

22nd September 1937

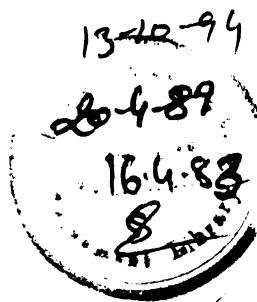
**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume VI, 1937

(18th September to 29th September, 1937)

**SIXTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1937**



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Legislative Assembly.

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MR. MATHURADAS VISSANJI, M.L.A.

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LEGISLATIVE ASSEMBLY.

Wednesday, 22nd September, 1937.

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Mr. Arthur Shelden Hands, C.I.E., M.L.A. (Government of India : Nominated Official).

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

Mr. Mohan Lal Saksena : Sir, I have got the authority of Mr. Satyamurti to put questions on his behalf.

JOINING OF THE FEDERATION BY THE INDIAN STATES.

700. ***Mr. Mohan Lal Saksena** (on behalf of Mr. S. Satyamurti) : Will the Honourable the Leader of the House be pleased to state :

- (a) whether the replies sent by the Durbars of Indian States to the letter sent to them by His Excellency the Viceroy a year ago enquiring about the terms on which they were prepared to enter Federation has been considered and His Excellency the Viceroy is continuing discussions with the States on the issues raised ;
- (b) whether the Secretary of State has sent to the Government of India the reply of His Majesty's Government to the criticisms and representations advanced by the States' representatives in Delhi last March with reference to the general terms of the Instrument of Accession ;
- (c) whether it is a fact that His Majesty's Government have accepted many of the points raised by Their Highnesses ;
- (d) whether it is a fact that on other points where His Majesty's Government have been unable to do so the Secretary of State has put forward their views in a manner which is almost equally helpful to progress ;
- (e) what are the points raised by Their Highnesses which have been accepted by His Majesty's Government ;
- (f) what are the points raised by Their Highnesses which His Majesty's Government have not been able to accept ;

(2201)

- (g) whether it is a fact that most of the major points of negotiation between His Majesty's Government and individual States have been settled ;
- (h) whether an agreement has been reached between the Crown and His Highness the Gaekwar of Baroda regarding customs, and, if so, what the agreement is ;
- (i) whether an agreement has been arrived at between His Highness of Jodhpur and the Crown in connection with salt, and, if so, what the agreement is ;
- (j) what are the outstanding questions between the States and His Majesty's Government or the Government of India ;
- (k) whether settlements have been arrived at with regard to Posts and Telegraphs, jurisdiction over railways, and customs problem in Kathiawar ;
- (l) when all these negotiations are expected to finish ; and
- (m) whether British Indian opinion will be consulted, and, if not, why not ?

The Honourable Sir Nripendra Sircar : (a) The replies are still under consideration and further discussions have not yet been initiated.

(b) The views of the States on the general terms of the Instrument of Accession are still under consideration.

(c), (d), (e) and (f). Do not arise in view of the reply to part (b).

(g) No.

(h) The attention of the Honourable Member is invited to the answer given by the Honourable the Finance Member to part (d) of Seth Govind Das's question No. 57 on the 25th January last. A copy of the agreement will be found in the Library.

(i) No such agreement has been arrived at in recent years.

(j) It is not in the public interest to give this information.

(k) These matters are still under examination.

(l) It is not possible to forecast this.

(m) The attention of the Honourable Member is invited to the reply which I gave to part (d) of his question No. 401 on the 8th of this month.

Mr. T. S. Avinashilingam Chettiar : With regard to the answer to parts (h) and (i) of the question, may I know whether any negotiations are going on which will cause loss to the revenues of British India ?

The Honourable Sir Nripendra Sircar : No negotiations can cause either loss or profit. If a settlement is arrived at, then it may end in loss or profit.

Mr. T. S. Avinashilingam Chettiar : May I know whether the negotiations on any basis, when concluded, will cause any loss to the British India ?

Mr. President (The Honourable Sir Abdur Rahim) : That is a hypothetical question.

Mr. T. S. Avinashilingam Chettiar : It is not a hypothetical question.

Mr. President (The Honourable Sir Abdur Rahim) : Order, order.

Mr. T. S. Avinashilingam Chettiar : I must proceed with this question.....

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member proceeds with it, I will have to take action.

Mr. T. S. Avinashilingam Chettiar : May I say a word on this matter ?

Mr. President (The Honourable Sir Abdur Rahim) : I cannot allow the Honourable Member to put a question of that sort.

Mr. Mohan Lal Saksena : With regard to part (b), am I to understand that there has been no correspondence between the Secretary of State and the Government of India on this question recently ?

The Honourable Sir Nripendra Sircar : It is extremely likely that there has been.

Mr. Mohan Lal Saksena : Has the attention of Government been drawn to the newspaper report that it is contemplated to amend the Government of India Act because of these negotiations ?

The Honourable Sir Nripendra Sircar : Yes, and also to the press statement, which is issued today, that there is no confirmation for that news.

Prof. N. G. Ranga : With reference to part (i) of the question, may I ask what are the negotiations which are being carried on between His Highness the Maharaja of Jodhpur and the Crown in connection with salt ?

The Honourable Sir Nripendra Sircar : I am not sure, but I am quite willing to accept the position that there may have been correspondence and correspondence may be going on.

Mr. Bhulabhai J. Desai : Do I understand the Honourable the Leader of the House, notwithstanding many statements purporting to be answered, that he is not prepared to answer any one of these questions ?

The Honourable Sir Nripendra Sircar : The answers to the different parts have been given by me already.

Mr. K. Santhanam : With reference to part (m) of the question, are the Government of India taking notice of the opinions already expressed by the Provincial Legislatures ?

The Honourable Sir Nripendra Sircar : Does my Honourable friend mean the perusal of them.

Mr. K. Santhanam : I mean to ask whether the Government of India are considering them ?

The Honourable Sir Nripendra Sircar : If one reads a thing, one has got to consider it. That cannot be helped.

Mr. K. Santhanam : Are the Government of India considering them as a body and not individually ?

The Honourable Sir Nripendra Sircar : We do not have any solemn meetings to consider every one of these things.

Mr. N. V. Gadgil : Are there any proposals put forward by the States demanding retrocession of territory ?

The Honourable Sir Nripendra Sircar : If there are proposals, there are negotiations and they are covered by the answers already given.

Mr. Badri Dutt Pande : May I ask when these negotiations will come to an end ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

ATTACKS ON INDIANS IN THE BOOK "LAND OF THE LINGAM" BY ARTHUR MILES.

701. ***Mr. Mohan Lal Saksena** (on behalf of Mr. S. Satyamurti) : Will the Honourable the Home Member be pleased to state :

- (a) whether his attention has been drawn to a book entitled the "Land of the Lingam" by one Arthur Miles, published by Hurst and Blackett in the Paternoster Library series ;
- (b) whether the attention of Government has been drawn to the review of this book by John of *London Weekly*, published on the cover of the book which *inter alia* states "The book treats mainly of Hinduism, the most hopeless conglomeration of superstitions since the world began. The author (Miles) aims at exposing the insanity and filth that is corrupting two-thirds of India's population today. Until Hinduism is broken down nothing can be accomplished" ;
- (c) whether Government have read this book and have come to any conclusion thereon ; and
- (d) whether Government propose to take any steps to see that this filthy attack on India and Indians is not allowed to circulate in India any further ?

Mr. J. A. Thorne : (a) to (d). The Honourable Member, that is Mr. Satyamurti, himself recently drew my attention to this book ; but I have not been able to obtain a copy of it. If a copy can be obtained, it will be examined to see whether the action suggested should be taken.

Mr. T. S. Avinashilingam Chettiar : May I know whether they wrote to the publishers and did not get a copy of the book ?

Mr. J. A. Thorne : No, Sir. We tried all the book-shops in Simla.

Mr. Abdul Qaiyum : If the facts are found to be not as stated in part (b) of the question, will the Government stop the circulation of the book ?

Mr. J. A. Thorne : That does not arise.

Mr. Mohan Lal Saksena : With regard to part (b) of the question, may I ask whether the attention of the Honourable Member was drawn to the comment by this paper ?

Mr. J. A. Thorne : Only by this question.

Mr. Badri Dutt Pande : May I ask if Government have sent for a copy of this book or not ?

Mr. J. A. Thorne : I have already said that we have tried every book-shop in Simla.

Mr. Lalchand Navalrai : May I ask if the Honourable Member has read the reviews with regard to this book ?

Mr. J. A. Thorne : I remember some considerable time ago seeing some reviews of this book, but I cannot say that I remember the gist of them.

Mr. Lalchand Navalrai : Did the Honourable Member then think it objectionable and did the Honourable Member take any action ?

Mr. J. A. Thorne : No objection was taken by anybody at that time.

Mr. Lalchand Navalrai : Did the Honourable Member, while reading those reviews, consider the book objectionable and whether the Honourable Member took any action ?

Mr. J. A. Thorne : That is asking what my private opinion then was.

Mr. Mohan Lal Saksena : Did the Government write to the publishers for the book ?

Mr. J. A. Thorne : I have not done so yet.

Mr. Mohan Lal Saksena : Will the Government do it ?

Mr. J. A. Thorne : That would be considered if no copy exists in India that we can get hold of.

Mr. Ram Narayan Singh : May I know if the Government will make further attempt to get a copy of this book ?

Mr. J. A. Thorne : I have already answered that.

Mr. Bhulabhai J. Desai : May I know whether the Government of India have taken any steps to prevent the circulation of a book of this kind ?

Mr. J. A. Thorne : Not of this book.

Mr. Bhulabhai J. Desai : Did the Government consider the advisability of preventing the circulation of this book on the faith of the statement contained in this question ?

Mr. J. A. Thorne : No, Sir : we would not do that before reading the book.

Mr. Bhulabhai J. Desai : Do the Government see that a great deal of mischief would be done if this kind of indifference is allowed to go on ?

Mr. J. A. Thorne : I submit that is a matter of opinion.

Mr. Mohan Lal Saksena : Will the Government issue orders to the Custom authorities to stop this book and not allow it to be circulated unless the Government pass orders to that effect ?

Mr. J. A. Thorne : Not before reading it.

Mr. Abdul Qaiyum : Will the Honourable Member ask the Customs authorities to send him a copy of the book ?

Mr. J. A. Thorne : I do not think we can ask the Customs authorities to do that unless a definite order is passed against the book.

Babu Baijnath Bajoria : Will the Honourable Member take steps to get a copy of the book from Bombay or Calcutta ? In Simla not many books are available.

(No reply.)

STRENGTH OF THE INDIAN MEDICAL SERVICE.

702. ***Mr. Mohan Lal Saksena** (on behalf of **Mr. S. Satyamurti**) : Will the Defence Secretary be pleased to state :

- (a) whether the present actual total strength of the Indian Medical Service is 649 ;
- (b) whether this number of 649 includes Indian Medical Service officers employed in Burma on the civil and military side ; and
- (c) how many Indians and how many Britishers have been recruited to the Indian Medical Service during the years 1934-35, 1935-36 and 1936-37, and the total number of British and Indian, Indian Medical Service officers at present in permanent and temporary service, Province by Province ?

Mr. C. M. G. Ogilvie : (a) No. The actual total strength of the Indian Medical Service on September 1st last was 668.

(b) 668 includes officers in Burma in both military and civil employ.

(c) A statement containing the information required by the Honourable Member is placed on the table of the House.

Statement.

The number of officers recruited during the calendar years 1934 to 1937, British and Indian is as follows :

Year.	British.	Indian.	Total.
1934	32	20	52
1935.. .. .	34	21	55
1936.. .. .	31	16	47
1937 (up to September 1st 1937)	14	14	28

2. In military employ where officers are distributed by Commands the number of British and Indian officers is as follows :

	British.	Indian.		Total.
		Perma- nent.	Tempo- rary or Short Service Com- mission.	
Northern Command	53	26	33	112
Western Command	20	5	5	30
Eastern Command	36	18	11	65
Southern Command	25	8	6	39
Miscellaneous (Administrative, Medical Store Depots, Leave Pool, Seconded, Overseas and Senior Officers Course).	63	31	Nil	94
Total	197	88	55	340
Burma	5	3	3	11
Total (Military)	202	91	58	351

3. In civil employ to which only permanent officers are posted, the number of British and Indian officers, Province by Province, is as follows :

	British.	Indian.	Total.
Central Government	23	13	36
External Affairs and Political Departments and North West Frontier Province.	25	6	31
Madras	17	14	31
Bombay	17	11	28
Bengal	17	18	35
United Provinces	16	11	27
Punjab	17	17	34
Bihar	12	11	23
Central Provinces	8	6	14
Assam	9	4	13
Sind	3	Nil	3
Orissa	2	1	3
Total ..	166	112	278
Burma	30	9	39
Total (Civil) ..	196	121	317
Grand Total (Military and Civil) ..	398	270	668

Mr. Abdul Qaiyum : How many Indians are there out of 668 I. M. S. officers at present ?

Mr. C. M. G. Ogilvie : At present the number is 270.

Mr. Abdul Qaiyum : Has any percentage been fixed for Indians in this department ?

Mr. C. M. G. Ogilvie : No exact percentage has been fixed.

Mr. Mohan Lal Saksena : What was the proportion in 1934-35 ?

Mr. C. M. G. Ogilvie : I want notice.

Mr. Mohan Lal Saksena : The Honourable Member has just now laid a statement on the table and he can give the figures from that.

Mr. C. M. G. Ogilvie : I have laid a statement on the table. It is a long one. Do you want me to read this statement, Sir ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member himself can go through it and find out.

Prof. N. G. Ranga : What is the present policy of the Government of India with regard to Indianisation of this service ?

Mr. C. M. G. Ogilvie : I submit this question does not arise.

Mr. K. Santhanam : Will the cadre of I. M. S. officers be separated for India from Burma ?

Mr. C. M. G. Ogilvie : Not at present, because Burma medical service has not yet been constituted.

CRITICISM OF THE AMERY REPORT BY THE *London Times*.

703. ***Mr. Mohan Lal Saksena** (on behalf of Mr. S. Satyamurti) : Will the Defence Secretary be pleased to state :

- (a) whether his attention has been drawn to the leading article entitled ' India and Amery Report ' in the *Hindu* of the 20th August, 1937 ;
- (b) whether the attention of Government has been drawn to the adverse criticism of the *London Times* on the proposals contained in this report ;
- (c) whether the attention of Government has been drawn to the comment of the *Times* on one of the propositions laid down by the Amery Committee that there is no possibility in the near future of any reduction in the strength of the British garrison, and the need for reinforcement is more probable. that the garrison is practically as large as it was reconstituted after the Indian Mutiny, and its relative increase at least requires consideration ;
- (d) whether Government's attention has been drawn to the opinion of the *Times* that an apprehension of a major war breaking out on the North-West Frontier of India is scarcely justified by modern developments ;
- (e) whether Government's attention has been drawn to the specific criticism of the *London Times* that if British troops in India would not be available for dealing with an Imperial emergency they have no business to be there in such large numbers and that it would seem to be difficult to justify the present proportions of British troops allotted for the field army there as distinct from internal security, unless they can be treated and trained as part of the " Imperial strategic reserve " ; and

- (f) whether Government propose to consider that the strength of the Army in India is not justified by India's needs and that the Army is in the large part a dependable Imperial reserve and press this on the Government of Great Britain, with a view to getting a larger contribution made by them to the Defence expenditure of this country ?

Mr. C. M. G. Ogilvie : (a) to (e). Yes.

(f) As regards the first portion, I refer the Honourable Member to the answers I gave on 27th August, 1937, to the supplementary questions arising from his starred question No. 149. As regard the second portion I refer the Honourable Member to the statement on this point made in the speech of H. E. the Commander-in-Chief in the Council of State on the 7th of October, 1936.

Mr. Mohan Lal Saksena : With reference to part (f) may I know how much contribution has been asked for from the British Government ?

Mr. C. M. G. Ogilvie : No, Sir.

Mr. T. S. Avinashilingam Chettiar : In view of His Excellency the Viceroy's speech, will the Honourable Member say whether the Government have approached His Majesty's Government for a contribution or not ?

Mr. C. M. G. Ogilvie : I can add nothing to the information given in His Excellency the Viceroy's address.

Mr. Mohan Lal Saksena : His Excellency had said that the Government of India had written to the British Government, to make contributions towards the cost of the army in India. I want to know how much contribution has been asked for from British Government ?

Mr. C. M. G. Ogilvie : The Honourable Member will know in due course.

Seth Govind Das : When will that due course come ?

Mr. C. M. G. Ogilvie : Within the next few months.

Prof. N. G. Ranga : What is the attitude of the Government in regard to part (e) of this question ? Did the *London Times* say " that it would seem to be difficult to justify the present proportions of British troops allotted for the field army there as distinct from internal security, unless they can be treated and trained as part of the ' Imperial Strategic ' reserve " ?

Mr. C. M. G. Ogilvie : Government differ from the opinion therein expressed.

Mr. Bhulabhai J. Desai : With reference to part (d) have the Government considered the opinion therein expressed ?

Mr. C. M. G. Ogilvie : Any opinion expressed in the *Times* is always worthy of consideration.

Mr. Bhulabhai J. Desai : I will put a more definite question and I want a more definite answer. I have been accustomed to be treated like that. I want to know whether this particular opinion has been deliberately considered by the Government ?

Mr. C. M. G. Ogilvie : I submit that my answer was perfectly definite.

Mr. Bhulabhai J. Desai : Will the Honourable Member please answer my question ? I know it is the habit of Government to give evasive answers. In this particular case have they or have they not considered the opinion of the *London Times* ?

Mr. C. M. G. Ogilvie : Government are fully aware of the opinion. They do not necessarily agree with the views expressed. I cannot say more than that. This is quite a plain answer, I submit.

Maulvi Abdul Rasheed Chaudhury : Has any contribution been asked for from the British exchequer ?

Mr. C. M. G. Ogilvie : I have already answered that question.

Mr. Mohan Lal Saksena : May I know whether this contribution will be utilised for additional expenditure on the army or in reducing the burden on the Indian taxpayer ?

Mr. C. M. G. Ogilvie : I have already said that I cannot add to the information contained in His Excellency's address.

Mr. K. Santhanam : With reference to part (c), may I know whether the present composition of the army is due to the same reasons or considerations as after the Indian Mutiny ?

Mr. C. M. G. Ogilvie : No, Sir. Times have changed.

Prof. N. G. Ranga : Is it or is it not a fact that the British troops in India are being trained for Imperial strategic purposes ?

Mr. C. M. G. Ogilvie : No, Sir. They are being trained for use for India's needs.

Mr. Abdul Qaiyum : Will the Government take this House into their confidence as to why they are at variance with the opinion expressed by the *Times* ?

Mr. C. M. G. Ogilvie : I can hardly answer a question of that magnitude in reply to a supplementary question.

Mr. Abdul Qaiyum : I have not got a reply to my question.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has already said that he could not give answer to a question of that magnitude in reply to a supplementary question. The Honourable Member ought to know that that question has been discussed often and often in this House.

Mr. Abdul Qaiyum : I want to make a submission. If you consider my question irrelevant, you may disallow it. The Honourable Member said that the Government do not agree with the opinion expressed in the *Times*. I ask him what are the reasons for this disagreement. I submit my question is absolutely relevant and proper.

Mr. President (The Honourable Sir Abdur Rahim) : It is relevant, but it cannot be discussed in a supplementary question.

Mr. Mohan Lal Saksena : With reference to part (a), have Government considered the article in question ?

Mr. C. M. G. Ogilvie : Yes.

STATEMENT OF KHAN ABDUL GHAFFAR KHAN REGARDING FRONTIER TRIBES.

704. *Mr. Mohan Lal Saksena (on behalf of Mr. S. Satyamurti) : Will the Foreign Secretary be pleased to state :

- (a) whether his attention has been drawn to the statement of Khan Abdul Ghaffar Khan to pressmen in Karachi on the 23rd of August, 1937 ;
- (b) whether their attention has been drawn particularly to Khan Abdul Ghaffar Khan's statement that he drew up a scheme in 1931 for the benefit of the tribal areas the main features of which were the opening of schools and dispensaries and the starting of cottage industries to enable the poor tribesmen to earn a living ;
- (c) whether this scheme was never given a trial, and, if so, why ;
- (d) whether the attention of Government has been drawn to Khan Abdul Ghaffar Khan's statement that the Faqir of Ipi is not really a Fakir but a rich landlord with forward views who has travelled extensively in Arabia and India ; and
- (e) whether Government propose to deal with the problem of the tribes of the North-West Frontier Province in consultation with the leaders of the Frontier Province like Khan Abdul Ghaffar Khan, and, if not, why not ?

Lieut.-Colonel A. E. B. Parsons : (a) Yes.

(b) Yes.

(c) No. No scheme was as a matter of fact submitted to the authorities.

(d) According to the press report seen by Government, Abdul Ghaffar Khan only stated that the Faqir was a landlord and educated.

(e) The responsibility is solely of Government, but they will continue to consult competent opinion in the North-West Frontier Province.

Mr. Abdul Qaiyum : What do the Government exactly mean by 'competent opinion' ?

Lieut.-Colonel A. E. B. Parsons : I should say, people whose opinion was in the opinion of the Government worth having on a matter of this description.

Mr. Abdul Qaiyum : I want to know who are the people in the North-West Frontier Province who are considered competent to offer opinion to the Government.

Lieut.-Colonel A. E. B. Parsons : I regret I cannot give the Honourable Member a list of those persons.

Seth Govind Das : Is the opinion of people like Khan Abdul Ghaffar Khan not considered by Government to be competent opinion ?

Lieut.-Colonel A. E. B. Parsons : That is the suggestion.

Maulvi Abdur Rasheed Chaudhury : Does competent opinion include the opinion of the present Government ?

Lieut.-Colonel A. E. B. Parsons : I cannot answer that.

Mr. Abdul Qaiyum : May I know if the term "competent opinion" includes the opinion of the majority of the elected members of the Frontier Assembly ?

Lieut.-Colonel A. E. B. Parsons : Not necessarily, Sir.

Mr. Bhulabhai J. Desai : With reference to clause (b), is it correct and are Government aware that many schools and dispensaries started by Khan Abdul Ghaffar Khan and his colleagues of the Khudai Khidmatgars have been suppressed by Government by corruption and other means ?

Lieut.-Colonel A. E. B. Parsons : As far as I am aware, Khan Abdul Ghaffar Khan started not a single dispensary or school in tribal territory.

Mr. Bhulabhai J. Desai : Are Government aware of the article for which Khan Abdul Ghaffar Khan was prosecuted and Government admitted that the facts were true,—they constituted sedition,—the allegation being that he had founded dispensaries and schools where doctors and teachers were corrupted by Government or otherwise badly influenced and taken away.

