

LEGISLATIVE ASSEMBLY DEBATES

THURSDAY, 29th MARCH, 1934

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OFFICIAL REPORT



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LEGISLATIVE ASSEMBLY.

Thursday, 29th March, 1934.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr President (The Honourable Sir Shanmukham Chetty) in the Chair.

SHORT NOTICE QUESTION AND ANSWER.

BAKRID RIOT AT AJODHIA.

Mr. Muhammad Azhar Ali: (a) Are Government aware of a serious riot over Bakrid sacrifice in Ajodhia, Fyzabad District, Oudh?

(b) Is it a fact that rioters have set fire to Muslim houses and demolished a mosque at Ajodhia?

(c) Will Government state what arrangements have been made to deal with the situation?

The Honourable Sir Harry Haig: It is unfortunately the case that a riot has occurred. I regret that I have not yet received details of it from the Government of the United Provinces. I expect to receive them in the course of the day, and will lay the information on the table of the House as early as possible. Reinforcements of police were despatched from Lucknow and troops are available in Fyzabad. I think, therefore, there need be no apprehension that the situation is not fully under control.

Mr. M. Maswood Ahmad: Have Government seen a Press report in this connection that, a day before the Id, a large gathering of people came into the town who were not inhabitants of the town, but of neighbouring villages, and that no precaution was taken by the United Provinces Government?

The Honourable Sir Harry Haig: I have seen various Press reports, but, as I have said, I have received no official details yet.

DEMANDS FOR SUPPLEMENTARY GRANTS.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Demands for Supplementary Grants.

INDIAN STORES DEPARTMENT.

The Honourable Sir George Schuster (Finance Member): Sir, I move;

"That a supplementary sum not exceeding Rs. 2,20,000 be granted to the Government or General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Indian Stores Department'."

The motion was adopted.

CURRENCY

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 78,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Currency'."

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): Sir, by way of information I should like to know why this item is put separately and the item under 98 is not included here, which is tabled as No. 30 which is in respect of nickel coinage and that is part of the currency. Why could not that be amalgamated with this?

The Honourable Sir George Schuster: We are simply following the usual practice. The other item to which my Honourable friend referred is shown under a separate head. I think he is referring to item No. 30 which refers to "Interest-free Advances". We are following the usual practice in this matter.

Mr. Vidya Sagar Pandya: Would it not be better hereafter to put these under Currency instead of showing them separately.

The Honourable Sir George Schuster: There are very good reasons against altering the heads of these demands. It is important to be able to compare one year with another. If we start altering our heads of accounts, it makes it extremely difficult to make comparative examinations of accounts from year to year.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 78,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Currency'."

The motion was adopted.

CIVIL WORKS.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 13,50,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Civil Works'."

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, I find that there is going to be a higher income under petrol by about ten lakhs, and I want to suggest that out of the share of Governments which they will have in this connection, a major portion should go to Bihar towards the relief of roads in that Province.

The Honourable Sir George Schuster: Sir I will deal with this point on behalf of my Honourable friend, Sir Frank Noyce, who has had to be present in another place. The point raised by my Honourable friend

was considered, and it so happens that none of the provincial roads, *i.e.*, roads for which the Provincial Government are responsible have actually been damaged in Bihar. The damage is all in respect of roads for which the local authorities are responsible and the provision of funds for making good that damage is included in the free grant which we are making to the local authorities, as I have already explained to the House.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 13,50,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Civil Works'."

The motion was adopted.

SUPERANNUATED ALLOWANCES AND PENSIONS.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 14,14,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Superannuation Allowances and Pensions'."

The motion was adopted.

MISCELLANEOUS.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 1,03,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Miscellaneous'."

Mr. M. Maswood Ahmad: Sir, this amount is required by Government for three reasons, as they have mentioned in the notes and also in the proceedings of the Standing Finance Committee. First, it is required to meet the total portion of the expenditure on account of the Committee appointed to examine the administrative problems connected with the formation of a separate Sind Province.

