.

THE HONOURABLE MR. G. H. SPENCE (Government of India: Nominated Official): Sir, in the absence of the Honourable the Leader of the House, the Honourable Mr. Hallett had intended to make a statement with regard to the probable course of Government business, but, owing to the rapidity with which the last Bill has been disposed of, it has not been possible for Mr. Hallett either to be in his place, and with your permission I will read the statement which the Honourable the Leader of the House would have made had he been here.

Sir, the list of business for tomorrow is already in the hands of Honourable Members. The Bill which has been laid on the table today will be taken up on Monday next, while Tuesday next, as Honourable Members are aware, has been allotted for the general discussion of the Railway Budget. So far as can be foreseen at present, there will be no Government business for the remaining days of the next week and it is probable, therefore, that the next meeting of the Council after Tuesday next will be on the following Monday, the 26th February, which, as Honourable Members are aware, is a non-official day.

The Council then adjourned till Eleven of the Clock on Saturday, the 17th February, 1924.