Lieut.-Colonel A. E. B. Parsons : In tribal territory ?

Mr. Bhulabhai J. Desai : Both in tribal territory and British India.

Lieut.-Colonel A. E. B. Parsons : I am only concerned with tribal territory.

Mr. Lalchand Navalrai : Are there schools and dispensaries in tribal territory on the British India model ?

Lieut.-Colonel A. E. B. Parsons : There are schools and dispensaries in the tribal area instituted by Government.

Mr. Lalchand Navalrai : Any private institutions ?

Lieut.-Colonel A. E. B. Parsons : None, I think.

Mr. Mohan Lal Saksena : Do Government propose to start dispensaries and educational institutions in the tribal area, as suggested by Khan Abdul Ghaffar Khan ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

KEEPING OF BRITISH TROOPS FOR INTERNAL SECURITY PURPOSES.

705. ***Mr. T. S. Avinashilingam Chettiar :** Will the Defence Secretary state :

- (a) whether Government agree with the view expressed by His Excellency the Commander-in-Chief that British troops for internal security purposes are kept on the insistence of the Local Governments ;
- (b) which of the Local Governments have insisted upon keeping British troops for internal security purposes ;
- (c) when they were last consulted ; and

(d) in view of the fact that by their replacement the Government of India will make a great saving, whether Government are prepared to reopen the question with Provincial Governments ?

Mr. C. M. G. Ogilvie : (a) This part of the question curiously misinterprets His Excellency the Commander-in-Chief's statement. What he said was : " if I wish to move a single company of British troops from a single station anywhere in India, I am immediately faced with the most vehement opposition from the Local Government concerned ". This statement is correct and Government agreed with it.

(b) Adjustments and changes of dispositions of troops are frequently taking place, and there have been a great number of such protests. In the time available, I have been able to discover protests from Madras, Bombay, Bihar and Orissa, the United Provinces and Bengal.

(c) Local Governments in the past have been consulted only when it was proposed to withdraw troops from their Province.

(d) No.

Mr. T. S. Avinashilingam Chettiar : May I know if His Excellency the Commander-in-Chief stated that he would not agree " to deprive the ministers of the future, in advance, of the bulwarks on which the Local Governments today place such implicit trust " ?

Mr. C. M. G. Ogilvie : I think he did say that, yes.

Mr. T. S. Avinashilingam Chettiar : Were the protests referred to in clause (b) with regard to the removal of British troops and they did not want Indian troops ?

Mr. C. M. G. Ogilvie : I think the protests alluded to referred to British troops.

Pandit Lakshmi Kanta Maitra : With regard to part (d), am I to understand that these provinces protested against the retention of British troops or did they want to retain the British troops ?

Mr. C. M. G. Ogilvie : The Local Governments protested against the withdrawal of British troops from their provinces.

Sardar Mangal Singh : When did the Local Governments protest against the removal of British troops ?

Mr. C. M. G. Ogilvie : As far as I know, they have protested every year, and probably many times a year in some cases. The last I have been able to find is from the Government of Bihar and Orissa, where it was suggested that a company of British infantry should be found for the Andamans garrison from Dinapore. The Government of Bihar and Orissa stated that they were unable to agree that one company could be detached from the force allotted for the internal security of Bihar and Orissa without deleterious effects.

Sardar Mangal Singh : What is the date of that ?

Mr. C. M. G. Ogilvie : 1935.

Mr. Mohan Lal Saksena : Is the Honourable Member aware that there are two Governments now in place of one Government of Bihar and Orissa ?

Mr. C. M. G. Ogilvie : Yes, Sir.

Seth Govind Das : Will the Honourable Member take the opinion of the Local Governments in this respect now because the Local Governments at present are the real representative Governments of the country ?

Mr. C. M. G. Ogilvie : If it is proposed to withdraw British troops or any troops from any province in India, the Local Government will be consulted before that step is taken.

Seth Govind Das : And will the opinion expressed by the Local Government be followed ?

Mr. C. M. G. Ogilvie : That is very hypothetical.

PROCEDURE FOLLOWED IN THE MATTER OF GRANT OF TITLES.

706. ***Mr. Mohan Lal Saksena :** (a) Will the Honourable the Home Member be pleased to state the procedure followed in the matter of grant of titles ?

(b) Do Local Governments make recommendations ? If so, have any Provincial Governments declined to make recommendations this year, and what method do Government propose to adopt in the matter of getting recommendations for grant of titles from these Provinces ?

(c) Will the Honourable Member lay a statement giving the names of various titles in force in India and the respective numbers of holders of various titles ?

Mr. J. A. Thorne : The question relates to a matter which is the concern of His Excellency the Viceroy and not that of the Governor General in Council. I am, therefore, unable to give the information asked for by the Honourable Member.

WORK IN THE HOME DEPARTMENT.

707. ***Mr. Mohan Lal Saksena :** (a) Will the Honourable the Home Member be pleased to state in what direction work has increased in the Home Department ?

(b) Has there been no reduction in the number of subjects dealt with since the introduction of autonomy in the Provinces ?

(c) Will the Honourable Member state the number of officers and clerks working in the Department before and after 1st April, 1937 ?

Mr. J. A. Thorne : (a) and (b). The main cause of increase in the work of the Department is that action has to be taken under various provisions of the Government of India Act, particularly in framing or adapting rules to be made thereunder. Again, the re-organisation of the Central Secretariat and the arrangements to be made with Provincial Governments for the allocation of the all-India services have given a good deal of work. Also, the Home Department is now responsible for a great part of the administration of two Chief Commissioners Provinces with which

it was not formally concerned. On the whole it may be said that though in some directions there has been a reduction of work, in others there has been an increase : the nett result at the present moment being an increase.

(c) The number of officers before the 1st April was eight and, after the 1st April, seven. The number of clerks both before and after the 1st April was ninety.

Mr. Sri Prakasa : In view of the fact that no harm came to the department during the absence on illness of the present Home Member, will Government consider the desirability of abolishing at least the office of the Home Member ? (Laughter.)

(No reply.)

ATTENDING OF A PUBLIC ENTERTAINMENT BY THE SENIOR SUPERINTENDENT OF POLICE, DELHI.

706. ***Mr. Mohan Lal Saksena** (on behalf of Mr. M. Asaf Ali) :

(a) Will the Honourable the Home Member kindly state whether :

(i) an invitation to a public entertainment in honour of the Senior Superintendent of Police, Delhi, was issued in the name of residents of Wards Nos. 8 and 9, Delhi ; and

(ii) a public address in the name of the residents of Wards 8 and 9, Delhi, was presented to the Senior Superintendent of Police, Delhi, on 24th July, 1937 ?

(b) If the reply to parts (a) (i) and (ii) be in the affirmative, will the Honourable Member state whether the entertainment and the address were received by the Senior Superintendent with the previous sanction of the Local Government ?

Mr. J. A. Thorne : (a) (i). The invitation was to an afternoon party and was sent by 19 persons who described themselves as " the residents of wards Nos. 8 and 9 ".

(a) (ii). At the party an address was presented to Mr. Scott in the names of the 19 hosts and two other persons. They referred to themselves at the beginning of the address as " We, the residents of Wards Nos. 8 and 9 ".

(b) The previous sanction of the Government was not required for attendance at the party. As regards the address, I understand that Mr. Scott had no idea that an address was to be presented.

Mr. Mohan Lal Saksena : Am I to understand that no advance copy of the address had been sent to Mr. Scott ?

Mr. J. A. Thorne : That certainly follows from the answer I have given.

Sardar Sant Singh : What is the rule enforced by Government on its public servants ? Can they accept addresses of this kind or not ?

Mr. J. A. Thorne : To accept an address ordinarily requires the previous sanction of the Local Government.

Sardar Sant Singh : And in the case of entertainments ?

Mr. J. A. Thorne : If the entertainment is a public entertainment, that also requires the previous sanction of the Local Government.

ATTACKS ON INDIANS IN THE BOOK "AS A MAN'S HAND" BY MISS SOUTHGATE.

709. ***Seth Govind Das :** Will the Honourable the Home Member be pleased to state :

- (a) whether it is a fact that a book entitled "As a Man's Hand", has been published in England by Mathuens, Publishers, under the authorship of Miss Southgate ;
- (b) whether Government are aware that this book has been characterised as "another infamous book on India, excelling the 'Mother India' of Miss Mayo" ;
- (c) whether Government are proposing to proscribe the book in India for the slanderous remarks it contains on the people or a section of her people ;
- (d) whether Government propose taking effective steps to represent this matter to His Majesty's Government in the United Kingdom to take similar steps in that country also ; and
- (e) what other steps Government propose taking in the matter ?

Mr. J. A. Thorne : (a) to (c). I have not been able to get a copy of this book in spite of efforts in Simla and elsewhere. If a copy can be obtained, Government will consider whether any action should be taken.

Seth Govind Das : Will Government send for a copy of the book from England ?

Mr. J. A. Thorne : It would be quicker to get it from Bombay as soon as it arrives.

Mr. Abdul Qaiyum : Is the inability to get a copy due to the zeal of the Simla officials who bought out all the copies ?

Mr. J. A. Thorne : I believe this book has not yet reached India.

ALLOWANCES TO BRITISH OFFICERS AND SOLDIERS.

710. ***Mr. T. S. Avinashilingam Chettiar :** Will the Defence Secretary state :

- (a) what are the allowances given to a British soldier ;
- (b) what are the allowances to a British officer ; and
- (c) whether any of the allowances have been increased recently ?

Mr. C. M. G. Ogilvie : (a) and (b). I lay on the table a statement containing the required information.

(c) The allowances of British officers have not been increased recently. As regards British soldiers, I refer the Honourable Member to the reply I gave on the 6th September, 1937, to parts (a) and (b) of his starred question No. 323 on the same subject.

Statement.

(a) A British soldier is eligible for the following allowances if and when he satisfies the conditions for any particular allowance :

	Rs. A. P.
(1) Marriage allowance—	Per month.
(i) For wife	30 0 0
(ii) For each child up to 3 children	10 0 0
(iii) For each additional child	5 0 0
	Per day.
(2) Ration allowance—	
(i) when permitted to draw allowance in lieu of rations in kind	0 5 3
(ii) when rations in kind not issued in the interests of the State	0 12 0
	Per day.
(2) Messing allowance	0 4 6
(4) Furniture allowance—	

Admissible to *married* personnel only. It is apportioned on the relative cost of the extra furniture and equipment, i.e., the difference in the old and the existing scales, as follows :

	Presidency towns.	Other stations.
	Per month.	Per month.
	Rs. A. P.	Rs. A. P.
(a) Furniture and Equipment	10 0 0	6 0 0
(b) Furniture	4 4 0	2 8 0
(c) Equipment	5 12 0	3 8 0

	Per month.	
	Mounted.	Dismounted.
(5) Kit and clothing allowance	7 4 0	7 0 0

(b) A British officer of the Indian Army is eligible for the following allowances if and when he satisfies the conditions for any particular allowance :

(1) Initial outfit allowance	£50 0 0
(2) Initial camp kit allowance	£ 7 10 0
(3) Separation allowance	Sliding scale— Rs. 40 to 120 per month.
(4) Syce and forage allowance	Rs. 33 per month.
(5) Travelling allowance	First class.

6. Passage allowance—

(i) *Self*.—4 return leave passages ; each at P. & O. first class 'B' rate (£126) between Bombay and London, for the whole period of service in India spread over 25 years.

(ii) *Wife*.—The same number of return passages to which the officer himself is entitled.

(iii) *Children*.—One single adult passage (£72) for each child.

Mr. T. S. Avinashilingam Chettiar : How many kinds of allowances are there for British soldiers and officers ; I do not want details.

Mr. C. M. G. Ogilvie : The information is contained in the statement. There are several kinds of allowances, but some are eligible to certain classes of persons and some to others. I do not think that any one could draw all of them at the same time.

Seth Govind Das : Is there any difference between the allowances given to British soldiers and the allowances given to Indian soldiers ? How many kinds of allowances are allowed to Indian soldiers ?

Mr. C. M. G. Ogilvie : I must require notice for that.

MUNICIPAL ELECTIONS IN AJMER.

711. ***Rai Bahadur Seth Bhagchand Soni :** (a) Will the Honourable the Home Member please state when next municipal elections in Ajmer will take place ?

(b) Will these elections be held under the new rules ? If not, why not ?

Mr. J. A. Thorne : With your permission, Sir, I propose to answer the questions Nos. 711 and 712 together.

Government have no information but have made enquiries from the Chief Commissioner and will furnish an answer in due course.

Babu Baijnath Bajoria : Is it a fact that Government have received numerous representations from public associations from Ajmer that elections should be held under the new rules ?

Mr. J. A. Thorne : So far as I am aware, it is not a fact.

Babu Baijnath Bajoria : Is it a fact that franchise qualifications under the old rules are in many respects higher than those laid down by the Franchise Committee for the Ajmer voter for the Federal Legislature and the new rules have lowered the franchise qualifications considerably.

Mr. J. A. Thorne : I said we have no information about the new rules. It therefore follows that I can give no answer as regards a comparison between the new rules and the old rules.

Mr. M. S. Aney : Are Government aware, if any new rules have at all been framed ?

Mr. J. A. Thorne : We have written to the Chief Commissioner to ascertain the facts.

Babu Baijnath Bajoria : Will Government postpone elections till the new rules are examined and orders passed thereon ?

Mr. J. A. Thorne : I cannot give any undertaking to that effect.

Babu Baijnath Bajoria : Are Government aware that ward D which contains one-third of the populations of Ajmer has only one representative, whereas the other two-thirds are represented by 16 members ?

Mr J. A. Thorne : I do not know.

NEW RULES REGARDING MUNICIPAL ELECTIONS IN AJMER.

†712. ***Rai Bahadur Seth Bhagchand Soni :** Is the Honourable the Home Member aware that the old rules regarding elections at Ajmer are quite out of date now and that the present Municipal Committee has framed new rules to meet the demands of the growing population of Ajmer ?

DEATH OF ONE KAPURIA, SWEEPER, EMPLOYED IN THE MOUNTAIN ARTILLERY TRAINING CENTRE AT THE AMBALA CANTONMENT.

713. ***Mr. Sham Lal :** (a) Will the Defence Secretary please state if one Kapuria sweeper, aged 20, employed in the Mountain Artillery Training Centre at Ambala Cantonment was taken into custody by a military Jamadar ?

(b) Did Kapuria's brother submit an application through a Pleader to the Superintendent of Police that Kapuria should be released and that if there was any criminal case against him he should be prosecuted in a court of law ?

(c) Is it a fact that Kapuria was subjected to a very harsh treatment while he was in the custody of the Jamadar ?

(d) Is it a fact that Kapuria subsequently died in the Indian Military Hospital in Ambala Cantonment on the 22nd August, 1937 ?

(e) Is it a fact that there was a post mortem examination of Kapuria's dead body ?

(f) Will the Defence Secretary state the cause of Kapuria's death ?

(g) If his death was due to any maltreatment on the part of any military officer, do Government intend to take any action against the military officer and compensate the relations of the deceased ?

Mr. C. M. G. Ogilvie : I am obtaining the information and will lay a statement on the table in due course.

HEALTH OF MAHARAJA GURCHARAN SINGH OF NABHA.

714. ***Sardar Mangal Singh :** Will the Foreign Secretary please state :

(a) the present condition of the health of Maharaja Gurcharan Singh of Nabha, now interned at Kudaikanal ;

(b) whether it is a fact that since his internment, his health has deteriorated and he is now suffering from high blood pressure ; and

(c) the latest information available about his health ?

The Honourable Sir Nripendra Sircar : Government are not aware of any deterioration in the health of the detenu ; the last report for the half-year ending 30th June, 1937, stated that his health was good.

Sardar Sant Singh : May I ask the Honourable Member whether his case has been examined recently, and if so, when ?

The Honourable Sir Nripendra Sircar : It does not arise, Sir, I submit.

Mr. Mohan Lal Saksena : Has there been any loss in weight ?

The Honourable Sir Nripendra Sircar : All that I know is that the last report is that his health was good.

PURCHASE OF ARMS FOR THE ARMY.

715. ***Mr. T. S. Avinashilingam Chettiar :** Will the Defence Secretary state :

(a) what is the amount of money spent on the purchase of arms for the army in the last financial year ;

(b) how much of this was manufactured in India ; and

(c) what sort of arms are manufactured and what sort are not manufactured in India ?

Mr. C. M. G. Ogilvie : The expenditure on the purchase of arms for the army is not shown separately in the accounts. As far as can be ascertained, however, the answers to (a) and (b) are as follows :

(a) About Rs. 25.97 lakhs.

(b) About Rs. 23.37 lakhs.

(c) The following arms are manufactured in India :

Rifles.

Vickers Berthiers (Light) Machine Guns.

Vickers Machine Guns (with the exception of certain minor components).

18-pdr. gun and carriage

4.5" Howitzers and carriages.

3 7" Howitzers and carriages.

The following arms are not manufactured in India :

Certain minor components of Vickers Machine Gun.

6" Howitzer guns and carriages.

Anti-Aircraft guns and carriages.

Coast Defence guns and ammunition.

Naval Guns and Revolvers.

Seth Govind Das : What is the reason for the arms in the latter list not being manufactured in India ?

Mr. C. M. G. Ogilvie : The reason is that the arms concerned, especially heavy guns, naval guns, anti-aircraft guns, are not at present required in sufficient quantities to make their manufacture in India an economical proposition. We have as a matter of fact manufactured 6" howitzer and anti-aircraft guns to show that we can do it.

Seth Govind Das : What is the expenditure on the arms which are prepared outside India ?

Mr. C. M. G. Ogilvie : If the Honourable Member will subtract 23.37 from 25.97 he will find that the answer is 2.6 lakhs.

STRENGTH OF MILITIA IN INDIA.

716. ***Babu Kailash Behari Lal** : Will the Defence Secretary be pleased to state :

- (a) the total strength of militia in the country ;
- (b) the strength of Indians and that of Europeans ;
- (c) the present number of militia recruited from each of the Provinces of India ;
- (d) if it is a fact that the number to be maintained from each of the Provinces is fixed and that certain Provinces are regarded as non-military Provinces and no recruitment is made therefrom ; and
- (e) if the answer to part (d) be in the affirmative, what is the number fixed for recruitment from each of the Provinces and which Provinces are regarded as non-military Provinces ?

Mr. C. M. G. Ogilvie : (a) and (b). The strength of the regular troops and the Frontier Militia Corps, and the number of Indians and Europeans, is given in "The Return showing the actual strength of the Army and Royal Air Force in India", a copy of which is in the Library of the House.

(c) Militia units are normally enlisted from the areas in which they serve or from adjacent area. As regards the regular troops, I lay on the table a statement showing the number enrolled from the various recruiting centres during the year ending the 31st March, 1937.

(d) No.

(e) Does not arise.

Statement.

Recruiting Centre.	Areas comprising the recruiting centre.	Number enrolled during the year ending 31st Mar 1937.	
Peshawar	North-West Frontier Province excluding Hazara civil district.	786	
Rawalpindi	} Punjab and Hazara civil district of North-West Frontier Province.	} 3,477	
Lahore			2,187
Jullundur			2,391
Delhi	Ambala civil division Delhi province, Agra and Meerut civil divisions of United Provinces and Central Provinces excluding Berar.	1,366	
Lucknow	United Provinces (less Agra and Meerut civil divisions and Garhwal civil district) and Bihar.	625	
Ajmer	Rajputana and Central India	597	
Poona	Bombay Presidency, Sind, Berar, Madras Presidency and Orissa.	1,248	
Lansdowne	Garhwal civil district	293	

Babu Kailash Behari Lal : May I know what the Honourable Member means by recruiting centres ?

Mr. C. M. G. Ogilvie : Places where recruitment is made.

Sardar Mangal Singh : May I know if the proportion between the British troops and Indian troops is the same at present as it was laid down after the mutiny ?

Mr. C. M. G. Ogilvie : I think it hardly arises from the question.

Prof. N. G. Ranga : Are there any recruiting centres in the Madras Presidency ?

Mr. C. M. G. Ogilvie : No.

Babu Kailash Behari Lal : In Bihar ?

(No reply.)

RECRUITMENT TO PUBLIC SERVICES ON COMMUNAL BASIS.

717. *Babu Kailash Behari Lal : Will the Honourable the Home Member be pleased to state :

- (a) if Government have considered the question of revising their policy of maintaining the communal proportion in the public services on the basis of religious denominations and replacing it with one of maintaining Provincial proportions in the public services under the Government of India ;
- (b) if it is not a fact that a certain proportion based on religious denominations is maintained in the recruitment to the public services in spite of the Public Service Commission competitive examinations ; and
- (c) if in view of the coming Federation and in view of the recognition of services as a Federal unit, Government propose to maintain some proportion in the matter of recruitment to the public services under the Government of India from the different Provinces on a territorial basis ?

Mr. J. A. Thorne : (b) Communal rather than religious.

(a) and (c). The Government have not yet felt the need to consider the change suggested.

GAZETTED OFFICERS IN THE DEPARTMENTS UNDER THE HOME MEMBER.

718. *Babu Kailash Behari Lal : Will the Honourable the Home Member be pleased to state the number of gazetted officers in the departments under him and how many of them are (1) Bengalis, (2) Biharis, (3) Punjabis, (4) Madrasis, (5) Bombayites, and (6) of other Provinces ?

Mr. J. A. Thorne : I lay a statement on the table.

Statement showing the Number of Gasetted Officers under the Home Department together with their Province of Origin.

Province of origin.	No. of officers.
Bengal	7
Bihar	1
Punjab	8
Madras	1
Bombay	2
Other provinces	8

PERMITS FOR ENTRY INTO THE KURRAM AGENCY.

719. *Mr. Abdul Qaiyum : (a) Will the Foreign Secretary please state whether it is a fact that all British Indian subjects who desire to enter the Kurram Agency have to apply for a permit from the Political Agent, Kurram ?

(b) Is it a fact that a written application has to be sent by post ?

(c) Is it also a fact that a certain stamp has to be either affixed or enclosed ? If so, what is the value of such stamp or stamps ?

(d) How long does it take to obtain such permits, and are such permits granted for a limited period ? If so, for how long do such permits hold good ?

Lieut.-Colonel A. E. B. Parsons : (a) Yes, unless they are visiting the Kurram Agency on official business.

(b) Yes.

(c) Judicial stamp paper to the value of five annas is required from an applicant *plus* four annas per head for every additional person covered by the application.

(d) Permits, which are usually supplied within two or three days, are granted for three months, or for a longer period if necessary.

Prof. N. G. Ranga : Why are these permits insisted upon ?

Lieut.-Colonel A. E. B. Parsons : The answer to that will be given to a subsequent question.