The second point for which they want this amount is that these are required to meet expenditure on account of the Indian delegation to the Joint Select Committee of Parliament on Indian Constitutional Reforms and the representatives of the Indian Legislature invited to attend discussions on the Reserve Bank and Statutory Railway Board in London. The Standing Finance Committee has agreed to it. Further, these are required to meet (i) increased payments to Indian Posts and Telegraphs Department anticipated on account of the difference between the public and concessional rates chargeable on foreign States telegrams and (ii) certain establishment and audit charges in connection with the final winding up of the affairs of the late Indo-European Telegraph Department.

I want to know whether the amount which has been paid to the witnesses has also been included in this or not. I want also to inform the Government, the Honourable Members and the public in this country

[Mr. M. Maswood Ahmad.]

that any attempt to worsen the Communal Award will not be acceptable to the Muslims, and any threat or challenge by Sardar Sant Singh is not the proper way to do it, and the Muslims do not like that this Communal Award be worsened any more.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 1,03,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Miscellaneous'."

The motion was adopted.

TRANSFER OF THE REVENUE SURPLUS OF 1933-34 TO FUND FOR
RECONSTRUCTION OF EARTHQUAKE DAMAGES.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 1,28,89,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Transfer of the Revenue Surplus of 1933-34 to Fund for Reconstruction of Earthquake Damages'."

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muham-madan): Sir, I support this motion wholeheartedly, and, in doing so, my object is only to tender to the Government and to the Honourable the Finance Member our thanks for having made this grant and to the House also which has passed the Budget for having so readily accepted this proposal. It is too early to say at present whether the amount of relief which has been granted by the Government of India would be adequate to the requirements of the situation or not. But, so far as the attitude of the Government of India is concerned, I know that their attitude is very sympathetic, and I press upon the Government the desirability of making whatever additional grants may be necessary to reconstruct the Province and put people back in their normal condition of life.

Mr. M. Maswood Ahmad: Sir, I am thankful to the Government for having given this aid to the Bihar Government. But I wish to say that this amount is really nothing to cope with the work which is really required there. My Honourable friend has said in his speech that they are ready to give more money to the Bihar Government for relief work, but I wish to draw attention to paragraph 41 (a) of his Budget speech where he said that 50 per cent. of the amount would be given free and 50 per cent. as a loan—for the reconstruction of Provincial Government buildings. The condition of the Bihar Government is not good and their financial position is not sound now, and their income will fall much lower than is expected, because they will not be able to collect sufficient land revenue; and so, when their income is lessened, it is not advisable that the Government should give only 50 per cent. towards reconstruction: I would request them to consider whether the whole cost of such reconstruction of Provincial Government buildings should not be given free as a help and relief to the Bihar Government. Public opinion in Bihar is thankful to the Central Government and to my Honourable friend, Sir George

Schuster, and I hope he will consider this question again and that other relief measures which may be required by the Bihar Government will also be given.

The Honourable Sir George Schuster: Sir, I think my Honourable friend has gone perhaps rather outside the proper scope of this demand in his remarks on this particular grant; but I did not raise any objection, because I want to make one point clear to him and to the House. In offering the Government of Bihar a free grant of half their expenditure, we, as a matter of fact, went further than the Government of Bihar themselves asked us to go; and I want also to remind my Honourable friend that if the Government of Bihar have to raise a loan of 50 lakhs, the interest charges on that amount will presumably be something like Rs. 2½ lakhs per annum. Now, according to our financial proposals for this year, if our whole programme is accepted by the House, the Government of Bihar will stand to get an addition to their revenue of Rs. 12½ lakhs a year as their share in the jute export duty. Therefore, I think we have gone very far in our proposals to help the Government of Bihar and to put it in a sound financial position.

Mr. Vidya Sagar Pandya: Am I to understand that the interest will be charged at the rate of five per cent. to the Bihar Government on the 50 lakhs allotted to them?

The Honourable Sir George Schuster: I never said anything to justify such an assumption. I said that the interest charges on 50 lakhs would presumably be about Rs. 2½ lakhs—and twice 2½ works out to 4½ per cent.: it will probably be less than that: I said "about 2½".