PERMITS FOR ENTRY INTO THE KURRAM AGENCY.

720. ***Mr. Abdul Qaiyum :** Will the Foreign Secretary please state whether Britishers or other Europeans intending to visit the Kurram Agency have to apply for and obtain similar permits ?

Lieut.-Colonel A. E. B. Parsons : Yes, unless they are visiting the Agency on official duty.

PERMITS FOR ENTRY INTO THE KURRAM AGENCY.

721. ***Mr. Abdul Qaiyum :** (a) Will the Foreign Secretary please state whether it is a fact that British Indian subjects generally and those residing in Hangu Tehsil and Tal have business dealings with the people of the Kurram Agency and that some of them even own lands therein ?

(b) If so, are Government aware that it entails great hardship to British Indians intending to visit the Kurram Agency ?

(c) Are Government prepared to abolish such restrictions ? If not, why not ?

Lieut.-Colonel A. E. B. Parsons : (a) Yes, so far as business dealings are concerned. Government have no information about lands held by British Indian subjects in the Kurram Agency.

(b) No. Permits are issued freely to persons having genuine trade interests in the Agency.

(c) No. The control has been instituted to prevent a large influx of visitors for whom it is possible neither to furnish adequate accommodation nor, in the outlying villages, protection.

Mr. Abdul Qaiyum : May I know, in view of the fact that Kurram Agency is part of British India, why it is considered necessary to impose such vexatious restrictions on British subjects visiting that territory ?

Lieut.-Colonel A. E. B. Parsons : I would correct the Honourable Member, first of all. It is not part of British India : it is a part of India : I have given the answer to the second part of his question in (c).

Mr. Abdul Qaiyum : May I rebut the statement of the Honourable Member that people in Kohat District do not own lands in Kurram Agency ? I know definitely that this is a fact : and in view therefore of the fact that people have to go there to look after their lands and their business, why is it considered necessary to have these vexatious restrictions at least in the case of residents in Kohat and the adjoining districts ?

Lieut.-Colonel A. E. B. Parsons : If the Honourable Member had listened to my answer he would have heard that I did not say that no residents of British India had lands in Kurram : I said that Government had no information about lands held by British Indian subjects in the Kurram Agency. I have no doubt that certain lands in the Kurram Agency are held by British subjects : and the answer to the second part of his question is again what I gave to part (c).

Mr. Abdul Qaiyum : May I know if these restrictions have been imposed with a view to stop the nationalist movement from affecting the people in Kurram Agency ?

Lieut.-Colonel A. E. B. Parsons : No. I think it has been in force for long before the nationalist movement, whatever that may be, came into force.

Mr. Abdul Qaiyum : Is it not a fact that these restrictions have been intensified after the nationalist movement began to assert itself in the North-West Frontier Province ?

Lieut.-Colonel A. E. B. Parsons : I am not aware of that.

Mr. Abdul Qaiyum : Is it not a fact that a number of people have been arrested in Kurram and put in the lockup for having sympathised with the nationalist movement in the country and are detained without trial ?

Lieut.-Colonel A. E. B. Parsons : I am unaware of that.

Mr. Mohan Lal Saksena : Will Government consider the advisability of granting permanent permits to persons who have got lands in that place ?

Lieut.-Colonel A. E. B. Parsons : I have already said that permits are issued freely to persons having genuine trade interests in the Agency.

Mr. Mohan Lal Saksena : But the permits are granted only for three months. I want to know whether the Government will consider the advisability of granting them permanent permits.

Lieut.-Colonel A. E. B. Parsons : If the Honourable Member had listened to the last part of one of my previous answers, he would have heard that permits are granted for three months or for a longer period if necessary.

Prof. N. G. Ranga : If this Kurram Agency is not part of British India, but part of India, who is responsible for its administration ? Is it under the control of the Governor General in Council ?

Lieut.-Colonel A. E. B. Parsons : It is under the control of the Governor General in Council.

Prof. N. G. Ranga : If that is so, why is it that British Indians are obliged to take permits to enter this particular area ?

Lieut.-Colonel A. E. B. Parsons : The answer is given in the answer to part (c).

Mr. Mohan Lal Saksena : May I know if there is any other part of India which is under the control of the Governor General in Council ?

Lieut.-Colonel A. E. B. Parsons : I submit that does not arise.

Mr. Mohan Lal Saksena : The Honourable Member just now said that Kurram Agency is under the control of the Governor General in Council but is not part of British India : so I want to know if there is any part of India which is not part of British India and under the control of the Governor General in Council.

Lieut.-Colonel A. E. B. Parsons : There is Waziristan among other places.

ARREST OF MR. WASIM JAN OF PESHAWAR IN AFGHANISTAN.

722. ***Mr. Abdul Qaiyum :** (a) Will the Foreign Secretary please state whether it is a fact that Mr. Wasim Jan of Peshawar visited Kabul (Afghanistan) in 1936 for some private business ?

(b) Was he arrested and thrown into prison by the Afghan authorities ?

(c) Is it a fact that he is still in prison ?

Lieut.-Colonel A. E. B. Parsons : (a) Yes, but the object of his visit is not known to Government.

(b) Yes.

(c) Yes.

Mr. S. Satyamurti : Is this gentleman a British Indian subject ?

Lieut.-Colonel A. E. B. Parsons : I think so, yes.

Mr. S. Satyamurti : May I know why the Government of India did not take any steps with regard to the arrest and throwing into prison of a British Indian subject when visiting a neighbouring friendly state, whose refugees we take care of ?

Lieut.-Colonel A. E. B. Parsons : If the Honourable Member will curb his desire to ask supplementary questions, he will get an answer in the next question.

ARREST OF MR. WASIM JAN OF PESHAWAR IN AFGHANISTAN.

723. ***Mr. Abdul Qaiyum :** (a) Will the Foreign Secretary please state the nature of the charge against Mr. Wasim Jan of Peshawar who is at present imprisoned in Afghanistan ?

(b) Has he been tried or even brought before an Afghan court of law ? If so, with what result ?

(c) In case he has not been tried so far, what steps have Government taken or are about to take to effect his release ?

Lieut.-Colonel A. E. B. Parsons : (a) It is understood that Mr. Wasim Jan was arrested for a political offence.

(b) No, so far as is known.

(c) Constant representations on his case have been made by His Majesty's Minister in Kabul and still continue.

Mr. Abdul Qaiyum : May I know when he was arrested by the Afghan authorities ?

Lieut.-Colonel A. E. B. Parsons : I am afraid I cannot give the exact date : but I think it must be about a year ago.

Mr. Abdul Qaiyum : What is the answer which the Government has received from the Afghan authorities in connection with this British Indian subject ?

Lieut.-Colonel A. E. B. Parsons : I regret that beyond the answer I have already given, in view of the relations of His Majesty's Government with a foreign power, I can add nothing more.

Mr. Abdul Qaiyum : When was the Afghan Government last addressed on this point by the Government of India ?

Lieut.-Colonel A. E. B. Parsons : I am not certain ; but I think it was within the last month.

Mr. S. Satyamurti : What is the peculiar relation between India and Afghanistan that a British Indian subject should be detained for

a whole year and no remedy is open to him, and the Government of India refuse to say what is the reason for this delay ?

Lieut.-Colonel A. E. B. Parsons : I would refer the Honourable Member to the last answer I have given : I can add nothing to what I have already said in view of the fact that anything further would affect His Majesty's Government's relations with a foreign power.

RECRUITMENT OF BIHARIS AS OFFICERS AND SOLDIERS IN THE ARMY.

724. ***Mr. Ram Narayan Singh :** Will the Defence Secretary be pleased to state :

- (a) the number of Biharis, combatant and non-combatant, officers and soldiers in the Indian Army ;
- (b) the time when the recruitment of Indian soldiers is made ;
- (c) the Provinces from which Indian soldiers are recruited ;
- (d) the fact whether Indian soldiers are recruited from Bihar and, if so, from which district and if not, why not ;
- (e) the fact whether Indian soldiers were recruited from the Province of Bihar during the last European War ; and
- (f) the fact whether recruitment of Indian soldiers is going on today and if so, in which Provinces and from which Indian communities and castes ?

Mr. C. M. G. Ogilvie : (a) In 1935, the number of Biharis in the Indian Army was 180. Owing to shortness of time at my disposal I have not been able to collect up to date figures, but I have no reason for assuming that there has been any considerable alteration in those figures.

- (b) Throughout the year.
- (c) North-West Frontier Province,
Punjab,
Delhi Province,
United Provinces,
Bihar,
Rajputana Agency,
Central India Agency,
Bombay Presidency,
Sind,
Madras Presidency,
Orissa,
Central Provinces.

(d) Yes, from the districts of Champaran, Gaya, Muzaffarpur, Patna, Saran and Shahabad.

(e) Yes.

(f) The provinces from which Indian soldiers are recruited are those I mentioned in the reply to part (c) of the question. The classes to which the soldiers belong are shown in the Indian Army List at the heading of each unit.

Prof. N. G. Ranga : May I know, Sir, if any change has been made in the classes, communities and castes from which sepoys and soldiers are being recruited ?

Mr. C. M. G. Ogilvie : Since when ?

Babu Baijnath Bajoria : Have Biharis been included among the martial classes ?

Mr. Lalchand Navalrai : May I know, Sir, how many Sindhis have been recruited ?

Mr. C. M. G. Ogilvie : I should require notice.

CLASSIFICATION OF COMMUNITIES AS MARTIAL RACES.

725. ***Mr. Ram Narayan Singh :** Will the Defence Secretary be pleased to state whether the people of India have been classified as martial or non-martial races and, if so, which community or communities of the people have been classified as martial races and of which provinces ?

Mr. C. M. G. Ogilvie : No such classification has ever been made.

Prof. N. G. Ranga : When were these communities and castes from which recruitment is made classified ?

Mr. C. M. G. Ogilvie : Government do not recognise any particular class, caste or community as non-martial, but units of the Indian army have always been organised on a class basis, and as there are limits to the size of that army, unfortunately only a limited number of classes can ordinarily find a place. The classes enlisted at present are shown in the Indian Army List under the heading of each list, and they are those which, in the opinion of the military authorities, make the most efficient soldiers.

Pandit Lakshmi Kanta Maitra : Have the Government only now discovered that all the classes in India are martial ?

Mr. C. M. G. Ogilvie : No, Sir.

Mr. Ram Narayan Singh : May I take it, then, that soldiers are recruited from all classes of people in this country ?

Mr. C. M. G. Ogilvie : If the Honourable Member will refer to the Army List, he will see exactly from which classes at present they are recruited.

REDUCTION OF CERTAIN TAXES IN THE JUTOGH CANTONMENT BAZAR.

726. *Mr. N. V. Gadgil (on behalf of Mr. K. M. Jedhe) : Will the Defence Secretary be pleased to state whether it is proposed to reduce the following taxes of Jutogh Cantonment Bazar, and whether he is aware that many shopkeepers have left the Cantonment to escape the burden of heavy taxation :

- (a) a general merchant who deals in provisions is compelled to pay an additional tax of Rs. 15 for selling wine and spirit ;
- (b) a grocer selling different articles of foodstuff is forced to pay a compound tax of Rs. 30 ;
- (c) any skilled or unskilled labourer such as mason, a cooly or a carpenter is required to pay tax even if he is employed for a short period in the Cantonment ; and
- (d) water tax is being charged at 6½ per cent. at present in Jutogh Cantonment, whereas the water tax in Simla Municipality is only two and half per cent. ?

Mr. C. M. G. Ogilvie : No, Sir. It is not contemplated to reduce the taxes in the Jutogh Cantonment which are comparatively less than those levied in Simla and other cantonments in these hills. No shopkeeper is known to have left the Sadar Bazar to escape taxation.

The statement in part (c) is not correct. The tax is levied only on superior skilled workers employed in the cantonment for a year or part of it but ordinarily no tax is realised for a period of less than a month

Prof. N. G. Ranga : What is the scale of tax levied on skilled labourers in connection with part (c) of the question ?

Mr. C. M. G. Ogilvie : I should require notice of that question.

Mr. M. S. Aney : May I know, Sir, what is the meaning of this compound tax mentioned in part (b) ?

Mr. C. M. G. Ogilvie : Presumably it is consolidated tax.

PROPOSAL TO INCREASE THE WATER TAX IN THE JUTOGH CANTONMENT AND INSPECTION OF SIMLA HILL CANTONMENTS.

727. *Mr. N. V. Gadgil (on behalf of Mr. K. M. Jedhe) : (a) Will the Defence Secretary be pleased to state if it is proposed to increase the water tax in the Jutogh Cantonment from six and a half per cent. to nine and a half per cent. ?

(b) Will Government be pleased to state whether the Inspecting Officer of the Cantonments visits the Cantonment Bazar during inspection and whether he enquires from residents of bazars and landlords whether they experienced any difficulty ?

(c) Are Government aware that the Deputy Director of Lands and Cantonments, Northern Command, recently visited and inspected all the Hill Cantonments in the Simla Hills, viz., Kasauli, Dagshai, Sabathu and Jutogh, but he did not visit any of the Bazars where the civilians live, nor did he make any personal enquiries from the landlords or tax-payers about their difficulties ?

(d) If the answer to the preceding part be in the affirmative, will Government be pleased to state why he did not do so ?

Mr. C. M. G. Ogilvie : I am collecting the information and will lay it on the table in due course.

RELIEF TO TAX-PAYERS OF SABATHU CANTONMENT AND OVERSEER OF THE KASAU LI CANTONMENT BOARD.

726. ***Mr. N. V. Gadgil** (on behalf of Mr. K. M. Jedhe) : (a) Will the Defence Secretary be pleased to state whether the Sabathu Cantonment Bazar is not lighted even with kerosene lamps by the Cantonment Authority ? If not, why not ?

(b) Are Government aware that a great many professional men of Sabathu Cantonment have been practically starving for want of work and employment but that they are forced to pay professional taxes ?

(c) Will Government be pleased to state if they are prepared to enquire about these matters by appointing a committee of officials and non-officials in order to give relief to these unfortunate tax-payers of Hill Cantonments ?

(d) Are Government aware that the Overseer of the Kasauli Cantonment Office takes agencies of bungalows in his own name ?

(e) Is it a fact that the Overseer of the Kasauli Cantonment Board has imported his own relatives from his native place and takes all contracts from the Cantonment, as also private contracts, in their name and thereby deprives local labourers of their means of livelihood ?

Mr. C. M. G. Ogilvie : (a) Yes, on financial grounds.

(b) No.

(c) Does not arise.

(d) and (e). I am collecting the information and will lay it on the table in due course.

VISIT OF HIS EXCELLENCY THE COMMANDER-IN-CHIEF TO THE VIZAGAPATAM PORT.

729. ***Mr. K. S. Gupta :** Will the Defence Secretary please state whether it is a fact that His Excellency the Commander-in-Chief recently

visited the port of Vizagapatam with a view to seeing whether it would be fit to be converted into a naval base ? If not, what was the object of his visit ?

Mr. C. M. G. Ogilvie : His Excellency the Commander-in-Chief recently visited Vizagapatam, for the reason that he had not previously had the opportunity of visiting that port.

Mr. T. S. Avinashilingam Chettiar : May I know, Sir, if there was any object in the visit ?

Mr. C. M. G. Ogilvie : Otherwise he would not have visited it.

Mr. T. S. Avinashilingam Chettiar : May I know what the object was ?

Mr. C. M. G. Ogilvie : The object, I should have thought, was fairly plain, that it is the duty of the Commander-in-Chief to acquaint himself at first hand with conditions in the major ports of this country.

Mr. T. S. Avinashilingam Chettiar : May I know whether the suggestion contained in the question is correct ?

Mr. C. M. G. Ogilvie : No. I cannot be more explicit than I have been.

PERCENTAGE OF HINDUS AND MINORITIES IN CERTAIN POSTS IN THE GOVERNMENT OF INDIA DEPARTMENTS.

730. ***Khan Sahib Nawab Siddique Ali Khan :** Will the Honourable the Home Member please state what was the number and percentage of Hindus and other minorities combined of Assistant Secretaries, Superintendents, Assistants, Stenographers, posts of Stenographers and Clerks carrying special pay in the different departments of the Government of India before the retrenchment of 1923 and what the number and percentage of these categories whether permanent, temporary or officiating was on the 1st August, 1937 ? If there is depreciation in the percentage and number of the minorities combined and rise in case of Hindus, will he please state the reasons for this appreciable rise, having in view the various Government resolutions issued from 1923 to 1937 ?

Mr. J. A. Thorne : Figures are not available for 1923 or before. Statements regarding the communal composition of the clerical staff of the Departments of the Government of India from 1926 to 1933 are in the Library of the House. The figures in respect of clerical staff are shown in them as a whole and not separately by categories. As a result of the Home Department Resolution of the 4th July, 1934, the communal statements were revised so as to include information in respect of each division or grade to which recruitment is made direct and these changes are exhibited for the first time in the communal statement showing the position as on 1st January, 1935 ; these also are in the Library of the House. No distinction is made in them between holders of posts carrying special pay or others. I lay on the table a statement giving such figures as are available in respect of the categories dealt with in the question.

Statement.

Minority communities recognised for purposes of communal representation.

Name of service, etc.	Europeans.		Hindus.		Muslims.		Domiciled Europeans and Anglo-Indians.		Sikhs.		Indian Christians.		Paria.		Total.	Remarks.
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%		
1	2		3		4		5		6		7		8		9	10
I. Imperial Secretariat's Service, Class I on—																
1st January 1933 ..	7	27.0	12	48.0	1	4.0	5	20.0	..	..	..	..	..	..	25	
1st January 1934 ..	6	25.3	11	50.0	1	4.5	4	18.2	..	..	..	..	..	..	22	
1st August 1937																
Permanent ..	5	26.3	9	47.4	..	..	5	26.3	..	..	..	..	..	..	19	
Temporary ..	..	..	3	100.0	..	..	..	..	..	..	..	..	..	..	3	
II. Superintendents—																
Permanent—																
1st January 1935	4	6.6	37	60.7	4	6.6	15	24.6	1	1.6	..	..	..	..	61	

PROMOTIONS IN THE GOVERNMENT OF INDIA DEPARTMENTS.

731. ***Khan Sahib Nawab Siddique Ali Khan** : Will the Honourable the Home Member please state whether it is a fact that the Departments of the Government of India are autonomous in the matter of departmental promotions and in the matter of posts carrying special pay ? Will the Honourable Member please state how many departmental promotions communitywise and departmentwise (other than those made by the Federal Public Service Commission) of Assistant Secretaries, Superintendents, Assistants, Stenographers, posts of Stenographers and others carrying special pay and their percentage have been made since the retrenchment of 1923 ?

Mr. J. A. Thorne : The answer to the first part of the question is in the affirmative.

To obtain and tabulate the information desired in the second part would mean a great deal of labour : and as such promotions and appointments are not governed by the orders relating to communal representation, the purpose of the enquiry would not justify the labour entailed.

PERCENTAGE OF REPRESENTATION OF VARIOUS COMMUNITIES IN THE GOVERNMENT OF INDIA DEPARTMENTS.

732. ***Khan Sahib Nawab Siddique Ali Khan** : Will the Honourable the Home Member please state if the actual percentage of the representation of the various communities is as follows ?

Categories.	Hindus.	Muslims.	Anglo-Indians and Christians.	Total.
Assistant Secretaries including Assistant Financial Advisers.	78.2		21.8	100
Superintendents ..	63.33	6.66	30.0	100
Assistants	71.00	17.00	12.0	100
Stenographers	80.5	12.5	7.0	100
Stenographers' posts carrying special pay	88.0	3.0	9.0	100
Other posts carrying special pay ..	97.0	3.0	..	100

If the above are not correct figures, will he kindly give correct figures and give the reasons for the complete preponderance of one community against Government orders in the above categories ?

Mr. J. A. Thorne : The correct figures in respect of these categories other than Assistants are given in the statement I have just laid on the table in reply to question No. 730. As regards Assistants, the percentages on 1st January, 1935, were :

Hindus, 63.5,

Muslims, 17.6,

Anglo-Indians, 10.8 and

Indian Christians, 1.6.

There were also 3.9 per cent. Europeans and 2.6 per cent. Sikhs. There is no "complete preponderance" of any one community.

**RESERVATION OF A SHARE OF MUSLIMS AND OTHER MINORITY COMMUNITIES
IN PROMOTIONS IN THE GOVERNMENT OF INDIA DEPARTMENTS.**

733. ***Khan Sahib Nawab Siddique Ali Khan** : In view of the state of Muslims in the Government of India Secretariat proper referred to in the preceding questions, is the Honourable the Home Member prepared to issue orders reserving a minimum share of 25 per cent. for Muslims and 8 per cent. for other minorities in all the departmental promotions and in the appointments carrying special pay? Also in order to minimise the chances of favouritism by departmental officers, are Government prepared to entrust the matter of departmental promotions to a central authority in the Government of India?

Mr. J. A. Thorne : The answer to both parts of the question is in the negative.

DETENTION OF FORD BUSES BY FRENCH AUTHORITIES AT CHANDERNAGORE.

734. ***Babu Baijnath Bajoria** : Will the Foreign Secretary be pleased to state :

- (a) whether Government are aware that recently at the end of July, 1937, the French authorities at Chandernagore in Bengal detained two new Ford buses which were being carried by road from Calcutta to Gaya under the Bihar Government's trade plate and fined Rs. 599 for each bus, and the buses were not allowed to proceed before this exorbitant fine was paid ;
- (b) if the answer to part (a) be in the affirmative, whether the French authorities at Chandernagore were justified in detaining the buses and fining the owner thereof ; if so, under what rules or regulation ;
- (c) whether Government are aware that the French authorities at Chandernagore have recently made a regulation whereby all cars and trucks, other than those registered in Bengal, are required to have a permit of French circulation in order to cross the territories of Chandernagore and Goretty ;

- (d) whether Government are aware that due to this regulation, the transport of all cars and trucks, registered in the United Provinces, the Punjab, Bihar, Orissa and the Central Provinces by road from Calcutta to these Provinces is suspended ;
- (e) whether Government are aware of the serious inconvenience caused to the traders and public of these Provinces due to this suspension of traffic ; and
- (f) whether Government propose to take immediate steps to have this regulation by the French authorities cancelled and thereby facilitate free transport of cars and trucks from Calcutta to all Provinces without let or hinderance by the French authorities at Chandernagore ; if not, why not ?

Lieut.-Colonel A. E. B. Parsons : (a) Yes.

(b) and (f). The matter is at present the subject of correspondence between His Excellency the Governor of the French Establishments in India and His Majesty's Consul-General at Pondicherry.

(c) The position is that all French and foreign owners of motor buses and lorries plying for hire in the French Establishments are liable to pay a quarterly tax on each vehicle according to the number of seats or capacity. An exception is made in the case of motor vehicles registered in Bengal as a reciprocal agreement is in force permitting the free circulation of the vehicles of both Governments in each other's territory. The present action appears to have been taken as retaliation against new registration rules in Bihar.

(d) and (e). Government have heard so.

Babu Baijnath Bajoria : Will the Government be pleased to negotiate with the Bihar Government and the French authorities to remove the present dislocation of traffic through Chandernagore ?

Lieut.-Colonel A. E. B. Parsons : As I have said in my answer, Government have already taken up this question with the Governor of the French Establishments in India.

Babu Baijnath Bajoria : Will the Honourable Member be good enough to also take this matter up with the Bihar Government as the French authorities have retaliated against the new rules of the Bihar Government ?

Lieut.-Colonel A. E. B. Parsons : I don't think the Central Government can bring any pressure on an autonomous Provincial Government to alter its rules.

Babu Baijnath Bajoria : Will Government be pleased to bring this fact to the notice of the Bihar Government ?

Lieut.-Colonel A. E. B. Parsons : I think from the correspondence they know it already.

Mr. Ram Narayan Singh : May I take it that after the question is settled the Government will issue a communiqué on the subject ?

Lieut.-Colonel A. E. B. Parsons : That appears to be hypothetical.

Babu Baijnath Bajoria : Is it the present Bihar Government that
12 Noon. has made the new rules or the previous one ?

Lieut.-Colonel A. E. B. Parsons : I do not know.

Mr. Ram Narayan Singh : The Honourable Member said that my question was hypothetical, and I submit that it was not. My question was, after these matters were settled, would Government issue any communiqué on the subject for the information of the public concerned ?

(No reply.)

Mr. President (The Honourable Sir Abdur Rahim) : I do not know if the Honourable Member on behalf of Government is in a position to answer that question.

Lieut.-Colonel A. E. B. Parsons : I am quite willing to say that when the thing is settled we shall doubtless inform all concerned.

(b) WRITTEN ANSWERS.

INDIANS IN SHANGHAI.

735. ***Mr. M. Ananthasayanam Ayyangar** : (a) Will the Foreign Secretary be pleased to state the number of Indians who are at Shanghai at present as business men and as officials ?

(b) Has any damage been caused to the property of the Indians and if so, to what extent ?

(c) Has there been any loss of life in the Indian community at Shanghai due to the hostilities between the Japanese and the Chinese ?

(d) What is the latest position regarding the security of the Indian settlers there ?

(e) Have any, and if so what, facilities been given to the Indian settlers to return to India ?

Lieut.-Colonel A. E. B. Parsons : With your permission, Sir, I will answer the whole question together by giving the House the full information which has reached Government. The total number of Indian subjects in the Shanghai District is believed to be about 3,500 of whom two had been killed and ten wounded up to September the 9th. No estimate is possible of the loss of property. Opportunity has been taken to evacuate a large number of Indians by the Transport "Elephanta" for Calcutta. The numbers officially embarked were 151 men, 269 women and 362 children, but it is probable that a few more men got on board without registration and that some of the women the children already evacuated to Hongkong will join the ship there. They consist mainly of watchmen and their families with a few members of the police and jail staff and are reported in many cases to be destitute.

In Tientsin District there are reported to be 70 Indians and in Peking District about 20, but no damage to them or their property has been reported up to September the 9th.

As the House will have seen, the fighting has somewhat receded from the international settlement in Shanghai and the danger to inhabitants and their property there is, therefore, now less.

STRENGTH OF TROOPS SENT TO HONGKONG FROM INDIA.

736. ***Mr. M. Ananthasayanam Ayyangar** : (a) Will the Defence Secretary please state the total strength of the troops that went from India to Hongkong ?

(b) Where are they at present ?

(c) What help, if any, have they rendered to the Indian community till now in China ?

Mr. C. M. G. Ogilvie (a) I refer the Honourable Member to the answer I gave to Mr. Satyamurti's starred question No. 588 on the 17th September, 1937.

(b) Hong Kong.

(c) The battalion was despatched for internal security duties and the protection afforded by their presence is enjoyed by the Indian community in Hong Kong.

MILITARY TRAINING TO AND ARMING OF CIVIL POPULATION NEAR TRIBAL AREA.

737. ***Mr. M. Ananthasayanam Ayyangar** : (a) Has the attention of the Secretary for External Affairs been drawn to the news reported in the front page of the *Hindustan Times*, dated the 8th September, 1937, stating that Chaudhwan was raided by 120 tribesmen ?

(b) What is the protection afforded against such raids ?

(c) Do Government propose to consider the desirability of giving military training to and arming the civil population living close to the tribal area on the borderland to counteract such raids ?

Lieut.-Colonel A. E. B. Parsons : (a) Yes.

(b) Protection is afforded against raids of this nature by the Frontier Constabulary and other armed forces.

(c) A considerable number of villagers have already been enlisted as levies, and in addition a large number of defence rifles have been issued. In spite of this villagers have in most cases failed to put up any effective resistance to raiding gangs. Government, therefore, do not contemplate the extension of the system.

INSULT TO NATIONAL FLAG BY BRITISH SOLDIERS.

738. ***Mr. M. Ananthasayanam Ayyangar** :-(a) Has the attention of the Defence Secretary been drawn to the news appearing under the heading "Tommy insults national flags" on the front page of the *Hindustan Times*, dated the 8th September, 1937 ?

(b) What steps are being taken to prevent similar incidents by army officials and soldiers ?

Mr. C. M. G. Ogilvie : (a) and (b). Government have seen the article in question.

The matter was fully investigated, but neither the military nor civil police could trace the alleged offender. In the absence of any proof, Government have no reason to believe that a British soldier was involved.

WITHHOLDING OF A TELEGRAM SENT TO THE PRIME MINISTER OF THE UNITED PROVINCES REGARDING FLOODS.

739. ***Mr. Sri Prakasa** : (a) Will the Home Secretary state if it is a fact that Messrs. Sarju Singh and Badan Singh sent a telegram to the Prime Minister of the United Provinces Government from the Moghal Sarai Railway Station Telegraph Office on the 5th August last, regarding floods in the village of Yusufpur in the district of Mirzapur, requesting investigation and assistance and complaining against the indifference of local authorities ?

(b) Is it a fact that the said telegram was detained by the Telegraph Office and not transmitted to the addressee and that the senders were informed that the telegram could not be sent, as it was objectionable and that the money paid for it might be recovered within a week from the Telegraph Office ?

(c) Why was this telegram stopped ? Under what authority did the Telegraph Office act ?

(d) Is there any rule giving power to the telegraph authorities to prevent communication between private citizens and the Provincial Prime Ministers regarding local troubles ?

(e) Are Government aware that there are still floods in many Provinces and immediate communication may be necessary in the public interest between the sufferers and the Provincial Government, and are Government prepared to issue immediate instructions that such telegrams are not interfered with but transmitted immediately ?

(f) Do Government propose to take any steps and if so, what, in connection with the stoppage of this particular telegram ?

Mr. J. A. Thorne : (a) Yes.

(b) The telegram was stopped : but I do not know what information was given to the senders.

(c) and (d). The telegram was stopped by an order issued by the District Magistrate of Benares under section 5 (1) (b) of the Telegraph Act.

(e) and (f). So far as action is legally taken under the Act by a Provincial Government or by an officer authorised by a Provincial Government, it is not open to the Central Government to question it.

†740*—742*.

THE INDIAN MINES (AMENDMENT) BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

The Honourable Sir Thomas Stewart (Member for Industries and Labour) : Sir, I beg to present the Report of the Select Committee on the Bill further to amend the Indian Mines Act, 1923, for certain purposes.

THE INSURANCE BILL.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill to consolidate and amend the law relating to the business of insurance, as reported by the Select Committee.

The clause that is to be taken into consideration according to the arrangement arrived at is clause 26. The question is :

“ That clause 26 stand part of the Bill.”

The Honourable Sir Nripendra Sircar (Law Member) : I desire to make a statement which may help to expedite matters. There are more than 150 amendments to clause 26. My amendment which is No. 2 on the Supplementary List No. 4 is the most comprehensive covering the different component parts of other amendments. I think that if that amendment is taken up first, possibly matters will be expedited, because I find that, of the two Groups, that represented by Mr. Aney's Group have given notice of an amendment which really makes no change in the amendment, but wants that 66 2/3 be reduced to 50.

Mr. President (The Honourable Sir Abdur Rahim) : That would be an amendment to an amendment.

The Honourable Sir Nripendra Sircar : Yes. Similarly, I find that **Mr. Bhulabhai Desai**, along with two others, has given notice of an amendment which wants 66 2/3 to be reduced to 55,—that is another amendment. But subject to that no changes have been indicated so far as the amendments are concerned. Mine, as you will see, is a comprehensive amendment. I want a new clause to be substituted for clause 26 and I am suggesting to the House and also to the Chair—of course, the matter of taking amendments in any order is in your discretion, but I am suggesting for your consideration and am making a request to you that you will allow me to move that amendment because it will shorten matters.

†These questions were withdrawn by the questioner.

Mr. President (The Honourable Sir Abdur Rahim) : This is a comprehensive amendment as the Honourable Member says he seeks to substitute a new clause for clause 26 of the Bill. I allow the Honourable Member to move his amendment.

The Honourable Sir Nripendra Sircar : Sir, I beg to move :

“ That for clause 26 of the Bill, the following be substituted :

‘ 26. (1) Every insurer incorporated or domiciled in British India shall at all times invest and hold invested, assets equivalent to two-thirds of the sum of the amount of his liabilities to holders of life insurance policies in British India on account of matured claims and the amount of the reserve necessary to meet outstanding claims on policies of life insurance maturing for payment in India, less the amount of any deposit made under section 6 by the insurer in respect of his life insurance business and less any amount due to the insurer for loans granted by him on policies of life insurance, in the manner following, namely, one-half of the said assets in Government securities and a further sum equal to not less than one-half of the said assets in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom.

Explanation.—The provisions of this sub-section shall apply also to insurers incorporated in or domiciled in the United Kingdom.

(2) An insurer incorporated or domiciled elsewhere than in British India or the United Kingdom shall at all times invest and hold invested assets equivalent to the sum of his liabilities to holders of life insurance policies in British India on account of matured claims and the amount of the reserves necessary to meet outstanding claims on policies of life insurance maturing for payment in India, less the amount of any deposit made under section 6 by the insurer in respect of his life insurance business and less any amount due to the insurer on loans granted by him on policies of life insurance in the manner following, namely, as to 33-1/3 per cent. thereof in Government securities, and as to the balance in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom.

(3) An insurer carrying on business at the time of commencement of the Act to whom sub-section (1) or sub-section (2) applies shall before the expiry of four years from the commencement of this Act invest the total amount required to be invested by those sub-sections in the manner required thereby :

Provided that of such total amount the insurer shall have invested not less than one-fourth in securities of the nature specified in sub-section (1) before the expiry of one year, not less than one-half before the expiry of two years, and not less than three-fourths before the expiry of three years from the commencement of this Act.

(4) The assets required by this section to be held invested by an insurer to whom sub-section (2) applies shall be held in trust for the discharge of claims of the nature referred to in sub-section (2) and shall be vested in trustees resident in British India and approved by the Central Government by an instrument of trust which shall be executed by the insurer and approved by the Central Government and shall define the manner in which alone the subject matter of the trust shall be dealt with.

Explanation.—Sub-sections (2) and (4) shall apply to an insurer incorporated in British India whose share capital to the extent of one-third is owned by, or the members of the Governing Body to the extent of one-third consists of individuals of domiciles other than those of British India or the United Kingdom.’

If I may explain in simple language the purport of this long amendment, it is this. It starts by dividing companies into those incorporated or domiciled in British India, that is one part, and the second part, incorporated or domiciled outside British India and by reason of the explanation given to paragraph 1, the same law is being made applicable to

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insurers domiciled or incorporated in the United Kingdom, and in British India. I am not advocating the method of stating expressly that the United Kingdom companies are deemed to be Indian companies, although we are proceeding on that footing. If that question has got to be raised later on in connection with some other matter, I do not desire that anything should be done in this Bill by which a definite pronouncement of the House will be made as to the legal effect of section 113. That is not necessary. Then, Sir, the result of this division is this, that so far as the Indian companies are concerned, by reason of the explanation, the same law will be applicable to companies incorporated or domiciled in the United Kingdom. We have got first of all to ascertain a sum which may be called X, which represents the amounts required by the insurer to pay the matured claims on policies of life insurance, plus a reserve which has got to be calculated by actuaries finding out what sum will represent the value of the claims which are maturing, or, if I may put it in colloquial words, X means the sum in respect of matured claims plus the sum in respect of claims maturing. These two added together give us the figure X.

Now, Sir, of this X, so far as Indian companies are concerned, two-thirds are to be dealt with in a particular manner. The question may be at once asked, 'Why two-thirds, why not cent. per cent.' To that the answer is this. I have considered the matter very carefully for days and days, if not for weeks and the position seems to me to be this. It may cause some slight inconvenience to the United Kingdom companies but so far as Indian companies are concerned, I am positive in my conviction that many of them will be unable to comply with this requisition, if this requisition is extended to one hundred per cent. Of course, the ideal state of things for the policy holders and the goal which has got to be kept in mind is that, if possible, they should be secured to the extent of 100 per cent. and not to the extent of 80, 60, or 40 but the ideal is difficult of attainment and because there was no law in force having similar provisions in this country at any time, the result is that the investments as also the conditions of many of the Indian companies are such that it is not possible for them to comply at once with the requisition extending to 100 per cent. Sir, it is not possible to have any scientific basis for fixing the percentage up to which Indian companies can bear. My suggestion of 66 $\frac{2}{3}$ per cent. must be empirical. There is no scientific calculation involved in it. One has got to make up one's mind, after considering everything, as to what is the limit to which one should go. I find this view is not shared by the two Groups who have given notice of amendments. Pandit Aney's Group makes it 50 per cent. and my Honourable friend, the Leader of the Opposition and two of his colleagues, have given notice of an amendment to my amendment by which the figure of 66 $\frac{2}{3}$ is to be reduced to 55, that is 25 in Government securities and 30 in approved securities and so on. As I said, there is no scientific method by which you can arrive at this percentage, whether this percentage should be 66, or 60 or 55 or 53 or 40. 100 per cent. is of course the ideal but I do submit to this House that the ideal is not attainable in the sense that you will then by this Bill put a very large number of Indian companies in the greatest difficulty and, in connection with many others, in insurmountable difficulties. As regards the figure of 66 $\frac{2}{3}$, it is not a figure which is sacrosanct, so far as I am

concerned. Whether the House will accept 55 or 50 or 66 $\frac{2}{3}$ is a matter for the House to decide. I follow Dr. Ziauddin's example, namely, I want to get the highest which I can secure from this House. If I can get 55, I shall oppose 50. If I think I am not getting it, I shall be satisfied with what the House will give me.

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : What is the best figure for policy-holders ?

The Honourable Sir Nripendra Sircar : 100 per cent. should be kept in Government securities. That is the best. That is the ideal which we should try for.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : If there is war tomorrow ?

The Honourable Sir Nripendra Sircar : 100 per cent. in cash.

An Honourable Member : Gold.

The Honourable Sir Nripendra Sircar : Gold is a dangerous subject. I am not going into it. I thought of silver. As regards non-British companies, companies incorporated outside British India and the United Kingdom, the provision is for one hundred per cent., the fund not being left under their control but vested in trustees who will be residents in British India and whose names, as well as the terms of the trust deed, should be approved by the Central Government. I am sure that possibly some of my friends will tell me that as regards these companies you are following the Canadian Act but as a matter of fact this is in one sense stricter than the Canadian Act, because the Canadian Act permits much larger latitude in the matter of investments. For instance, they will allow securities of the country of origin of the foreign company concerned. One cannot possibly do that here in connection with, for instance, Germany or Italy or any of the continental countries and, if we are going to make no distinction between company and company, the same law should apply to all, I mean, all those who are incorporated outside these two places. Then, Sir, the Select Committee provided for 100 per cent. and it also gave one year. I believe it has been the experience of every Member of this Honourable House that the Indian companies have made the point that it is not possible for many of them to keep 100 per cent. and they have equally made the point that one year is too short. We propose, therefore, to give them four years, the requisition to be carried out in four quarterly instalments. Four years is not too long remembering that out of our kindness to the young companies we have given them ten years for paying in a lakh and a half and this means putting in lakhs and, in some cases, as I gave the figures on the last occasion, possibly crores of rupees and, therefore, four years in four equal instalments is by no means unreasonable. It really means nearly five years because it is four years from the commencement of the Act. Over this matter there has been a long discussion. The matter has already been thrashed out and I do not want to go into it again but I am only reminding the House, that question was raised as to whether under section 113, an U. K. company, merely because it is an U. K. company, can get its benefits although, as a matter of fact, the shareholders are mostly non-British. I won't go into that matter and without going into that matter I may state that what has been provided for is this. So far as companies

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incorporated in British India are concerned, that is a matter for which undoubtedly we have a right of legislation, uncontrolled by any considerations of the Government of India Act of 1935. Our hands are completely unfettered. It is provided that if, for instance, a number of Germans start a company here and if at least one-third of the capital owned by the shareholders is held by these people, then it will be treated as a foreign company, that is to say, they will be required to keep 100 per cent. assets vested in trustees and under a deed of trust. That, Sir, is the purport of this amendment. As I said, I will not try to re-agitate questions on which I had my full say and on which I have nothing to add, I mean questions relating to section 113 and so on.

Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That for clause 26 of the Bill, the following be substituted :

‘ 26. (1) Every insurer incorporated or domiciled in British India shall at all times invest and hold invested, assets equivalent to two-thirds of the sum of the amount of his liabilities to holders of life insurance policies in British India on account of matured claims and the amount of the reserve necessary to meet outstanding claims on policies of life insurance maturing for payment in India, less the amount of any deposit made under section 6 by the insurer in respect of his life insurance business and less any amount due to the insurer on loans granted by him on policies of life insurance, in the manner following, namely, one-half of the said assets in Government securities and a further sum equal to not less than one-half of the said assets in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom.

Explanation.—The provisions of this sub-section shall apply also to insurers incorporated in or domiciled in the United Kingdom.

- (2) An insurer incorporated or domiciled elsewhere than in British India or the United Kingdom shall at all times invest and hold invested assets equivalent to the sum of his liabilities to holders of life insurance policies in British India on account of matured claims and the amount of the reserves necessary to meet outstanding claims on policies of life insurance maturing for payment in India, less the amount of any deposit made under section 6 by the insurer in respect of his life insurance business and less any amount due to the insurer on loans granted by him on policies of life insurance in the manner following, namely, as to 33-1/3 per cent. thereof in Government securities, and as to the balance in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom.
- (3) An insurer carrying on business at the time of commencement of the Act to whom sub-section (1) or sub-section (2) applies shall before the expiry of four years from the commencement of this Act invest the total amount required to be invested by those sub-sections in the manner required thereby :

Provided that of such total amount the insurer shall have invested not less than one-fourth in securities of the nature specified in sub-section (1) before the expiry of one year, not less than one-half before the expiry of two years, and not less than three-fourths before the expiry of three years from the commencement of this Act.

- (4) The assets required by this section to be held invested by an insurer to whom sub-section (2) applies shall be held in trust for the discharge of claims of the nature referred to in sub-section (2) and shall be vested in trustees resident in British India and approved by the Central Government by an

instrument of trust which shall be executed by the insurer and approved by the Central Government and shall define the manner in which alone the subject matter of the trust shall be dealt with.

Explanation.—Sub-sections (2) and (4) shall apply to an insurer incorporated in British India whose share capital to the extent of one-third is owned by, or the members of the Governing Body to the extent of one-third consists of individuals of domiciles other than those of British India or the United Kingdom.”

Now, I will allow amendments Nos. 6 and 7 on printed Supplementary List No. 6, to be moved.

Mr. K. Santhanam (Tanjore *cum* Trichinopoly : Non-Muhamadan Rural) : Sir, I beg to move :

“ That in amendment No. 2 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar, regarding the substitution of clause 26 in sub-clause (1) :

- (a) for the word ‘ two thirds ’, occurring in the third line, the words ‘ fifty-five per cent. ’,
- (b) for the words ‘ one-half of the said assets ’, occurring in the ninth line, the words ‘ twenty-five per cent. of the said sum ’,
- (c) and for the words ‘ one-half of the said assets ’, occurring in the tenth line, the words ‘ thirty per cent. of the said sum ’,

be substituted.”

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in amendment No. 2 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar, regarding the substitution of clause 26 in sub-clause (1) :

- (a) for the word ‘ two thirds ’, occurring in the third line, the words ‘ fifty-five per cent. ’,
- (b) for the words ‘ one-half of the said assets ’, occurring in the ninth line, the words ‘ twenty-five per cent. of the said sum ’,
- (c) and for the words ‘ one-half of the said assets ’, occurring in the tenth line, the words ‘ thirty per cent. of the said sum ’,

be substituted.”

Mr. Akhil Chandra Datta : Sir, I beg to move :

“ That in amendment No. 2 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar, regarding the substitution of clause 26, in sub-clause (1), for the word ‘ two-thirds ’, occurring in the second line, the words ‘ fifty per cent. ’, be substituted.”

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in amendment No. 2 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar, regarding the substitution of clause 26, in sub-clause (1), for the word ‘ two-thirds ’, occurring in the second line, the words ‘ fifty per cent. ’, be substituted.”

Dr. P. N. Banerjee (Calcutta Suburbs : Non-Muhamadan Urban) : Sir, I have an amendment to this clause on printed list.

Mr. President (The Honourable Sir Abdur Rahim) : Only amendments to the amendment moved by the Leader of the House can be moved now formally.

As there is no other such amendment, the discussion will proceed on the amendment to clause 26 moved by the Leader of the House and amendments Nos. 6 and 7 on printed Supplementary List No. 6 which have been moved.

Mr. K. Santhanam : Sir, I rise to commend to the support of the House the amendment I have moved. The Honourable the Leader of the House has stated that there is no sanctity about the figure. He also said that so far as the interests of the policy holders are concerned, the hundred per cent. investment in Government and approved securities is the goal to be aimed at. In one respect that is true, but from another stand-point it is not quite correct, because the policy holder is interested not merely in the security but also in the bonus he has to get, and this bonus is dependent upon the interest which the insurer will get. If the amount is invested in Government and approved securities, the interest accrued will be low and, therefore, the bonus of the policy holder will also be low. Therefore, it is not quite correct to say that in the interests of the policy holder all the amount should be invested in Government or approved securities.