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, is the Honourable Member aware that jute is grown in Orissa only and not in Bihar, and I do not want the Bihar Government to monopolise that tax and expend it in Bihar only.

Mr. President (The Honourable Sir Shanmukham Chetty): If Orissa is separated, that will be taken into account.

The question is:

"That a supplementary sum not exceeding Rs. 1,28,89,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Transfer of the Revenue Surplus of 1933-34 to Fund for Reconstruction of Earthquake Damages'."

The motion was adopted.

REFUNDS.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 18,74,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Refunds'."

The motion was adopted.

DELHI.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 2,06,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Delhi'."

The motion was adopted.

AJMER-MERWARA.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 3,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Ajmer-Merwara'."

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, I find that there is an item for the appointment of a special Additional Judge simply to clear off arrears in the District Courts of Ajmer-Merwara. My submission is that we have got too many grades in the appointment of Judges. There are Sessions Judges, Additional Judges, special Additional Judges, and so on, and the work that is done by this class of people can very well be done by honorary officers if such posts are created, just as we are doing in our own Province in Oudh. There we have got the system of Honorary Sub-Judges. To appoint special Judges and adding special officers does mean a great expense in these days of depression, and the work in Courts in these days, so far as I know, is not so great as to require the appointment of special Judges.

Mr. H. A. F. Metcalfe (Foreign Secretary): Sir, the explanation is given here as to why this appointment of a special Additional Judge is necessary. If the House wishes for further information, I can give it to them. The position was that in June, 1933, the Judicial Commissioner represented that there were 402 civil appeals and 67 miscellaneous appeals pending in the Court of the Additional District and Sessions Judge, Ajmer-Merwara. Additional staff was, therefore, considered urgently necessary. In order to avoid serious delay in the administration of justice, and consequent hardship to the public, the creation of an appointment of an Additional Judge together with the staff was sanctioned on the 26th July, 1933. Practically, the whole expenditure was covered with the exception of this Rs. 3,000 by re-appropriation of other money granted for other purposes, but it was impossible to cover the whole amount, although the Chief Commissioner had surrendered some Rs. 10,700 non-voted savings which could not be appropriated for voted expenditure. I cannot believe that it would have been possible to obtain the service which will be rendered by this additional Judge merely by the appointment of honorary Sub-Judges, and so forth, as suggested by the Honourable Member. I presume that the Judicial Commissioner considered this expedient and found it impracticable.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I oppose this motion, because Ajmer-Merwara

has sent me a gentleman who has peculiar ideas of social reform involving fundamental changes in the Hindu religion, and, therefore, I don't think Ajmer-Merwara is entitled to any consideration from this House. Therefore I strongly oppose this motion.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 3,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Ajmer-Merwara'."

The motion was adopted.

EXPENDITURE IN ENGLAND—HIGH COMMISSIONER FOR INDIA.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 84,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Expenditure in England—High Commissioner for India'."

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, in this supplementary demand, I should like to refer to point I (8) (d), grants-in-aid, Rs. 22,000, where it is stated as follows:

"This is required to meet expenditure in connection with the payment of India's contribution to certain Inter-Empire Economic Organizations. Referring to the Standing Finance Committee's Report, I find that a copy of paragraph 358 of the Report of the Committee containing a summary of their principal recommendations will be found on pages 92 to 95. It may be observed that one of the chief effects of the Committee's recommendations is that the Empire Marketing Board as such will be discontinued after the 30th September, 1933. Certain of the economic and statistical services at present carried on by the Board, viz.: (1) periodic market intelligence notes, and (2) world surveys of production and trade, will, however, be continued and undertaken by the Imperial Economic Committee the continuance of which has been recommended."