The Honourable Sir Nripendra Sircar : May I explain to the Honourable Member ? I have given that only as an example. I was laying no stress on Government securities. What I intended to convey was that they should be secured to the extent of 100 per cent. I was not making a special point of Government Securities.

Mr. K. Santhanam : I accept the explanation. Now, I wish to explain in a word or two why we prefer 55 per cent. rather than 66 per cent. or two-thirds which the Honourable the Leader of the House wants. Our idea is that five per cent. may be allowed for the loans to the policy holders and, therefore, roughly speaking, 50 per cent. of the reserve liability should be invested in Government and approved securities. It is only to secure this 50 per cent. that we have allowed 55 per cent. because five per cent. would be covered by the loans to policy holders.

I would like to add a word or two on two more points. I am afraid many of my friends, including myself, are not satisfied with the way in which the non-Indian insurers have been defined. Some discrimination has been attempted against non-British and non-Indian insurers. Of course, so far as we are concerned, we think that the British insurers are quite as foreign to us as the German, Dominion or any other insurers. But, unfortunately, we are in this helpless position and it is with a great searching of heart that we have re-conciled ourselves to this position. Then, again, as regards the last explanation, I am very glad to see that the Honourable the Leader of the House has been converted. When the Congress Party proposed to define "Indian insurer" as someone who has got three-fourths share capital and three-fourth of the governing body in India, then the Leader of the House ridiculed the amendment by saying : "how can you find out the share capital ? Where will be the shares ? Can we discover them" ? The Honourable the Leader of the House raised many such legal points. Now, I am glad that he has at last been able to discover whether one-third or two-third is Indian or foreign. I am very glad that he has been converted and I hope this process of conversion will go on and that in course of time, he will come to realise our ideas about finding non-Indian people and when we bring forward an amendment defining 'Indian insurer' at any time when an amending Bill is brought forward, I hope the Honourable the Leader of the House would give his support to it.

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

Mr. Akhil Chandra Datta : Sir, it is no use discussing the principle whether there should be any restriction at all or not. We have given way. It is now only a question of percentage, whether it should be 66 2/3 or 55 per cent. or even 50 per cent. Having regard to the statement already made by the Honourable the Leader of the House that he is quite agreeable either to 50 per cent. or 55 per cent., the controversy now narrows down to this : let it be 55 per cent. or 50 per cent.

Now, Sir, before proceeding further, may I make an appeal not so much to the Leader of the House because he has already very kindly told us that he is quite agreeable to 50 per cent., but may I make an appeal to the Leader of the Opposition to reduce it to 50 from 55 per cent. and not to insist on.....

Mr. Mohan Lal Saksena (Lucknow Division : Non-Muhammadan Rural) : Is the Honourable Member so sure of the Leader of the House ?

Mr. Akhil Chandra Datta : I think I am sure. I may tell the Leader of the Opposition this much that if he agrees, I am quite sure that the Honourable the Leader of the House will agree. The whole question now rests with the Leader of the Opposition. As it has been very well said, after all there is nothing sacrosanct in these figures. After all it is very difficult to draw the line of demarcation between 55 and 50 per cent. In view of that, my reply (interruption)—I have told my friend, Mr. Satyamurti, that my application is prior to his. It is not merely a matter of joke. I really feel that on grounds more than one, too much amount should not be invested in this sort of security. As I still have not got any very keen response from the Honourable the Leader of the Opposition, he being busy otherwise, I have to make my submission to the House. What is the principle ? Of course as regards these figures there is no principle. It is extremely difficult to say that on any principle we should fix 55 per cent. or 50 per cent. I can very well understand the question of principle when the controversy is between 100 per cent. and 50 per cent. But when it is only a question of between 55 per cent. and 50 per cent., I submit no principle is involved. All the same, insurance companies go upon certain fundamental principles on this question of investment. I am in promise bound not to take too much time and, therefore, I shall be brief. My case is this, that experts all over the world are of opinion that gilt edged securities, so far as life insurance business is concerned, are not good investments. Walter T. May, F. I. A. has given his views about this. Another expert Mr. W. Worthington, F.I.A. says :

“ British Government securities have not been for many years seriously entertained as investments for life assurance funds. The low interest yield in itself is sufficient to render them unsuitable in any large amount, and in addition to this drawback, ‘ Consols ’ are peculiarly liable to fluctuations in value as a result of international complications.”

Another expert, Mr. Harold E. Raynes, protests very strongly against “ any rigidity of mind on the apportionment of a fund without

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consideration to current conditions" and he says it is thoroughly unsound. He says :

"Investments cannot be grouped into watertight compartments where the quantity in each bears a fixed ratio to the whole. The position must be kept mobile. The economic world is a changing, developing, evolutionary one—never more so than now—and we have to adjust ourselves to the growing entity of which we form a part."

That is also the opinion of the Clauson Committee. Here is another opinion of Mr. W. Palin Elderton whom I had the pleasure of hearing the other day at a conference of insurance companies in Munich. He says :

"Now take the life office. It has to build up a reserve : the speed of the building depends in part on the interest it earns : it will not have to realise suddenly so it can sacrifice something in marketability for additional income."

I have got opinions of other experts, 25 or 30 in number on this question. All these experts are of opinion that so far as life insurance offices are concerned investment in gilt-edged securities is not suitable, for the simple reason that life funds must earn some interest. I need not labour this point further. The Honourable the Leader of the House told us, the other day, in his speech on the general discussion that he has been impressed by the representations made to him on this point and he expressed his opinion that the forms of investment should not be rigid. Now, Sir, may I say a word about the percentages in other countries. The principal British companies, at the end of 1932, show that 20.4 per cent. of their total assets were held in British Government securities.

The Honourable Sir Nripendra Sircar : Your amendment makes no suggestion about the different forms of investment and so on. The sole question is whether it is to be 55 per cent. or 50 per cent. or 66 $\frac{2}{3}$ per cent. Are these of any relevancy ?

Mr. Akhil Chandra Datta : It is relevant in this way. I am trying to convince the House that if you make a rigid percentage and if you put all the eggs in one basket, that is in the Government securities basket, it is wrong.

The Honourable Sir Nripendra Sircar : I have provided for two baskets. The two baskets are exactly similar.

Mr. Akhil Chandra Datta : My point is this : that you propose to put $\frac{2}{3}$ in one basket which is not a suitable basket at all. That basket has been condemned by all the experts.

An Honourable Member : Which basket is that ?

Mr. Akhil Chandra Datta : The basket of Government securities.

Now, Sir, the whole question is whether 55 or 50 per cent. should be invested in Government securities or should be invested in other securities. The principal British companies at the end of 1932 show that 20.4 per cent. of their total assets were held in British Government securities while 27.2 per cent., 42.3 per cent. and 10.1 per cent. were held, respectively, in mortgages and loans, Stock Exchange securities and Reversionary interests, properties, etc. The trend of the principal American companies is,—Mortgages, 36 per cent., etc. In the Continent of Europe also conditions are not very different, the loans on mortgages in the

year 1928 being shown as 40 per cent. of the total assets. Then, as regards Canada, the position is this. Loans on Mortgages and Collateral Loans, 34.42 per cent.; Government and Municipal Bonds, 28.61 per cent.; Industrial Bonds and Shares, 14.80 per cent.; Land and House Property, 2.87 per cent.

An Honourable Member : Let us have that.

Mr. Akhil Chandra Datta : Yes, let us have that, although I am not much in love with Canada. The Leader of the House has great love for Canadian law and the Leader of the Opposition also worships in the same temple on this point, although in some other matters they are as poles asunder. These figures of the percentages of other countries show that there a small portion of the money is invested in Government securities. I wish to draw the attention of the House to another aspect of the matter. In these days people put their savings either in a bank or in an insurance company. Of course so far as insurance companies are concerned, there is some risk and that is an important factor to be taken into consideration. But subject to that, policy-holders do expect some return for their money, not merely the identical amount they put in; and, therefore, there is an inherent difference between the banks and the insurance companies with regard to investments, for the simple reason that in the bank the depositors' money is withdrawn at very short notice, whether it is a current or fixed deposit. There may be a run of course but in the case of insurance companies there cannot be a conspiracy of people dying all at the same time or in the same month. These are the reasons why there is an inherent difference as regards investment by banks and investment by insurance companies. But, all the same, only about 12 months ago we had some legislation when there was no restriction placed on the banks with regard to investments except only with respect to reserve fund. If there be no restriction on banks with regard to investments, why should there be restrictions with regard to investments by insurance companies? Apart from the question of interest, from my personal experience I think gilt-edged securities are always better securities than trust securities. The result of too much money being invested in these securities is.....

The Honourable Sir Nripendra Sircar : That is your amendment. Your amendment and mine are the same. All these points are absolutely irrelevant.

Mr. Akhil Chandra Datta : I have already told the Law Member that I do not quarrel with him; my quarrel is with my Honourable friend, the Leader of the Opposition.

Then, Sir, we have the recommendation of the Banking Inquiry Committee. That recommendation is that investments should be in such a manner that the industries of the country may get the benefit.

The Honourable Sir Nripendra Sircar : You are opposing your own amendment.

Mr. Akhil Chandra Datta : My amendment is 50.

The Honourable Sir Nripendra Sircar : This has nothing to do with 50. Your 50 means exactly the same investments as my 66. Therefore, the Banking Inquiry Committee and American rates, etc., have nothing to do with this.

Mr. Akhil Chandra Datta : I am only saying that less money should be put in these Government securities than has been proposed and, therefore, I propose 50 per cent. I can only refer to one observation of the Leader of the Opposition which he made during the general discussion of the Bill. He said that because the insurance companies are earning a proportionately larger interest, that is how the Indian companies have prospered and have grown. My only appeal to him is that he should not stand in the way of that prosperity and that growth by insisting upon 55.

Mr. B. Das (Orissa Division : Non-Muhammadan) : Sir, I should like to say a few words on this amendment of the Honourable the Law Member which I find the House is going to accept, but with great regret and reluctance, rather great reluctance, I have to support it. I wish to speak a few words on the two explanations which the Honourable the Leader of the House has put in in this clause. On the whole these explanations go only half way to satisfy our demands because, at the same time, it is a humiliation and an insult that we cannot define an Indian insurer on the floor of this House. But I do hope, Sir, that an occasion will arise, hereafter, when this House will be unanimous, at least the Indian element of it, in regard to the definition of an Indian insurer or an Indian businessman, but, Sir, we have got to be thankful for small mercies, and, therefore, in the circumstances, knowing the temper of the House, I feel this explanation ought to be accepted. I have one satisfaction, I declare it on the floor of this House, that subjects of British Dominions are to be treated as foreigners. I do stress that point in my humiliation : I feel I have, at least, once humiliated Canada and South Africa.

I will only say one word about what the Honourable the Deputy President said. He made much of the point that if five per cent. could be released it would go towards the speculation of the insurance proprietors in lands and buildings. I think India is a country of landed gentry and landed proprietors. I do not see why insurers should speculate in buildings and land. From the little I have been able to gather from the documents which have been placed before me that wherever insurers have speculated in landed property and buildings they have made a mess, and I do not want them to speculate any more in landed property. Facts are convincing that many insurance companies are dabbling in landed property, and they have no business to do that.

Mr. Akhil Chandra Datta : My personal experience is different.

Mr. B. Das : In your own province the Hindustan Insurance Company invested large sums of money in landed properties which brought no good to it. So also did some Bombay companies.

Much has been said on the floor of the House in regard to Government securities. I am not one of those who believe that if at any time we replace this Government, any investment in Government securities

will deteriorate. We have to see that national credit is maintained unimpaired whether it is a national Government or an alien Government. Government securities are the only investments that are bringing today to insurance companies, specially those that are struggling, a higher and stable rate of interest. They say that they will get less interest from Government securities because they want to play ducks and drakes with the policy-holders' money. If the Honourable the Leader of the House's amendment, as modified by our Party, is accepted, they will have less freedom to play ducks and drakes with the policy-holders' money. With these few observations I support the amendment of the Leader of the House as amended by my friend, Mr. Santhanam.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions : Muhammadan Rural) : Sir, on this subject I have not much to say, but I would like to make a suggestion to the House simply to avoid all worry and trouble over this Insurance Bill. Our friend, the Deputy President, in his speech has boiled down the whole subject to two points, and it is this : that either 55 per cent. or 50 per cent. should be decided amongst ourselves. It is quite possible, Sir, that there might be a wager outside the House over the decision of the House. I would, therefore, suggest that the Leader of the Opposition and the Deputy President,—as they are sitting together, they are partners of the same bed,—might cast lots between themselves and decide the whole question. If the Honourable the Law Member has got a rupee in his pocket, he can give that rupee to our friends who can decide by lots, and then the whole House, I am sure, will feel very grateful. As to the definition of Indian insurer, I agree with my friend, Mr. Das, that we shall be grateful to the Honourable the Leader of the House if some definition can be produced on the floor of the House about Indian insurer. With these remarks, I take my seat.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Sir, the postponement of discussion of this important clause for a few days has done us a good deal of good. During these few days this very contentious clause which would have taken several days in discussion in this House has been settled to a great extent outside and a general agreement has been arrived at between all sections of the House. Now the only question is whether we should have two-thirds or 55 or 50 per cent. of the liability, i.e., claims matured and maturing invested in Government and other approved securities. As the Honourable the Leader of the House has agreed to abide by the decision of the House, the issue has been narrowed down a good deal, and there is no fight on principle. Between 55 and 50 I would support 50 as in my opinion 50 is just half. I do not know by what calculations 55 was arrived at. 50 does not require a mathematician of Dr. Ziauddin's calibre, but 55 requires one for calculation. I quite agree with my friend, Mr. Azhar Ali, that if they will settle up their difference by splitting it up or by casting lots or by tossing, we will abide by that. I am also glad that the Law Member has made a discrimination as regards investments by foreign companies which have their head offices outside India and United Kingdom. It is absolutely necessary that we must have absolute control over the assets of foreign companies in this country because in the event of war or any other eventuality our policy-holders may be landed in difficulties. So, I thank the

[Babu Baijnath Bajoria.]

Honourable the Law Member about this provision of 100 per cent. for foreign companies. I also approve of the provision he has made that the investments should be in the hands of trustees to be approved by the Central Government. I am sorry I cannot agree with the remarks of my Honourable friend, Mr. B. Das, when he says that mortgages on landed properties are not a sound investment and he does not like it. As far as my experience goes, mortgages on house properties, both in Calcutta and Bombay, and probably in other big towns are very good investments : they are more lucrative than Government securities.....

The Honourable Sir Nripendra Sircar : I can make an offer to Mr.

1 P.M.

Bajoria : I am the unfortunate holder of two mortgage decrees : I can give them to him for half—50 per cent.

(Laughter.)

Babu Baijnath Bajoria : Probably he has sold the house properties and the balance of the mortgage decrees he wants to sell to me ! I support the amendment of the Leader of the House together with the amendment of the Deputy President, and I hope the Congress Party will not stick to their prestige that they must have their amendment carried : I am seeing for the last few days that they always stick like a leech to their amendments even if they are slightly different from the amendments of other Groups, and they do not want to give way in the least. I would like that the Congress Party will sportingly withdraw their amendment and allow the amendment of the Deputy President to be carried.

Dr. P. N. Banerjea : Sir, the investment of the assets of an insurance company is important from many points of view. There are several considerations which should be kept in view in discussing this question. The most important of these is safety of the company. Subject to this and consistently with this, the next important consideration is the earning of an adequate rate of interest : and subject to these two again, there is a third consideration which should be kept in view specially in a country like India and that is, the assistance which can be afforded to industrial development. As regards the first, namely, the question of safety, it is always desirable to spread the assets over a very wide field : that is the most important factor. In European countries during the great war and after, certain forms of securities became absolutely useless. Government securities in Germany, Austria, Russia and several other countries became mere scraps of paper. But investments in some other securities were more valuable. Therefore, I suggest that we should not allow our insurance companies to invest a large percentage of their assets in Government securities.

Then, coming to the question of the earning of interest, we all know that there are certain securities which yield much greater rates of interest than Government securities, and this is beneficial to the shareholder as well as to the policy-holder, because if the interest earned is larger, the policy-holders get the benefit in the shape of an increased bonus. From the point of view of safety also, the earning of interest is important. If the interest earned is very small, it will be exceedingly difficult for a company to meet its liabilities....

Mr. B. Das : But they never invest in industrial securities.

Dr. P. N. Banerjea : They should. In this connection I may point out that it is not as necessary for an insurance company to invest its assets in a liquid form as it is for a commercial bank or an industrial concern, because there is no likelihood of a run on an insurance company as there is always a possibility in the case of a commercial bank.

Let us now see what restrictions are placed on investments in other countries. We find that in the United Kingdom no restrictions are placed ; and if you read the Clauson report you find that this committee did not advocate any restriction except with regard to one small matter : they suggested that an insurance company should not invest in another insurance company except with the permission of a Court.

Coming to Canada and the Canadian law—which is a favourite subject with many of us—we find that insurance companies are allowed to invest their assets over a very wide range : for instance, in government securities, debentures of various sorts, preferred stocks, and even common stocks, with a little proviso that not more than 15 per cent. should be invested in common stocks. As regards the government securities the term here is used in a very wide sense : government securities in the Canadian law include not only the securities guaranteed by the Government of Canada Dominion or that of any other provinces, but also municipal corporations. But here our approved securities do not include the debentures issued by the municipal corporations, except those of the Presidency towns. It is true that in the United States there are in many of the States more stringent restrictions with regard to the investment of funds. But taking them as a whole, we find that preference is always shown towards the scattering of investments over a wide field.

Sir, in this connection I should like to draw the attention of this House to the percentages in which investments are held in Government securities in different countries. My Honourable friend, Mr. Datta, has dealt with this point at considerable length, and I shall therefore confine my remarks only to the percentage which is held in the United Kingdom in Government securities. In 1935, it was less than 25 per cent. Therefore, Sir, if we here in India hold 25 per cent. of our investment in Government securities it cannot be said to be an unreasonable proportion. The Honourable the Law Member when he framed his Bill was content with providing 33 1/3 per cent. to be invested in securities, but a mistake on the part of some members of the Select Committee raised his ambition, and he now wants 66 2/3 per cent.,—his appetite has grown.....

The Honourable Sir Nripendra Sircar : But I won't get the full meal.

Dr. P. N. Banerjea : But I must confess, Sir, that the Honourable the Law Member is modest in his demand, because he says that if he cannot get 66 2/3 per cent. he will be satisfied with 55 per cent. or even 50 per cent.

Now, Sir, there is one other matter to which I wish to refer. I have already discussed two of the considerations which ought to be kept in view, but there is also a third consideration which should not be ignored, and that is the needs of the industries in this country. In every country considerable proportions of the assets of insurance companies are held in debentures of sound industrial concerns, and the Banking Inquiry

[Dr. P. N. Banerjea.]

Committee recommended that this method should be followed in India as well. The Minority Report of the Banking Inquiry Committee laid considerable stress on this subject, while that the Bombay Inquiry Committee went further and definitely said that insurance companies in India have a very important role to play in the development of industries in this country. They said that it is a very legitimate object to which the attention of all insurance companies should be directed, and, in India, as in other countries, the Bombay Provincial Banking Inquiry Committee suggested, that a considerable proportion should be invested for assisting the industrial development of the country. In India, Sir, capital, until recently, was very shy. Even at the present moment capital is not readily forthcoming to the same extent as in other countries, and therefore if a considerable proportion of the assets of insurance companies is invested in sound industrial concerns, that will prove greatly beneficial to the country at large. I hope, therefore, that this House, keeping in view all these considerations, will agree to the investment of assets of insurance companies in Government securities and approved securities to the extent of 50 per cent., leaving the remaining 50 per cent. to be decided by the insurers themselves consistently with the considerations I have urged and give their particular attention to the industrial development of the country. I support the amendment moved by the Honourable Mr. Datta.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhamadan Rural) : Some days back we read in the newspapers that the Lahore Abattoir had been given up. This morning we see in the papers that, though the Government have given it up, the Honourable the Law Member has established one of his own. We get the first indication of its working, this morning when we found that by a process which he certainly will call a process of mercy murder, he decapitated all the 150 of our amendments to section 26 ; and has sent in his own on the alleged ground that it is more comprehensive, which is only a polite way of saying that everybody else is wrong except himself ! (Laughter.) More than the amendments the thing which is worrying me is this. Mr. Bajoria in the plenitude of his eloquence said that we Congressmen stick to prestige like so many leeches. Now, when the Congress is out to destroy all leeches, I do not understand how we can convert into one at all. Our method of murder is more kind and simple, I will give you a story to illustrate my mind.

An Honourable Member : Make it short.

Mr. Sri Prakasa : It is very short and very sweet too. (Laughter.)

Three soldiers were condemned by a court martial to death ; but the kind General asked each of the soldiers to choose his own manner of death. The first said, " I prefer being shot". The second said, " I

prefer being hanged." But the third, who was the wisest of the lot, said, "I prefer to die of old age." (Laughter.) Mr. Bajoria has to choose which form of death he himself prefers, and even if he prefers the last, we would allow him to have his way, because the Congressmen are essentially peace loving persons with generous hearts. (Laughter.) But one thing I shall say and that is that our first and last principle as Congressmen is, "*Congress uber alles*" (Congress above all), and I may assure all Members of the House that whatever decision we come to, will always be the correct one. 50 or 55 or even 66 $\frac{2}{3}$ per cent. does not matter very much ; what matters is that we are always in the right. Even if some Members of the House may have some doubts on the subject, the results will soon prove that we were right in whatever decision we might take as the debate proceeds or as the division is called.

The problem that we are discussing this afternoon is a serious one. It is the problem of investments ; and we cannot lightly brush aside the various implications of the clause. The chief thing to which I should like to draw the attention of the House is the explanation given to sub-clause (1) of the amendment as moved by the Honourable the Law Member. It says :

"The provisions of this sub-section shall apply also to insurers incorporated or domiciled in the United Kingdom."

The most important and perhaps the most dangerous insurer at present in the United Kingdom is the Lloyds. The Honourable the Law Member said one day that there was no possibility of any country producing such a gang of international licensed gamblers as the Lloyds. But I may assure him that there are *bhang* shops still available in India ; and it may be that some day one of these shops might produce another set of people like the Lloyds. I will give you some illustrations of the sort of business that Lloyds do. They insure persons against anything and everything. They study the temperaments of even High Court Judges. They find out who is a convicting Judge and who is an acquitting one ; and then insure people against judgments that are yet to come from Judicial Benches. Then again they have a system of insurance against the results of the disease to which I referred yesterday. There was a lady who, unfortunately, had triplets almost every year. (Laughter.) She did not like the process at all, and so as she was once more expectant, she went to one of the Lloyd's underwriters and asked, "Can you insure me against the arrival of a triplet again." She was very excited and anxious and went to Lloyds for relief and assistance. Would you believe it, Sir, one of the underwriters actually insured her against the possibility of having a triplet in the fullness of time. (Laughter.) Persons who do business of this sort have to be curbed in some way. My own idea always was an Insurance law should never have immortalised the Lloyds by prominently mentioning them therein. The Lloyds are mentioned in more than one place. Somehow or other the Honourable the Law Member is greatly influenced by the importance that the Lloyds have attained in this world of business. When the Lloyds are also to be classed under the terms of this Bill read with some of the dangerous sections of the Government of India Act, as Indian insurers, it is best that we made sure where their investments are to be kept. When they can insure people against triplets, when they can insure people against High Court Judgments, we must also make sure that those who insure with them do not suffer. It seems to me, therefore, that we should consider this

[Mr. Sri Prakasa.]

clause dealing with investments very carefully and I hope that all sections of the House will agree to the decision that the Congress may take in this connection.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Mr. Deshmukh.

Some Honourable Members : Let the question be now put.

Mr. Deputy President (Mr. Akhil Chandra Datta) : I have already called Mr. Deshmukh. As regards the closure that has been asked for, allow me to say that it is common ground to all Parties that clause 26 is the most important matter in the whole Bill. As a matter of fact, the Honourable the Leader of the House told us one day in his speech that it was bound to take a long time. In view of that, if any Honourable Member is willing to speak, I for one cannot stifle the debate at this stage. Mr. Deshmukh.

Mr. G. V. Deshmukh (Nagpur Division : Non-Muhammadan) : The Honourable the Leader of the House in proposing this amendment before the House has got one principle before him. He had, as a matter of fact, started with cent. per cent. security to the policy holders, but as the Indian insurance companies are not, unfortunately, in a position to invest the amount at once in Government securities so he has come down to two-thirds of the assets. In doing so he has incidentally benefited not only the Indian insurance companies but also the U. K. companies ; because a good deal of their money would now be libertated for them to invest in their own country. His principle of safety is a safety of cent. per cent. to the policy holders, a policy which has also been endorsed by Mr. Jinnah, but even from the point of view of security, nobody, not even a rustic, would like to put all his eggs in one basket. Even from the point of view of safety, it was necessary to invest all the assets which were available in different investments. We cannot make a fetish of the principle of security. Indeed, we would be too heavily leaning on the principle of security, if we were not very careful. Take this for example. The Honourable the Law Member approaches one of the Knights, Sir Cowasji Jehangir. He lays his hand on his shoulder and says : ' You know Prof. Ranga. He always goes for you, and I, therefore, am anxious about your safety. There is one way of dealing with him, namely, to put him in jail under some Ordinance or section of the Indian Penal Code. But you see there are others also outside this House besides Prof. Ranga. So the best and the easiest way for me to ensure your safety is to put you in jail or a lockup. You would be free from all risks to your life. Therefore, I would recommend this as an advisable course '. Sir Cowasji would very well say ' Please keep your proposal of security to yourself. If you are a friend of mine, devise some police measures, some security measures and ensure my safety, instead of putting all sorts of restraints on my freedom '. Similarly, if cent. per cent. security is to be ensured to the policy holders, we have already taken some police measures, or preventive measures, which are likely to ensure the safety of the policy holders in the matter of investments. We have got the representatives of the policy holders as directors. We have made provision for the publication of every document. We have also laid down conditions that when money is to be invested it would be invested with the approval of the Superintendent of Insurance. When we have taken so many precautions, so many police and preventive measures,

I cannot understand the idea of investing the whole of the assets in Government securities or any major part in Government securities. It would be suicidal. Look at it from the point of view of not merely a safety concern, but also of a business concern. Insurance business is not merely carried on with the idea of giving cent. per cent. security to the policy holders. It is carried on as a business concern also. So, let us combine both, the principle of safety as well as canons of business. If we were not allowed to observe these canons, then it would not be possible for the new companies to come in. If they cannot make money by investing the assets in profitable concerns, they will not be able to meet their expenses, their liabilities to the policy holders and give bonuses and compete with big concerns. Taking into account all these considerations, it is advisable that the Indian insurance companies should be allowed a margin more liberal than has been allowed by the amendment proposed. Now, it has been suggested that this has been done as an empirical formula. If you wanted to be guided by some precedents, then there are the precedents of the British insurance companies who do not invest more than 25 per cent. in the Government securities of their own countries. That being so, there was a precedent which could have been very well followed. The safer course would be to give more latitude and, therefore, I support the amendment of the Congress Party. Don't look at it from the point of view of safety but look at it from the point of view of a business concern. If you liberate more assets to these insurance companies, they will invest these assets profitably, give bonuses to the policy holders, dividends to the shareholders and start new industries. As everybody knows, we are in need of money in the provinces for starting new industries. It would be doing the provinces a good turn if the Indian insurance companies could be allowed to invest more money in other directions than Government securities.

The amendment, as it is, merely enjoins on the British companies to invest only 33 1/3 per cent. in Government securities. The rest they can invest anywhere in the United Kingdom. In this connection, I would make an appeal to the European Group. Whatever money is left after investing 33 1/3 in Government securities, please invest that amount here in India. Everybody who takes the care to study the facts will come to know that every year about seven crores of premium is taken away from this country; five crores life insurance premium and two crores fire insurance. This money is at present utilised in other countries. This amount could be made available for starting new industries in this starved country. There are no figures to indicate how much money, earned by the British companies, is invested in Indian concerns. So I submit that this amount should be utilised in India. Speaking for myself, I had also given a little amendment, besides one for percentage of investments, to omit this later clause which would have compelled them to invest all the money except that which was invested in Government securities in the very country from which they are receiving the nourishment which they take to their own country. I oppose the amendment of the Honourable the Law Member and support the amendment of my Party.

The Honourable Sir Nripendra Sircar : With reference to the last statement of the last speaker, namely, that he is opposing my amendment and supporting the other one, I may tell him that I am accepting 55 per cent.

Pandit Lakshmi Kanta Maitra (Presidency Division : Non-Muhammadan Rural) : Mr. Deputy President, the question of the investment of the funds of life insurance companies has been exercising the minds of us here and outside for a pretty long time and the matter has now come before us in three distinct shapes. The amendment moved by the Honourable the Leader of the House says that 66 2/3rds of the total assets should be invested in Government and approved securities ; the amendment moved by my Honourable friend, Mr. Satyamurti, fixes the amount at 55 per cent., and that of another Honourable Member, I mean you Sir, fixes it at 50 per cent. I do not think as between the two amendments moved by the two wings of the Congress there is much difference or there is much ground to cover. At the same time, this debate has been going on and on and we do not know when we will see the end of it. I believe as speaker after speaker rises to speak on this subject, he incurs the displeasure of the Honourable the Leader of the House.

The Honourable Sir Nripendra Sircar : Not in the least. I shall be pleased to stay here till the 10th of October.

Pandit Lakshmi Kanta Maitra : Apparently, he is so anxious to finish this Bill, a feeling which is natural enough, that every time a speaker stands up, he feels a twitch of pain.

The Honourable Sir Nripendra Sircar : It is the greatest pleasure to me to hear you.

Pandit Lakshmi Kanta Maitra : I am not going to prolong your agony. I will only say this that if the object of investment is to secure safety for the policy-holders as well as benefit to them, then the question of first and foremost importance is to find out that form of investment which will earn for the insurance company the maximum amount of interest. The guiding factor will be the highest interest with the least possible risks. I believe it is not the contention of any Honourable Member that the Government securities yield the maximum amount of interest. On the other hand, of all forms of investment, I believe the Government securities yield the lowest amount of interest. At the present moment, we find various kinds of Government loans in the market which are subscribed and over-subscribed and some of them yield a maximum interest of five per cent. per annum. The market price of the 1945—55 loan is now over Rs. 120 and the 3½ per cent. papers, which are not income-tax free, are liable to income-tax and super-tax and surcharge, which means, that for every single rupee, you have to pay income-tax to the tune of 28 1/3 pies. After deducting that from every rupee, is it realised how much is left for the policy-holders for whom everybody seems so solicitous ? On the other hand, as a Congressman, I feel that my duty is very clear in the matter. The Congress appointed a sub-committee in the year 1931 to investigate India's debt position. The Committee went into the whole matter and it was its declared policy that India should have no moral obligation for those securities which were not demonstrably in the interests of India. If that is so, the position of us, Congressmen, is clear. We cannot go on increasing our deposits and investments in Government securities day by day. What change has taken place

between 1931 and 1937 that we should become enamoured of Government securities and go on proposing more and more investment in them ?

Babu Baijnath Bajoria : The prices of Government securities have gone up.

Pandit Lakshmi Kanta Maitra : My Honourable friend, Mr. Bajoria says, that the prices of Government securities have gone up. Sir, if the prices of Government securities have temporarily gone up, may I also remind him that they may go down considerably if there is outbreak of any war ? As a matter of fact, during the war time, the prices of Government securities went terribly low. Even in the year 1931, when Great Britain went off the gold standard, the prices of Government securities went down so low that $3\frac{1}{2}$ per cent. Government promissory note came down to Rs. 47 and throughout the whole of 1932, they could not stabilise themselves.

An Honourable Member : You are wrong.

Pandit Lakshmi Kanta Maitra : I had to deal with this class of papers myself and I can tell him on the floor of the House that in the year 1932, up to the month of June, the prices which had fallen to Rs. 47 had risen barely up to Rs. 60. Can any insurance company go on investing its funds in these Government securities which go on fluctuating every moment ? You do not know what is in store for you tomorrow. The prices may go down today. Of course, the $3\frac{1}{2}$ per cent. papers have now come up to Rs. 97. Nobody knows what will happen to these papers when there is another catastrophe, financial or otherwise. We cannot stake country's money in that way. That is why I say that if the interests of the policy-holders are to be safeguarded, then our first and foremost concern should be to see that the greatest amount of interest is earned. From some of the figures which I have taken from the official Blue Book I find that the total income in the shape of interest for every Rs. 100 was 23.9 in 1923, 20.2 in 1928, 19.2 in 1930, and 16.6 in 1933. Again, the average interest earning of Indian life offices was 5.44 in 1930, 5.38 in 1932 and 5.77 in 1933. Generally, Indian life offices assume four to five per cent. interest on the valuations and they work their companies on that basis. So, if you are going to invest the bulk of the assets in these Government securities, is it to the benefit of the policy-holders or even of the company itself ? Then, we have to view it also from another standpoint. The amendment of the Honourable the Leader of the House says that 66 $\frac{2}{3}$ per cent. of the assets are to be invested in Government and approved securities and my Honourable friend, Mr. Satyamurti, is for 55. Now, anybody who has experience of working of insurance companies knows that he has got certain other heads also to provide for, such as, the outstanding interest and outstanding premia, for which they have to set apart about 15 per cent. They have also to keep something to the extent of five per cent, for the working expenses, that is, cash in hand, the total comes to 20 per cent. Also, they have got to make certain provision for their different branches and head office buildings, office equipments and other works, which comes to another at least ten per cent. So, it comes to this that an insurance company, if it is to function well, has to keep in hand five per cent. as

[Pandit Lakshmi Kanta Maitra.]

cash for running the concern, about 15 per cent. as outstanding premiums and outstanding interest, about ten per cent. for branches and office buildings and equipment, etc. So it nearly comes to 30 per cent. of the assents. If 55 per cent., according to the amendment of my Honourable friend, Mr. Satyamurti, is to be set apart for investment in the Government securities and approved securities, how little is left for these companies to invest in others? After all, all authorities of Indian Economics are agreed that enough money should be made available or invested for the purpose of building up industrial concerns in this country. In this connection I will read a short extract from the Banking Enquiry Committee report, Bombay. In page 228, the committee says :

“ The object of life insurance is to teach individuals to practise thrift and to compel them to save periodically so as to provide for contingencies, such as old age or death. These small savings of individual investors are collected and held for safe and profitable investment in approved classes of undertakings. We may observe here that Bombay is the pioneer in the matter of insurance companies, some of which are very well established in the line and command substantial resources. Some of the life insurance companies issue policies for such small amounts as Rs. 250 but the benefit of even these small policies is confined mainly to towns and cities. There is a vast field for the spread of the operations of life insurance companies in rural areas and among the landed gentry.”

In another place, on page 230, the committee says :

“ Insurance companies have a dual role to fill. They have not only to collect the savings of the community and inculcate habits of thrift, but they have to develop a science of investment. By a judicious layout of their large resources they can render valuable assistance to public utility undertakings and to schemes of housing improvement, land mortgage credit and industrial finance, and prove good guides and supporters of Government and municipal bodies in their loan operations. We should very much wish to see the large and growing resources of Indian and non-Indian companies harnessed effectively to foster the development of agriculture and industries in India.”

Sir, this is the portion to which I want to draw the pointed attention of this Honourable House. If that is the object with which the Banking Enquiry Committee makes its recommendation, is it not up to us to give it the consideration it deserves? Therefore, I say, that we should not needlessly handicap these companies in the disposal of their assets in the direction of investment. In other countries, as has been pointed out by speaker after speaker, they feel considerable difficulty by reason of even less restrictive provisions in the matter of investment of the assets of life insurance companies. We, therefore, want that not only enough scope should be left to insurance companies to safeguard the interest of the policy-holders but also, if possible, to give a fillip an impetus to the trade and industry of the country which alone can bring about the economic salvation of this country.

Sir, before I conclude, I would like to tell my Honourable friends to my right, the Congress Party, that this is a matter on which there is not much difference of opinion. The Congress Party says 55 per cent. and we, another wing of the Congress, say 50 per cent. If they once admit that the percentage fixed by the Government is high and if they also admit that the insurance companies should not be compelled to lock up the bulk of their assets in Government securities, then they must support my standpoint and our amendment. What is the difference between the Congress Party amendment and our amendment? After

all, we are only asking for a small mercy of five per cent, less and that also in order to enable the insurance companies to benefit the country. Do the Congress Party think that there is so much difference between their amendment and ours—that they should join hands with the Government in defeating our amendment? Why not they support another wing of the Congress in a matter which is not only not inconsistent with the Congress policy but is calculated to further the best interests of this country. I, as a Congressman, cannot persuade myself to invest more and more money in Government securities. I see that the Leaders of the Congress Party are busy talking amongst their own men and my words do not fall on their ears. We are humble folk and when we speak they think it is not worth their while to pay any attention and that is why, perhaps they are engaged in conversation among themselves. I would appeal to them to see that it is possible, even now, to have some grace and not to oppose this wing of the Congress in a sheer spirit of obstinacy as has been pointed out by another speaker. If they really believe in the principle that bulk of the assets should not be blocked up in fluctuating Government securities, then they ought to support us. Sir, in this way the industries of this country will be helped and the insurance companies also will be able to safeguard the interest of the policy-holders. With these words, Sir, I support the amendment moved by you.

Maulvi Abdur Rasheed Chaudhury (Assam : Muhammadan) : Sir, I should like to say a few words on this very important discussion. I am glad, Sir, to find a change in the attitude of Government to meet the wishes of this House. A few days ago, Government showed sympathy to popular demands by abandoning the construction of abattoir in Lahore. Today also Government are showing a change of attitude by coming forward with an amendment which almost meets the wishes of the House. We are looking forward to the day when Government would come forward with their verdict on the popular demand regarding the control of finance and military affairs in this country by the people of India. (Hear, hear.) Sir, when the general discussion on the Insurance Bill was going on, many a speaker laid stress on the fact that the interest of the policy holders in foreign companies is not safe, because these foreign companies do not keep sufficient investment in this country.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

These foreign companies have not got enough funds in India to meet their liabilities at the time of difficulty. I am glad that the Honourable the Law Member has, by his amendment, met the wishes of this House so far as the foreign companies are concerned. These foreign companies have now to keep cent. per cent. of their investment in this country so far as their liabilities in this country are concerned. I am glad that the Honourable the Law Member has not fixed the same percentage so far as Indian companies are concerned in the matter of their investment. Of course, the Honourable the Law Member is a very wise man and he saw that the House was against a provision insisting on cent. per cent. of investments, so far as Indian companies are concerned, in Government securities. Now, Sir, the question is what percentage of assets of Indian companies should be invested in Government and approved securities. The Honourable the

[Maulvi Abdur Rasheed Chaudhury.]

Law Member says it should be two-thirds. But, if I understood him aright, I think he said that he would agree to 55 per cent. So there is no good speaking on the two-third proportion now.

Now, Sir, it must be agreed that there should be left surplus money with the Indian insurance companies for good investment, because, both in prosperity and in adversity, industries, specially the small Indian industries, look to these insurance companies for relief. When, for instance, there was a slump in tea prices last time, the tea industry felt a good deal of difficulty in managing its affairs. Some of the Indian companies came to their rescue and, I remember, especially the Hindustan Insurance Company helped the tea industry a good deal in its distress. That was both in the interest of the industry as well as in the interest of the insurance companies, because by investing in tea the insurance companies derived great profit in those years. So it is very desirable that the Indian insurance companies should have some surplus for good investment. I do not like to say that they should invest in interest alone, because I do not like our insurance companies to play the part of Shylocks. What we like is that these insurance companies should encourage industries as much as they can. The greatest difficulty is that in India there is no Government guarantee in such investment, but I think the time will come when Government will have to come forward to help this industry and stand security to these insurance companies for their investments.

Now, Sir, as to 55 and 50, so far as 55 is concerned, I think the figure is a bit complicated. In every calculation there will be demands for mathematicians like Dr. Ziauddin, and everywhere they may not be available. So 50 per cent. is very easy to calculate.

The Honourable Sir Nripendra Sircar : We are going to have an actuary to calculate 55 per cent.

Maulvi Abdur Rasheed Chaudhury : The difference between 55 and 50 is not much, but I think it will bring in a good deal of difficulty in calculation. So I do not know what the House will decide, but I am in favour of 50 per cent., because it is easy of calculation.

Several Honourable Members : The question may now be put.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That the question may now be put.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in amendment No. 2 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar, regarding the substitution of clause 26 in sub-clause (1) :

(a) for the word ‘ two thirds ’, occurring in the third line, the words ‘ fifty-five per cent.’,

(b) for the words ‘ one-half of the said assets ’, occurring in the ninth line, the words ‘ twenty-five per cent. of the said sum ’,

(c) and for the words ‘ one-half of the said assets ’, occurring in the tenth line, the words ‘ thirty per cent. of the said sum ’,

be substituted.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That for clause 26 of the Bill, the following be substituted :

‘ 26. (1) Every insurer incorporated or domiciled in British India shall at all times invest and hold invested, assets equivalent to fifty-five per cent. of the sum of the amount of his liabilities to holders of life insurance policies in British India on account of matured claims and the amount of the reserve necessary to meet outstanding claims on policies of life insurance maturing for payment in India, less the amount of any deposit made under section 6 by the insurer in respect of his life insurance business and less any amount due to the insurer for loans granted by him on policies of life insurance, in the manner following, namely, twenty-five per cent. of the said sum in Government securities and a further sum equal to not less than thirty per cent. of the said sum in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom.

Explanation.—The provisions of this sub-section shall apply also to insurers incorporated in or domiciled in the United Kingdom.

(2) An insurer incorporated or domiciled elsewhere than in British India or the United Kingdom shall at all times invest and hold invested assets equivalent to the sum of his liabilities to holders of life insurance policies in British India on account of matured claims and the amount of the reserves necessary to meet outstanding claims on policies of life insurance maturing for payment in India, less the amount of any deposit made under section 6 by the insurer in respect of his life insurance business and less any amount due to the insurer on loans granted by him on policies of life insurance in the manner following, namely, as to 33-1/3 per cent. thereof in Government securities, and as to the balance in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom.

(3) An insurer carrying on business at the time of commencement of the Act to whom sub-section (1) or sub-section (2) applies shall before the expiry of four years from the commencement of this Act invest the total amount required to be invested by those sub-sections in the manner required thereby :

Provided that of such total amount the insurer shall have invested not less than one-fourth in securities of the nature specified in sub-section (1) before the expiry of one year, not less than one-half before the expiry of two years, and not less than three-fourths before the expiry of three years from the commencement of this Act.

(4) The assets required by this section to be held invested by an insurer to whom sub-section (2) applies shall be held in trust for the discharge of claims of the nature referred to in sub-section (2) and shall be vested in trustees resident in British India and approved by the Central Government by an instrument of trust which shall be executed by the insurer and approved by the Central Government and shall define the manner in which alone the subject matter of the trust shall be dealt with.

Explanation.—Sub-sections (2) and (4) shall apply to an insurer incorporated in British India whose share capital to the extent of one-third is owned by, or the members of the Governing Body to the extent of one-third consists of individuals of domiciles other than those of British India or the United Kingdom.’”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 26, as amended, stand part of the Bill.”

The motion was adopted.

Clause 26, as amended, was added to the Bill.

Mr. S. C. Sen (Government of India : Nominated Official) : Sir, I beg to move :

“ That after clause 26 of the Bill, the following be added :

- ‘ 26A. (1) Every insurer registered under this Act carrying on the business of life insurance, not being a provident society, shall twice in every year, namely, on or before the 30th day of June and on or before the 31st day of December, submit to the Superintendent of Insurance a statement showing the investments made in accordance with section 26 and such statement shall be certified by the principal officer of the insurer.
- (2) The Superintendent of Insurance shall be entitled at any time to take such steps as he may consider necessary for the inspection or verification of the assets invested in compliance with section 26 and the insurer shall comply with all requisitions made by the Superintendent in that behalf.
- 26B. No insurer shall grant loans or temporary advances either on hypothecation of property or on personal security, except loans on life policies issued by him within their surrender value, to any Director, Manager, Managing Agent, Auditor or Officer of the insurer if a company or where the insurer is a firm, to any partner therein, or to any other company or firm in which any such Director, Manager, Managing Agent, Officer or partner holds the position of a Director, Manager, Managing Agent, Officer or partner, provided that nothing herein contained shall apply to loans made by an insurer to a Banking Company.
- 26C. If by reason of a contravention of any of the provisions of section 26 or section 26B, any loss is sustained by the insurer, or by the policy-holders, every Director, Manager, Managing Agent, Officer or partner who is knowingly a party to such contravention, shall, without prejudice to any other penalty to which he may be liable under this Act, be jointly and severally liable to make good the amount of such loss.
- 26D. None of the assets in British India of any insurer shall, except in so far as they are required to be vested in trustees by sub-section (4) of section 26 be kept otherwise than in the corporate name of the undertaking, if a company, or in the name of the partners, if a firm, or in the name of the proprietor, if an individual.’ ”

Sir, we have just now passed an amendment by which the House has agreed to every insurer retaining certain amounts invested in the ways mentioned in the previous clause. Clause 26A is intended to afford facilities to the Superintendent to verify that the provisions already passed are duly complied with. Sub-section 26A (1) provides for the submission of statements, twice a year, showing the investments made in accordance with the provisions of the previous section. Sub-section (2) gives the Superintendent powers to inspect for the purpose of verifying that the list submitted is correct. 26B is for the purpose of preventing loans being granted from the funds of the company to the officers, Managing Agents, directors and other persons concerned except on policies issued by the insurer himself. 26C is the penal clause by which we provide that apart from the penalty prescribed in section 93 for any contravention of any of the provisions of the Act, where any loss is occasioned by the contravention of the specific provisions, in sections 26 and 26B, the persons responsible will be liable for making good the loss. 26D is a salutary provision to ensure that the funds of an insurer are to be kept not in the individual name of any officer or other person, but must be kept in the corporate name of the company. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That after clause 26 of the Bill, the following be added :

‘ 26A. (1) Every insurer registered under this Act carrying on the business of life insurance, not being a provident society, shall twice in every year, namely, on or before the 30th day of June and on or before the 31st day of December, submit to the Superintendent of Insurance a statement showing the investments made in accordance with section 26 and such statement shall be certified by the principal officer of the insurer.