Now, Sir, so far as I understand the position, this grant is for Indian expenditure of the Imperial Economic Committee which now replaces the Empire Marketing Board. We had an Empire Marketing Board for a long time, and so far as I know, —I speak subject to correction,—India had not to contribute anything to this Committee's expenditure. Now, it is suggested that that particular Committee should be replaced by a similar Committee, and we are asked to share its expenditure. There is also a question put in the Standing Finance Committee—Is the proposal in respect of a new service.—and the reply is "No". It means that it is a principle to which this House stands committed, and it is an item which should be merely considered as an additional expenditure. I join issue with the Government and the Standing Finance Committee as well, and I submit that it is not a new service. Sir, in a matter like this, where the whole policy of Government is changed and in which India is now required to pay a certain share of the expenditure, this House should have a voice. I don't say that it should necessarily vote against such a grant, but there are various considerations which should be scrutinised by this House. For example, the Committee, as it is constituted, will be expected

[Mr. S. C. Mitra.]

to look after many matters of detail, so far as India is concerned, and there is no provision in this to show whether officers on this Board will be appointed from India. In paragraph 117 of the Report of the Indian Delegation to the Imperial Economic Conference, Ottawa, they say as follows:

"There is no question as to the high value of the work performed by the Imperial Economic Committee, and we consider that suitable arrangements should be made for the continuance and reasonable expansion of such work. Nor is there any doubt as to the value to India of the research work carried out by the Imperial Mycological Institute and the Imperial Institute of Entomology, or of the work performed by the Imperial Agricultural Bureaux. To all of these India pay annual contributions, and in each case satisfactory arrangements now exist for the maintenance of contact with scientific workers in India and for a periodical review of the work done."

Sir, I entirely agree with the views expressed here, but I would like to emphasise the point that before India accepts a burden to share the expenditure with other Empire countries for a Committee like this, this question should be thoroughly discussed in this House, whether, in view of the peculiar conditions of India, a Branch of it should not be established in India itself. If that is not possible, how the particular conditions of India should be taken into consideration by the Central Legislature is also a matter that requires consideration, and whether experts from India should be engaged to contribute their experience in the solution of these very difficult questions. These are all matters that require full consideration by this House, and a grant like this should not be put in in a supplementary demand saying that some amount has been received by re-appropriation from certain grants, and we cannot be expected to vote 30 or 32 grants within an hour or so. I don't object to this grant, but I protest against the nature or the manner in which it is proposed to put it through this House without a full and proper consideration of the whole question.

Mr. B. Das: Sir, I fully endorse the remarks that have fallen from my friend, Mr. S. C. Mitra. Personally, I consider that when any new item of expenditure is incurred by the Government of India, and whenever any commitment has to be made on behalf of India, it should be brought out separately, and, as my friend has pointed out, Government should take this House into confidence about such commitments. The Empire Marketing Board has been abolished and I regret that a particular feature of the Empire economy and development has been done away with, but if the Government of India commit themselves that India should again assist Empire collaboration through this Imperial Economic Committee, then this should be a new feature and a new item of expenditure. I wonder if the Auditor General would allow the supplementary grant as an appropriation and whether he will not raise an objection that it should be considered a new service. I am not at present satisfied that India should at all participate in the new garb of the Empire Marketing Board as the Imperial Economic Committee, particularly when India does not get the necessary facilities that are required, as was pointed out by my Honourable friend, Mr. Mitra. For that reason, I oppose this grant.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): I think there is a certain amount of misunderstanding about this item of Rs. 22,000. It is not entirely a new item though my Honourable friend, Mr. Mitra, is perfectly right in saying that the Empire Marketing Board has ceased to exist and that its place has been, in a sense, taken by this new Imperial Economic Committee. I would point out that we are in this grant continuing to a certain extent the grants that we have in the past been making to certain agricultural and other Empire bureaux from which we have derived considerable benefit. Obviously, Sir, we could not expect His Majesty's Government to continue to finance the activities of the Empire Marketing Board for all time. They have now refused to do so. They are quite willing to bear their own share of the burden, but they have asked the other Empire countries, which benefit from the activities of that Board, to share in its expenses. So far as this item itself goes, the House will agree with me that it represents good value for the money. We have, as I have already said, obtained very material benefit from researches which have been carried out in the past by such bureaux as the Entomological Bureau, the Mycological Bureau, etc., and these will now be financed from the grant we are making.

I ought to bring two points in this connection to the notice of the House. The first is that we are only committed for three years, and the second is that for the first time the activities will be directed or controlled by a Committee, the Empire Economic Committee, upon which we receive as much representation as any Government in the Empire. On the last occasion, that is to say, the first occasion on which this Committee met, our two representatives were Sir Atul Chatterjee and Sir Padamji Ginwala. I may say that the House may rest content that our case will always be put fairly and squarely before the Board. I do not think, Sir, that the House need apprehend that we will be led into any further or any larger expenditure, and I personally am very strongly of the view that a contribution of this nature is a very small payment for the benefits that are likely to accrue.

Mr. S. C. Mitra: May I ask how many other dominion countries have agreed to this and whether they also contribute the same amount?

The Honourable Sir Joseph Bhore: The contribution is fixed on a *pro-rata* basis, and my recollection is that practically all the dominions have agreed to contribute.

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): What is that *pro-rata*?

Mr. S. C. Mitra: Population or revenue?

The Honourable Sir Joseph Bhore: I am afraid I have no information readily available. If my Honourable friend will put a question down, I should be happy to have the information collected and given to him.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 84,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Expenditure in England—High Commissioner for India'."

The motion was adopted

CAPITAL OUTLAY ON VIZAGAPATAM HARBOUR.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 1,38,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Capital Outlay on Vizagapatam Harbour'."

Mr. Muhammad Azhar Ali: The only thing I want to know in this connection is, if there is no appeal from the decision of the Subordinate Judge. From the Standing Finance Committee's report I find that the party claimed about Rs. four lakhs, but the award of the Land Acquisition Officer was only for Rs. 17,745. But when the matter went up before the Subordinate Judge, he raised the amount to Rs. 1,30,000. When there is such a marked difference between about Rs. 18,000 and Rs. 1,30,000, there ought to be a fairly good appeal to the High Court unless there is some special Act prohibiting any appeal to the High Court. I think it would have been a good appeal, because my own experience in these cases is that when a case goes up before the High Court, either some sort of account mistakes are found out or some sort of compromise is made. On the other hand, the Government have nothing to pay by way of court-fees, because, if the court-fee is payable, it goes from one pocket of the Government to another pocket.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammudan Rural): In this connection I would like to place before the House one piece of information. When the acquisition of this land was considered, the amount of money that was thought necessary for the purpose of acquiring this land was originally estimated to be something over a lakh of rupees. But the Harbour Authorities, when it came to a question of giving the money, offered a far lower amount than one lakh. The result was litigation between the two parties. In the course of the proceedings in that case, it transpired by cross-examination of the Harbour Authorities themselves that the original estimated amount of the value of the property, even according to them, was over a lakh of rupees, and that was the basis of the Subordinate Judge's judgment in that case. In view of those facts, it may be considered that the judgment of the Subordinate Judge is correct and no better claim can be made before the High Court on appeal.

The Honourable Sir Joseph Bhoré: I have really nothing further to add to what my Honourable friend, Mr. Raju, has said. That is the position as far as I am aware of it.

Mr. Muhammad Azhar Ali: May I know what cost the Government have to pay in this case?

The Honourable Sir Joseph Bhoré: I am afraid I cannot hear a word of what my Honourable friend said.

Mr. B. Sitaramaraju: A very large sum.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 1,38,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Capital Outlay on Vizagapatam Harbour'."

The motion was adopted.

COMMUTED VALUE OF PENSIONS.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 22,76,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Commuted Value of Pensions'."

The motion was adopted

EXPENDITURE ON RETRENCHED PERSONNEL CHARGED TO CAPITAL.

The Honourable Sir George Schuster: Sir, I beg to move:

"That a supplementary sum not exceeding Rs. 3,01,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Expenditure on Retrenched Personnel charged to Capital'."