(2) The Superintendent of Insurance shall be entitled at any time to take such steps as he may consider necessary for the inspection or verification of the assets invested in compliance with section 26 and the insurer shall comply with all requisitions made by the Superintendent in that behalf.

26B. No insurer shall grant loans or temporary advances either on hypothecation of property or on personal security, except loans on life policies issued by him within their surrender value, to any Director, Manager, Managing Agent, Auditor or Officer of the insurer if a company or where the insurer is a firm, to any partner therein, or to any other company or firm in which any such Director, Manager, Managing Agent, Officer or partner holds the position of a Director, Manager, Managing Agent, Officer or partner, provided that nothing herein contained shall apply to loans made by an insurer to a Banking Company.

26C. If by reason of a contravention of any of the provisions of section 26 or section 26B, any loss is sustained by the insurer, or by the policy-holders, every Director, Manager, Managing Agent, Officer or partner who is knowingly a party to such contravention, shall, without prejudice to any other penalty to which he may be liable under this Act, be jointly and severally liable to make good the amount of such loss.

26D. None of the assets in British India of any insurer shall, except in so far as they are required to be vested in trustees by sub-section (4) of section 26 be kept otherwise than in the corporate name of the undertaking, if a company, or in the name of the partners, if a firm, or in the name of the proprietor, if an individual.’”

Mr. T. Chapman-Mortimer (Bengal : European) : Sir, I should like a ruling, if I may have it, on a point of order as regards the amendment which has just been moved by Mr. Sen. He has moved that after clause 26 of the Bill the following be added : 26A, 26B, 26C and 26D. We have a number of amendments on the supplementary list to this clause. I should like to know, Sir, with your permission, how you propose to deal with them.

Mr. President (The Honourable Sir Abdur Rahim) : Are these amendments to these amendments.

Mr. T. Chapman-Mortimer : Yes, Sir, Nos. 21 to 25.

Mr. President (The Honourable Sir Abdur Rahim) : 26A, 26B, 26C, and 26D—these are more or less separate matters.

Mr. T. Chapman-Mortimer : Yes, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : I will take amendment to 26A.

The Honourable Sir Nripendra Sircar : There is no amendment to 26A.

Mr. President (The Honourable Sir Abdur Rahim) : There is amendment 21 which deals with 26B.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, I beg to move :

“ That in amendment No. 10 on Supplementary List No. 4 by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, in the proposed clause 26B, after the words ‘ managing agent ’, wherever they occur, the word ‘ actuary ’ be inserted.”

Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in amendment No. 10 on Supplementary List No. 4 by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, in the proposed clause 26B, after the words ‘ managing agent ’, wherever they occur, the word ‘ actuary ’ be inserted.”

Mr. S. C. Sen : We are accepting it.

Mr. M. Ananthasayanam Ayyangar : I move :

“ That in amendment No. 10 on Supplementary List No. 4 by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, to the proposed clause 26B, the following proviso be added :

‘ Provided that every existing loan to any director, manager, managing agent, auditor, actuary or officer, notwithstanding any contract to the contrary, be repaid within one year from the date of commencement of this Act, and in case of default, such defaulting director, manager, managing agent, auditor, actuary or officer, cease to hold such office from the expiry of one year from the date of the commencement of this Act ’.”

Sir, there must be “ shall ” before the word “ cease ”. The object of this amendment is this. The present clause refers to future loans. As regards the existing loans, it is indefinite. Therefore, I want to give them a year’s time, and by that time, they must either pay or cease to be Directors, etc., etc., of the company. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in amendment No. 10 on Supplementary List No. 4 by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, to the proposed clause 26B, the following proviso be added :

‘ Provided that every existing loan to any director, manager, managing agent, auditor, actuary or officer, notwithstanding any contract to the contrary, be repaid within one year from the date of commencement of this Act, and in case of default, such defaulting director, manager, managing agent, auditor, actuary or officer shall cease to hold such office from the expiry of one year from the date of the commencement of this Act ’.”

There is another amendment.

Mr. T. Chapman-Mortimer : Sir, I beg to move :

“ That in amendment No. 10 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, to the proposed clause 26B, the following proviso be added :

‘ Provided, further, that nothing in this section shall prohibit a company from granting such loans or advances to a controlled company or to any other company of which the company granting the loan or advance is a controlled company ’.”

The reason for this amendment is this : if you have, as you do have, one company, a parent company controlling small companies, and, of course, this is often the case where instead of amalgamation a company has

been acquired by a larger and stronger company, it may happen that the parent company has got to advance monies to the subsidiaries or controlled companies.....

Mr. M. S. Aney (Berar : Non-Muhammadan) : May I ask if " controlled company " means a subsidiary company ?

Mr. T. Chapman-Mortimer : Yes. The phrase appears elsewhere in the Bill : it is an expression taken from the Bill. As a matter of fact,—though I cannot say so !—I tried to secure the acceptance of such an amendment at an earlier stage of the proceedings. I tried to change the word " controlled " to " subsidiary ", but it was turned down on the ground that some one had advised that controlled and not subsidiary was the word to use. I am frankly at a loss to know, but I am quite indifferent from the point of view of principle whether the word used is " controlled " or " subsidiary ". I say " controlled ", because it is used in the Bill. The short point, as I said, is that if you have a small company controlled by another company, and more particularly when in the early stages a company has just been taken over it might very well happen that the parent company has to advance money to the controlled or subsidiary company, and it is to provide for such cases that we have moved this proviso to the amendment. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in amendment No. 10 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, to the proposed clause 26B, the following proviso be added :

' Provided, further, that nothing in this section shall prohibit a company from granting such loans or advances to a controlled company or to any other company of which the company granting the loan or advance is a controlled company '."

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhammadan Rural) : Sir, I rise to oppose the amendment just moved by Mr. Chapman-Mortimer. It seeks really to detract from the value of the section to an extent which was considered very carefully when the House was considering the Indian Companies Act. I call attention to section 87-E. of that Act where a similar question arose : that section says :

" No company incorporated under this Act after the commencement of the Indian Companies (Amendment) Act, 1936, which is under the management of a managing agent shall make any loan to or guarantee any loan made to any company under management by the same managing agent.....".

I quite agree that, under that section, the particular point that was being dealt with was the common management or community of management, and undoubtedly it was there the case of a managing agent who might put his hand into the pockets of one company and put the money into the pockets of the other company and one never knows to what extent it is a proper security : in other words, the mischief aimed at was that inasmuch as the same management or similar management is likely to utilise the funds for the purposes of the other company, that should be prevented. This section seeks to prevent a similar mischief. The section says :

" No insurer shall grant loans or temporary advances either on hypothecation of property or on personal security except loans on life policies issued by him within their surrender value, to any Director, Manager, Managing Agent, Auditor or Officer

[Mr. Bhulabhai J. Desai.]

of the insurer if a company, or where the insurer is a firm, to any partner therein, or to any other company or firm in which any such Director, Manager, Managing Agent, Officer or partner holds the position of a Director, Manager, Managing Agent, Officer or partner, provided that nothing herein contained shall apply to loans made by an insurer to a Banking Company."

I submit that it is the same mischief which was sought to be provided against, undoubtedly through the community of managing agents in the case of 87-E of the Companies Act ; and I submit that there is no reason why a similar provision here should not be made.

Mr. F. E. James (Madras : European) : Sir, I just want to make one observation. My Honourable friend, the Leader of the Opposition, has, I think, quite misread the purpose of this particular amendment. This does not relate to loans which are made by Managing Agents to a company, or by a company to another company under the same Managing Agents. This refers to precisely the same kind of provision that is now in the Companies Act, in regard to loans, namely loans made by a company to a subsidiary company.....

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : What is the section ?

Mr. F. E. James : Section 87-E. of the Companies Act, where it says :

" Provided that nothing herein contained shall apply to loans made or guarantees given by a company to or on behalf of a company under its own management or loans made by or to a company or by a subsidiary company thereof or to guarantees given by a company on behalf of a subsidiary company thereof."

The only purpose of this amendment is to provide precisely the same kind of proviso with regard to loans.

Mr. Bhulabhai J. Desai : If the word " subsidiary." is substituted, I withdraw my opposition.

Mr. F. E. James : I believe the Mover is prepared to substitute the word " subsidiary " for " controlled ".

Mr. T. Chapman-Mortimer : I accept the substitution : I have no objection to it. I only pointed out that the word " controlled " was there in the Schedule.

Mr. S. C. Sen : Sir, I would like to point out to my Honourable friend, Mr. Chapman-Mortimer, that unless it is intended to make an exception, his amendment would be contrary to the provisions of 26-B by which we have provided for loans not being granted to a company in which there is a common director. I do not know whether my Honourable friend suggests that in actual practice there can be a subsidiary company in which there is no common director. They hold 51 per cent. of the shares and it is idle to say that they will have no directors to direct the policy of that subsidiary company. In these circumstances, unless, therefore, an exception is intended to be made. I think the two provisions would be absolutely inconsistent.

Mr. F. E. James : May I ask my friend if he is referring to amendment No. 26-D ?

Mr. S. C. Sen : 26-B.

Babu Baijnath Bajoria : Sir, subsidiary companies generally appoint the same Directors as the Controlling Company, and so I don't think there is much point in Mr. Sen's objection, because, Sir, in the Companies Act it is provided that a parent company can make loans to a subsidiary company. Therefore, if the provision is here, it will only apply to subsidiary companies. I don't think there need be any objection to accepting this amendment on the part of the Honourable the Law Member. As regards the amendment of my friend, Mr. Ananthasayanam Ayyangar, I accept the principle of the amendment that all loans should be repaid by the managing agents and auditors, but I think a reasonable time should be given, and I suggest it should be three years.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Mr. President, there appears to be some confusion with regard to Mr. Chapman-Mortimer's amendment. In the Companies Act it has been provided that a company, regardless of the fact whether it has a managing agent or not, can give a loan to one of its subsidiary companies. If no such provision was made in this Act, and if 26-B was left as it is, then no insurance company could give a loan to its subsidiary company. I need not here repeat the definition of a subsidiary company. It practically means that it is part and parcel of the main company. The Directors may be the same, the method of management may be the same, but the capital of both companies is amalgamated. For purposes of assisting a smaller concern, the bigger concern may have bought up the smaller concern, and it may be necessary for the bigger concern to give a loan to the smaller company. In practice it will really be transferring a sum from the funds of the bigger company to the smaller company, the bigger company practically owning the smaller one. It is not a loan as is understood under section 26-B. My friend Mr. Sen points out that it is in direct contravention of section 26-B. It is intended to be in direct contravention of 26-B, and because the principle of 26-B should not apply to a subsidiary company, this proviso is put in. It is intended to be an exception to 26-B, and, therefore, I cannot understand the point of my friend Mr. Sen. If the Honourable Member is prepared to accept it.....

The Honourable Sir Nripendra Sircar : If 'controlled' is changed to "subsidiary", I am prepared to accept it.

Mr. President (The Honourable Sir Abdur Rahim) : I will first put amendment No. 21, in Supplementary List No. 6, at page 4.

The question is :

"That in amendment No. 10 on Supplementary List No. 4 by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, in the proposed clause 26B, after the words 'managing agent', wherever they occur, the word 'actuary' be inserted."

The motion was adopted.

Mr President (The Honourable Sir Abdur Rahim) : I will now put amendment No. 24 on Supplementary List No. 6.

The question is :

"That in amendment No. 10 on Supplementary List No. 4 by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, to the proposed clause 26B, the following proviso be added :

'Provided that every existing loan to any director, manager, managing agent, auditor, actuary or officer, notwithstanding any contract to the contrary, be repaid within one year from the date of the commencement of this Act,

[Mr. President.]

and in case of default, such defaulting director, manager, managing agent, auditor, actuary or officer shall cease to hold such office from the expiry of one year from the date of the commencement of this Act.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : I will now put amendment No. 25. The question is :

“ That in amendment No. 10 on Supplementary List No. 4, by the Honourable Sir Nripendra Sircar and Mr. S. C. Sen, to the proposed clause 26B, the following proviso be added :

‘ Provided, further, that nothing in this section shall prohibit a company from granting such loans or advances to a *subsidiary* company or to any other company of which the company granting the loan or advance is a *subsidiary* company.’”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : Now, I shall put amendment No. 10 at page 3 on Supplementary List No. 4.

The question is :

“ That after clause 26 of the Bill, the following be added, that is, 26A, 26B as amended, 26C and 26D.”

The motion was adopted.

New clauses 26-A, 26-B as amended, 26-C and 26-D were added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : Now, we will take up clause 35.

The question is :

“ That clause 35 stand part of the Bill.”

Mr. Amarendra Nath Chattopadhyaya (Burdwan Division : Non-Muhammadan Rural) : Sir, I move :

“ That clause 35 of the Bill be omitted.”

Clause 35 says :

“ No insurer shall, after the expiry of three months from the commencement of this Act, pay or contract to pay any remuneration or reward whether by way of commission or otherwise for soliciting or procuring insurance business in or for collecting insurance premiums in British India to any person except an insurance agent licensed under section 87.”

This clause anticipates clause 37. Had this clause come after clause 37, I think that there would be no necessity for moving this amendment for deletion. However, as it stands, I have to deal with the matter of license. The position of insurance business in India, at present, leaves a large scope for development, and, if we compare our business with that in the other countries of the world, we shall see where we stand at present. In America the *per capita* insurance is Rs. 2,300, in Canada Rs. 1,300, in New Zealand Rs. 900, Australia Rs. 900. Great Britain Rs. 700, and in India it is Rs. 6. We are practically in the rudimentary stage of insurance and practically one in 400 inhabitants of this country is insured. Therefore, there should be no reason to recommend a

clause which will act as an impediment to the development of this industry. Let me read a few passages from the *Insurance World* about our backwardness in the insurance field :

“ The latest policies in force of all insurance companies, doing business in India including the indigenou companies are worth Rs. 193 crores. Of this, Rs. 114 crores belong to Indian companies and Rs. 79 crores to foreign companies. But population of India is one-fifth of the whole world. This shows that there is immense scope for spread of insurance in India. The Indian companies can at least absorb this 79 crores if the people make it a point to contribute only to their own national companies.....”

Mr. President (The Honourable Sir Abdur Rahim) : Whose arguments is the Honourable Member reciting ? The Honourable Member should give his own arguments in support of his amendment.

Mr. Amarendra Nath Chattopadhyaya : I am putting forward this in support of my own amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The Chair will allow the Honourable Member to read from a document if they are not long passages.

Mr. Amarendra Nath Chattopadhyaya : From this we may realise our backwardness in the field of insurance, and by passing this clause this House will only put difficulties in the expansion of this industry. This insurance industry depends mainly upon the agents who introduce the proponents and create the premium for companies. We have found that insurance companies do not want a large capital to start with, and on that score we have now fixed up a very large capital. Next we have finished with the investment clause and now having procured safety and security for the policy-holders it is desirable for us to see that this industry expands. Amongst the agents there are various classes of people who do this work. Some are part-time workers who add to their earnings by working for the companies at leisure. There are very respectable persons who do not go out as agents but on whose recommendation big companies and small companies secure business. They will never come out and take out a license.

The Honourable Sir Nripendra Sircar : Why not ?

Mr. Amarendra Nath Chattopadhyaya : Simply because they really do this agency work not as their chief means of livelihood or source of income, but with a view to helping the agents and themselves, in their subsidiary source of income. There is also a tinge of a sense of respectability. Insurance agents are generally not given the respect that they deserve. Taking all this into consideration I submit that this clause should be omitted.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That clause 35 of the Bill be omitted.”

The Honourable Sir Nripendra Sircar : I rise quite early in order
 4 P.M. to make clear to the House what position I am going to take up in connection with clause 35 and the connected matters appearing in the following three clauses. I shall very strenuously maintain for the retention of clause 35, with modification in its language for reasons which I shall have ample opportunity of giving

[Sir Nripendra Sircar.]

later on. I want clause 35 to be retained but I do not think that either the Select Committee wanted or anybody here really wants clause 35 to bit anybody except, if I may use the expression, the canvasser or the field worker. I shall make it clear to the House that men like Chief Agents or special agents or directors are not intended to be roped in by clause 35 or compelled to take licenses. I draw the attention of the House to an amendment appearing in Supplementary List No. 2, Amendment No. 4, to the Consolidated List of amendments from clauses 31 onwards. It is in the names of Mr. L. C. Buss, Mr. Chapman-Mortimer and others :

“ That at the end of clause 35 of the Bill, the words ‘ or any persons who for the purposes of insurance business employ such agents ’ be added.”

The amendment has not been moved but the point which I am making is this. If that amendment is accepted and if by operation of that amendment men other than canvassers are got out of the ambit of section 35, then I shall be prepared to support any amendment for fixing a maximum on the terms of amendment No. 582, the motion standing in the name of my friend, Mr. Satyamurti, except that I should ask him to change 40 into 45 and to add the words “ licensed under section 37 ” That is a matter of detail. I am not going into the merits of the amendments now. The position is this. If the House will accept the amendment of Mr. Chapman-Mortimer, the result of it will be, as I have indicated, that only the canvasser will be the person required to take license and he will be the only person intended to be hit by section 35. Then, I shall be prepared to support Mr. Satyamurti's amendment No. 582. If on the other hand that amendment is lost.....

Pandit Lakshmi Kanta Maitra (Presidency Division : Non-Muhamadan Rural) : He may not move it.

Mr. S. Satyamurti : I will move it.

The Honourable Sir Nripendra Sircar : If No. 4 is not carried and if clause 35 is left in the form in which it is appearing, then I shall resist any fixing of maximum commission. I hope, Sir, I have made the position perfectly clear. I shall hear two lines of argument. I have been hearing it *ad nauseum*, morning and evening, for the last two months. First of all there are the young companies and they do not in this matter care what happens so long as what they call the chief agents are safe. They are not very much concerned with others. If the two amendments which I indicated are carried, the result will be that the chief agent will not come within the ambit of clause 35.

Mr. M. A. Jinnah : As it stands now ?

The Honourable Sir Nripendra Sircar : Yes. If it is amended by Mr. Chapman-Mortimer's amendment, the result will be that the chief agent is not controlled by clause 35 and already I have heard from my friend, Sir H. P. Mody, that it will completely nullify the section.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Of course.

The Honourable Sir Nripendra Sircar : Of course not and for this reason. Sir Homi Mody is at present shining in solitary glory. I understand he is going to form what will be called a Millionaires' Party and he hopes to get Sir Cowasji Jehangir, Seth Baghchand Soni and a few others. It has already been whispered and it will be said in a loud tone, very soon, that if you don't rope in the chief agent, you are leaving a wide door open ! The chief agent may get 200 or 500—we don't know what but you, the big company, can spend if you like five lakhs for your branches. There is no control there ! It is the old story of the beam and the mote. Look at the advantage also of the bigger companies. They can have salaried servants. The salaried servants are not controlled by this, provided they do not actually go and canvass for policy. They can help in every way. They can organise, advertise, deliver evening lectures on insurance, sing the glories of the Oriental and what not but that is not what the younger companies can afford but I can assure the House that so far as I am concerned, I have got to take into consideration the view points both of the young companies and what are called the old established companies.

An Honourable Member : Also the middle aged companies.

The Honourable Sir Nripendra Sircar : Unfortunately, there are some young companies which, like some ladies, never grow old. (Laughter.)

There is another question which has got to be considered by the House in connection with this rivalry between the young companies and the old companies. It has been said, sometimes, that there is no good in fixing a maximum commission because the young companies can all be snuffed out of existence by the larger companies lowering their rates. Well, Sir, I made some inquiries in that matter.....

Mr. Akhil Chandra Datta : That was your position. If I heard the Honourable the Leader of the House correctly, I think he said that it was said by some young companies. But I say that that was the position of the Leader of the House himself.

The Honourable Sir Nripendra Sircar : In the Bill which was introduced we did fix a maximum.

Mr. Akhil Chandra Datta : But later on what did you say, in your speech, on the general discussion of the Bill ?

The Honourable Sir Nripendra Sircar : Well, Sir, Mr. Datta is so very much oppressed, like most of us, by the young companies invading his house that he has probably forgotten the speech which I delivered. If he will read that speech over again, he will see that I did not definitely say whether I shall agree to the maximum being fixed or not fixed. But I will not enter any more into this digression.

I was going to point out that there is no truth in the suggestion that, as a matter of fact, the old established companies like the Empire, the National and the Oriental charge higher premiums than the younger companies. If I give some rates, I think it will be interesting. Take, for instance, for an endowment insurance for 20 years, age 30 years next birthday. In fact, we can choose anything for comparison. I am giving

[Sir Nripendra Sircar.]

the rates of different companies. You can understand from the names which are big and which are small :

				Rs.	a.	p.
Oriental	..	..	..	55	5	0
Empire	..	..	..	51	4	0
National	..	..	..	53	8	0
Hindustan	..	..	..	54	4	0
United India	..	..		53	10	0
Bharat	..	..	..	53	10	0
Andhra	..	..	..	52	10	0
Aryasthan	..	..	..	52	4	0

May I stop for one moment at Aryasthan. Mr. S. C. Roy is among those who are responsible for showering on our heads at least one representation every 24 hours. Its life fund is now Rs. 27,000 and it has earned premium which is much larger than Rs. 27,000 in the last two years. Look at the rates. Compare Oriental with 55-5-0 with Aryasthan 52-4-0, and Neptune 51-15-0. Therefore, if the big companies fight successfully the young companies, it is not because the big companies offer lower premium rates than the smaller companies. That is not a fact. Now, supposing we fix no maximum whatsoever, what will be the result ? Supposing the big companies do lower it a little bit and still keep it higher than the smaller companies, what would be the position ? The Oriental pays its licensed agents 40 per cent. and no more. There is no maximum fixed. The younger company, Aryasthan, pays 250 per cent. but Oriental with 40 per cent., I am sure, will be able to get more work and to fight on better terms than Aryasthan. After all, there must be a stop to this cut-throat competition in rates. My only objection to fixing the maximum commission and my hesitation, whatever it has been during the stage after I introduced my Bill, was due to this fact, whether by introducing this legislation we are going to hit people whom we had not—I speak for myself—the slightest intention of hitting.

Now, let us take several cases. Take, first of all, the Chief Agent, who, I am sure, will loom large for the whole of tomorrow. It was not my intention that the Chief Agent, the man who is in charge of business in a certain district or locality and who really employs people under him and who employs licensed agents, should be within the purview of section 35. That is why I referred to Mr. Chapman-Mortimer's amendment. Take another class of case. Take some of the foreign companies. It will apply to Indian companies as well as my next illustration will show. Take a foreign company which has its head office in Calcutta which is looking after the business of the foreign company which is in England or in Canada or wherever it may be. The language which has been used here even ropes in the principal men who are conducting that business on behalf of the foreign company. Take an Indian company. Supposing the Hindustan has its branch in Bombay or in Madras and there is a Branch Manager of the Hindustan at Bombay. If we leave it in the form in which section 35 has been drafted

before the Select Committee, the result will be, both having regard to the language of section 35 as well as the language of section 38, with which I do not want to trouble you just now, that this class of people will stand on the same footing as the canvasser. The result will be that if the Hindustan happens to have its manager in Bombay, he will be hit. Without repeating my arguments, I want to make it perfectly clear that I will object to any person being intended to be brought within the purview of section 35, except one class of individual whom I may call by a colloquial expression the canvasser or the field-worker. Those Honourable Members who think that if that is so then it is no good fixing maximum commission need not accept my offer of amendments 4 and 582. Then, I shall agree with them in giving it up and make no attempt to fix a maximum. That is my view, and I shall oppose fixing of maximum commission if No. 4 is not accepted.

Then, as regards the deletion, from what I have said it will be perfectly clear that I am not willing to accept the amendment of Mr. Chattopadhyaya and I oppose his amendment. I am sure I shall have another occasion of speaking on the subject.

Sir Cowasji Jehangir : Will the Honourable Member define a Chief Agent because every agent will become a Chief Agent ?

The Honourable Sir Nripendra Sircar : There will be no occasion for defining either a Chief Agent or a Special Agent or any other class of individuals, if Mr. Chapman-Mortimer's amendment is accepted. Have you considered that amendment ?

Sir Cowasji Jehangir : May I point out my difficulty ? I understand from my Honourable friend that his reading of Mr. Chapman-Mortimer's amendment is that the Chief Agents will be taken out of the mischief of the section and of Mr. Satyamurti's proposed amendment. That is to say, a limit shall apply only to agents and canvassers and field workers and the Chief Agents can be paid any commission that the insurer may choose. That will be the effect. Now, if that is so, is it not necessary to define who that Chief Agent is and what work he does ?

The Honourable Sir Nripendra Sircar : We need not define anybody. We are defining positively the man who is to be included and anybody who is not a canvasser goes out of the section, whether you call him the Chief Agent or the Special Agent.

Sir Cowasji Jehangir : But what is there to prevent an ordinary canvasser calling himself the Chief Agent ? What is there to prevent an insurer appointing all his field workers under the name of the Chief Agent ? This is a practical difficulty. I am not very conversant myself but I keep myself informed and, therefore, I am putting it to the Honourable the Law Member. I can understand his difficulties and I can understand that a real Chief Agent should be excluded provided you do not leave a loophole open for insurers to call their field workers and their ordinary canvassers Chief Agents and thus allow them unlimited commission. There must be some words put in to prevent that loophole. That is all I ask my Honourable friend, the Leader of the House, to consider.

The Honourable Sir Nripendra Sircar : I have considered that and I have formed the view that my Honourable friend, Sir Cowasji Jehangir, has not considered the amendment at all, because the illustration which he gave has no application at all to the amendment. A man who is going out of clause 35 must be one who employs licensing agents. If the canvasser calls himself the manager or the director general or by any other such big name, that does not matter in the least. Will the Honourable Member kindly read that amendment of Mr. Chapman-Mortimer. It says :

“ or any persons who for the purposes of insurance business employ such agents.”

Now, a canvasser does he employ an agent ? Then how does he come in ? I have made my speech and I will not add anything now. I would ask my Honourable friend to consider this amendment a little more carefully than he has done.

Sardar Sant Singh (West Punjab : Sikh) : Sir, I have listened to the speech of the Honourable the Leader of the House with very great concern. This amendment proposes a departure from the ordinary practice of insurance laws of the country, and, as such, being a lawyer, I certainly wanted that the Government should make out a case for the inclusion of such a departure from the ordinary laws of insurance. Just to illustrate my point, I would urge to you an extract on this point from the report of the Clauson Committee. This point was considered by that Committee in paragraph 17 of their report, and they say :

“ The Committee were invited by the representatives of certain bodies of Insurance Brokers and Agents to recommend legislation which would (a) institute some means of registering or licensing insurance agents ; (b) prevent insurance agents sharing with their clients commission paid by the insuring company, and (c) prevent an insuring company offering more favourable terms to one proposer or one agent than those given to another proposer or another agent. The committee felt some doubt whether the recommendation of legislation of this kind would not be outside the purview of their reference. But, however that may be, the evidence before them appeared to them quite insufficient to justify any system of compulsory registration or license for insurance agents and no practicable scheme for ensuring the proposed restrictions as to sharing commission and as to preventing differentiation was placed before them. The committee desire to make it clear that they are not satisfied that even if a practicable scheme for achieving these ends could be devised there is any need for it in the interests either of the public or of the companies.”

This, Sir, is an important observation made by a responsible committee which was appointed to go into the question. In the face of this observation, my submission is that the Government ought to make out a strong case for the licensing of agents in India. In the absence of such a case, and there is no indication in the speech of my Honourable friend showing that there was any necessity for it, he does not tell us what abuses there are at present in the present system that he wants to change, and there is no evidence on this point. Besides, I want to make myself quite clear. There is not only a business side to this question, there is also a political side as well. My Honourable friends belonging to the Congress Party have taken this clause very lightly. They have not considered the serious consequences that will ensue if licensing system is introduced for agents. What will be its effect on these poor people who want to keep their independence ? They will hereafter go and bow before the doors of the various Secretariat Officers for the sake of employment. My Honourable friends of the Congress Party seem to forget that, during the last Civil Disobedience Movement, the Akali movement and other movements, many persons took active part in those movements, and subsequently their names

were registered in the police offices, and whenever there was a case in which licensing was required, their applications were turned down. Their names were turned down, because they took part in political agitation. May I ask my Honourable friends of the Congress Party if they are going to be a party to this licensing of agents? Are they not afraid of this danger which will face them in the future struggle for complete independence which we are carrying on now? This point of view seems to have simply escaped the attention of the Congress Benches when they issued the whip that their party members should oppose this amendment moved by our party. We have all along been considering the question of competition between foreign companies and Indian companies. In that competition we always find that Indian companies cannot stand on their legs. The result is that if further restrictions are made for the procuring of business of insurance by licensing agents, many of the workers, who now take to insurance line as an incidental occupation to supplement their earnings, will drop out. Insurance business is bound to suffer in that regard. Apart from these considerations, there is another important consideration which has not been made clear from the speech of the Honourable the Leader of the House. He says that this section relating to the licensing of agents will be required for those who canvass for insurance business, at the same time, he has told us that if the amendment tabled by my Honourable friend, Mr. Chapman-Mortimer, is carried, the agents who are in the offices will not come within the mischief of this section. May I ask the Honourable Member whether the word "canvasser" is defined anywhere in the Act? There is none. So, naturally, in the absence of any definition of "canvasser", we will have to fall back upon the literal meaning of the word "canvasser". Canvasser will mean one who canvasses. If a salaried officer of an insurance company asks a person who comes and visits him to insure in his company, then he becomes the canvasser, and he comes within the mischief of section 35. He will have to get license under this clause if it is adopted by the House. So, in spite of the amendment that will be sponsored by Mr. Chapman-Mortimer, even if it is adopted, a salaried agent sitting in his own office will come within the mischief of section 35 and he will have to get a license if he wants to save himself from being proceeded against in a Court of law. My submission is that this clause is a most dangerous clause in the whole of the Insurance Bill. Our Party rightly came to the decision to oppose the inclusion of such a dangerous provision in the Bill. Therefore, I support the amendment moved by my Honourable friend, Mr. Amarendra Nath Chattopadhyaya.

Babu Baijnath Bajoria : Sir, I rise to support the amendment moved by my Honourable friend, Mr. Amarendra Nath Chattopadhyaya. I have listened with great respect and attention to the speech of the Honourable the Leader of the House. He has not spoken one word about why insurance agents should be licensed. It is said that if the amendment of my Honourable friend, Mr. Chapman-Mortimer, is adopted, then a Chief Agent or a Special Agent or other officers who work in the offices will be excluded from the mischief of this section. But the Honourable the Leader of the House has not given any reason why insurance agents should be licensed at all. I say no licensing is required at all. Insurance agents, or as they are loosely called canvassers, are mere brokers and why should they be licensed at all passes my comprehension. Why should you introduce this licensing system only in the case of insurance agents?

[Babu Baijnath Bajoria.]

What about jute brokers, cotton brokers and other brokers in other businesses. Why should an exception be made only in the case of insurance agents and require them to be licensed. It will surely hamper insurance business in this country. Specially the younger companies will suffer, for, in my opinion, the younger companies will have to pay the license fee for the insurance agents from their own pockets, because they will have difficulty in getting insurance agents. If a person can become an insurance agent for a big company, he will naturally not like to go to a small company. In my opinion insurance agents are not at all required. There are other factors also. There are professors of colleges, lawyers and other persons in other professions who, as a subsidiary occupation, take to this insurance business. They make something extra for their living and they give a good class of business from which the insurance companies make a good deal of money. They will be very reluctant to become licensed agents because they will feel it beneath their dignity. They want to act as canvassers but they do not want that fact to be publicly known.

Then there is another thing. If this licensing of insurance agents is passed, Managing Agents of limited companies will not give one pice commission to the companies under their control. They are also chief agents or special agents of insurance companies, and they will take all the commission for themselves and not pay a pice to the companies under their control ; and, thus, the companies will suffer greatly. In my opinion, Sir, this licensing of agents will only give money to Government. I think that is one of the main objects why this provision has been inserted in the Bill. Probably it will serve the purpose of meeting the cost of the office of the Superintendent of Insurance.

The Honourable Sir Nripendra Sircar : Then reduce the fee for licensing and withdraw your objection.

Babu Baijnath Bajoria : But where is the necessity for having insurance agents licensed ? As provided here, an insurance agent will have to pay Rs. 3 annually, and I understand there are about 30 or 40 thousand insurance agents in the whole of India. If the clause is passed as it stands they will get over a lakh of rupees annually. Sir, I wholeheartedly support this amendment and request the Honourable the Law Member to reconsider the matter and not to press for having insurance agents licensed in this country and thus hamper the growth of insurance business in India.

Mr. M. S. Aney : Sir, I want to clear the position of my Party just as the Honourable the Leader of the House has done for himself. My Party primarily stands for the deletion of this clause, that is, doing away with licensing. In case we fail, we will accept the amendment to this clause that is going to be moved by my Honourable friend, Mr. Chapman-Mortimer. If that also fails, we shall have to oppose any amendment that may be moved to this clause by anybody else.

Mr. M. A. Jinnah : Sir, I want to say a few words because the point has not been made clear as to what is the object of this licensing clause. The question has been asked as to why these canvassers and field workers should be licensed. Everybody asked why, but nobody asked why not and nobody said why it should be. Now, as far as I understand,

the whole *raison d'être* and the very basic foundation for licensing these canvassers or field workers is this that they can be traced and identified in case they do wrong. They not only canvass the business, namely, get the policies issued to the policy holders but they collect the premium. Again, on renewal also, they collect the premium, and they take that money and in some cases it does not reach the company. And we do not know how to trace that man, because anybody can be a canvasser. As some one said, even a cook can be a canvasser. Remember that this is not a case of a broker ; it is not a deal between two merchants or two dealers who are on the spot. Here the canvasser goes to the furthest end, canvasses, gets the policy, gets the policy holder to sign and gets his money.

Some Honourable Members : No.

Mr. M. A. Jinnah : I know it personally and I have had several instances of that kind brought to my notice and there is not the slightest doubt about it. Therefore, these unwary policy holders are entirely in the hands of these canvassers. And what is wrong in his obtaining it ? The canvasser has only got to apply that he wants to be a canvasser for the insurance business, his application has only got to be endorsed by the insurer, and then if we get him on the register, we at least know how to trace him, how to identify him ; and that seems to me the fundamental reason why this clause wants that the canvassers and field workers should be licensed. Therefore, I am strongly in favour of this principle of licensing the canvassers and the field workers. As to other matters I do not wish to take the time of the House now as those connected amendments will be dealt with later and I hope that this amendment will not be carried by this House.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : There is one point which I should like to ask in connection with this amendment. I understand from Mr. Jinnah's speech that the agent will have only to apply and he will get it as a matter of course. I should like to know.....

Mr. M. A. Jinnah : I did not say he will get it as a matter of course, but I say that in the ordinary course his application will not be refused. Supposing he is known as a thief, his application will certainly be refused.

Dr. Ziauddin Ahmad : This is what I should like to know, i.e., about the conditions on which the license will be granted. Is it sufficient that one insurer certifies him to be an honest man, and that insurer has full confidence in that particular agent and, after that, the Superintendent of Insurance will grant him as a matter of course ? Or will it be like an application for fire-arms in which an investigation is to be carried on and then it is not certain whether it will be granted. It depends on the sweet will of the District Magistrate. Or, I do not know whether Government will make a rule that they will not have more than so many insurance agents and restrict the number in their own way.

The Honourable Sir Nripendra Sircar : No, we cannot ; we have no power.

Dr. Ziauddin Ahmad : Then, if the license is to be granted on these two conditions that he paid the prescribed fees and he is certified by an insurer that he is a man of good behaviour and that insurer has confidence in him because the certificate implies, then no further questions are asked.

Sardar Sant Singh : May I invite the attention of the Honourable Member to section 37, clause 1, where the Superintendent of Insurance may, at his discretion, grant the license.

Dr. Ziauddin Ahmad : I think I should make my position clear. The Superintendent of Insurance must grant the license if it is applied in a *bonâ fide* manner. But if he is given a further power to withhold it at his sweet will, it is much better that we have no restriction and go ahead without it.

Mr. M. Ananthasayanam Ayyangar : I oppose the amendment suggesting that this clause be deleted. Nor do I agree with the Honourable the Leader of the House that the licensing of agents be restricted only to field workers. I thought the Honourable the Leader of the House wanted to license all persons who have anything to do with procuring life insurance business. The clause, as it stands, no doubt brings in all persons by whatever name they may be called. It is also made necessary that there should be a register in which not only field workers, but also all persons who carry on business or who are intermediaries between the insurer on the one hand and the policy holder on the other will be entered. I never thought that the Leader of the House would raise such a huge mountain as this, to kill a fly as a field worker. I know how yakils are licensed. I cannot practise unless I am licensed. Sometimes we are licensed for ever ; at other times, we have to apply for our *sanads* each time. Sir, I am not one who believes that licensing is bad *prima facie*. Licensing is necessary, and it is necessary that Government and the public should know who are the persons who go about receiving moneys. Only yesterday we were very hot about some conditions, some false statements, fraudulent insertions in the statement relating to policies.

As regards Mr. Chapman-Mortimer's amendment, if it is accepted, I would say it will practically nullify the purpose of licensing. This provision in the Bill was intended to safeguard policy holders on the one hand, and the insurance company on the other, against fraud and against competition. Neither of the objects is going to be realised if Mr. Mortimer's amendment is going to be accepted. The other day Mr. Sen gave the expense ratio of various companies, and as to how these companies, in order to meet the competition, were bloating up so as to break their stomachs. He read that in some companies the expense ratio was 110, 118, 150 per cent. Now, Sir, if you limit the commission to the field worker and do not touch the commission of the Chief Agent, the mischief is not going to end, it will continue. Persons who are important men in Bombay and elsewhere, who go by the name of Chief Agents, and who still canvass business, would certainly come within the four walls of 35. I do not agree that it is desirable to give them a *carte blanche* by pasting an amendment and I must make the provision applicable to all people, by

whatever name they may be called, who stand between the insurer and the policy holder.

Mr. Akhil Chandra Datta : Even the managers of branches ?

Mr. M. Ananthasayanam Ayyangar : If they procure business they will also come under it. But there is one safeguard with regard to the manager or branch agent. All the amounts he receives or pays find a place in the insurer's books. I will ask the Honourable the Deputy President of the House who interrupted me, as to what is the possibility of ascertaining what amount the so-called Chief Agent gives by way of rebate. He does not maintain an account under this Act : he is not called upon to do so. I would, therefore, say, Sir, that as regards Chief Agents there is absolutely no guarantee in respect of non-grant of rebates and other provisions. As regards branch managers the Honourable the Leader of the House made a mistake. He stands entirely on a different footing. His transactions will find a place in the accounts. The Chief Agent must, therefore, be the first person who must take a license : other persons may or may not. The Chief Agent may get 75 per cent. Sir, I am for the retention of clause 35. I oppose my Honourable friend, Mr. Chattopadhyaya's amendment. At the same time I also intend, when the time comes, opposing Mr. Chapman-Mortimer's amendment : I am not in agreement with it. Let all persons be licensed, and let there be, for one and all, a proper safeguard which will really help to advance insurance business on sound lines in this country.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“That clause 35 of the Bill be omitted.”

The Assembly divided.

AYES—18.

Aney, Mr. M. S.
Bajoria, Babu Baijnath.
Banerjee, Dr. P. N.
Buss, Mr. L. C.
Chapman-Mortimer, Mr. T.
Chattopadhyaya, Mr. Amarendra Nath.
Datta, Mr. Akhil Chandra.
Ghuznavi, Sir Abdul Halim.
Hudson, Sir Leslie.

James, Mr. F. E.
Lalchand Navalrai, Mr.
Lang, Mr. J. C.
Maitra, Pandit Lakshmi Kanta.
Sant Singh, Sardar.
Scott, Mr. J. Ramsay.
Som, Mr. Suryya Kumar.
Yakub, Sir Muhammad.
Ziauddin Ahmad, Dr.

NOES—89.

Abdul Ghani, Maulvi Muhammad.
Abdul Hamid Khan, Khan Bahadur Sir.
Abdul Qaiyum, Mr.
Abdullah, Mr. H. M.
Abdur Rasheed Chaudhury, Maulvi.
Ahmad Nawaz Khan, Major Nawab Sir.
Anwar-ul-Azim, Mr. Muhammad.
Asghar Ali, Sheikh.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Bajpai, Sir Girja Shankar.
Bhagavan Das, Dr.
Chaliha, Mr. Kuladhar.
Chanda, Mr. A. K.
Chaudhury, Mr. Brojendra Narayan.
Chettiar, Mr. T. S. Avinashilingam.

Chetty, Mr. Sami Vencatachelam.
Dalal, Dr. B. D.
Dalpat Singh, Sardar Bahadur Captain.
Das, Mr. B.
Das, Pandit Nilakantha.
Deesai, Mr. Bhulabhai J.
Deshmukh, Mr. G. V.
DeSouza, Dr. F. X.
Essak Sait, Mr. H. A. Sathar H.
Faz-i-Ilahi, Khan Sahib Shaikh.
Gadgil, Mr. N. V.
Ghiasuddin, Mr. M.
Ghulam Bhik Nairang, Syed.
Ghulam Muhammad, Mr.
Gidney, Mr. C. W. A.
Govind Das, Seth.

NOES—*contd.*

Gupta, Mr. K. S.
 Hunds, Mr. A. S.
 Haas Raj, Raizada.
 Hosmani, Mr. S. K.
 Jawahar Singh, Sardar Bahadur Sardar
 Sir.
 Jedhe, Mr. K. M.
 Jehangir, Sir Cowasji.
 Jinnah, Mr. M. A.
 Jogendra Singh, Sirdar.
 Joseph, Mr. George.
 Kailash Behari Lal, Babu.
 Kamaluddin Ahmed, Shams-ul-Ulema.
 Kushalpal Singh, Raja Bahadur.
 Lloyd, Mr. A. H.
 Mackeown, Mr. J. A.
 Manavedan Raja, Rao Bahadur K. C.
 Mangal Singh, Sardar.
 Mani, Mr. B. S.
 Mehta, Mr. S. L.
 Misra, Pandit Shambhu Dayal.
 Mody, Sir H. P.
 Mudaliar, Mr. C. N. Muthuranga.
 Muhammad Ahmad Kasmi, Qas.
 Murid Hussain Qureshi, Khan Bahadur
 Nawab Makhdum.
 Nagarkar, Mr. C. B.
 Nayudu, Diwan Bahadur B. V. Sri Hari
 Rao.
 Ogilvie, Mr. C. M. G.
 Pande, Mr. Badri Dutt.

Parsons, Lieut.-Colonel A. E. B.
 Pursell, Mr. E. S.
 Raghubir Narayan Singh, Choudhri.
 Rahman, Lieut.-Colonel M. A.
 Ramayan Prasad, Mr.
 Runga, Prof. N. G.
 Rao, Mr. Thirumala.
 Roy, Mr. S. N.
 Saksena, Mr. Mohan Lal.
 Santhanam, Mr. K.
 Satyanurti, Mr. S.
 Sen, Mr. S. C.
 Sham Lal, Mr.
 Sheodass Daga, Seth.
 Sher Muhammad Khan, Captain Sardar
 Sir.
 Siddique Ali Khan, Khan Sahib Nawab.
 Sikandar Ali Choudhury, Maulvi.
 Singh, Mr. Gauri Shankar.
 Singh, Mr. Ram Narayan.
 Sircar, The Honourable Sir Nripendra.
 Spence, Mr. G. H.
 Sri Prakasa, Mr.
 Staig, Mr. B. M.
 Stewart, The Honourable Sir Thomas.
 Sukthankar, Mr. Y. N.
 Thorne, Mr. J. A.
 Tylden-Pattenson, Mr. A. E.
 Umar Aly Shah, Mr.
 Varma, Mr. B. B.

The motion was negatived.

The Assembly then adjourned till Eleven of the Clock on Thursday,
 the 23rd September. 1937.