Mr. S. C. Mitra: Referring to the corresponding volume of the Standing Finance Committee proceedings, Volume XIII, No. 8, page 495, this is what we find:

"The excess is mainly due to larger payments to officers retiring from the Posts and Telegraphs Department under retrenchment concessions during the current year than were allowed for in the budget. When the budget of the Posts and Telegraphs Department for 1933-34 was framed, it was assumed that the retrenchment concessions would be in force up to the 30th June 1933. It was subsequently decided that in the case of the Posts and Telegraphs Department the period of concessional retirement should be extended up to the 31st March, 1934."

I like to be enlightened why there is this special vigour and enthusiasm for retrenchment in the Postal Department. Is it because that the largest number of employees in this Department are Indians? I am getting telegrams almost every day that the retrenchment campaign in this Department is going on ruthlessly, and officers, having 20 or 25 years' service and junior officers with less than two years' service and peons and lower class people are being retrenched. So, when this particular Department is asking for a big sum by way of supplementary grant, either the general charge of the accounts of this Department is deficient and not up to the mark as compared to other Departments or is it due to any special principle that has been adopted by the Posts and Telegraphs Department as regards retrenchment. I shall be glad to be enlightened on these two points.

Mr. S. P. Varma (Government of India: Nominated Official): I have not really much to add to what Sir Thomas Ryan said in this connection in the last speech that he made in this House. The principles on which the Posts and Telegraphs Department is making retrenchments are exactly the same as those on which retrenchment is being made in other civil Departments of the Government of India,—the selection of men for retrenchment, the concessions payable to them, they are all exactly the same. The only speciality about the Posts and Telegraphs Department is that it is a public utility department and it is expected to balance its expenditure with its revenue. As the House is aware the Department has been examining every source of economy and has been carrying out those economies as far as practicable, but that does not really differentiate it from other

[Mr. S. P. Varma.]

Departments of Government which too have been making whatever economies are feasible to them. The amount bulks large in the accounts, because the Posts and Telegraphs Department is the largest single civil Department under the Government of India.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 3,01,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Expenditure on Retrenched Personnel charged to Capital'."

The motion was adopted

INTEREST-FREE ADVANCES.

The Honourable Sir George Schuster: Sir, I beg to move:

"That a supplementary sum not exceeding Rs. 2,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Interest-free advances'."

Mr. Vidya Sagar Pandya: Looking into the proceedings of the Finance Committee, I find that this expenditure of two lakhs is in connection with the loss incurred in destroying the uncurrent nickel coins returned. It was originally estimated that only 3,62,000 will be required, but a larger number of coins came back, with the result that they had to ask for this extra two lakhs in connection with the destruction of nickel coinage. As I pointed out previously and as the Honourable the Finance Member has explained, it was on account of the old system of keeping accounts that this item has come under the Interest-free Advances though I thought it should really go under the head of Currency. Now, Sir, looking into the blue books published by the Government and taking, for instance, the detailed Estimates and Demands for Grants on page 841, we find that the actual for 1932-33 was 5 lakhs 34 thousand and odd. The Budget estimate for 1933-34 was 3,62,000. Then the revised estimate for 1933-34 was 5,70,000. Then the Budget estimate for this year, i.e., 1934-35 puts it at 4,58,000. Similarly, looking into the Report of the Controller of Currency, we find that these nickel coins are rather unpopular in the country, and, on account of the coins coming back in large numbers, the Government are incurring this expenditure, in connection with the replacement of these coins. Originally we had silver coins for eight annas, four annas and two annas, and we had no nickel for one anna. Subsequently probably to save some of our European and other friends from giving a tip of two annas, the Government very conveniently came forward and coined one anna so that they could give a waiter an anna instead of two annas and avoid carrying heavy copper coins. In connection with this, I would like to read a letter from an I.C.S. Officer who has written to me in this connection. This letter from a member of the Heaven-born service should carry more weight than any pleadings on my part. He says:

"I want some information which only a legislator can get. I am still interested in currency problems. And the greatest currency problem is the question of retaining silver and gold as the real coinage. Soon after the war, the silver subsidiary

coinage was replaced by nickel one, two, four and eight anna nickel pieces. Whatever the professions, the actual effect was that Canada which produces ninety per cent. of the world's output of nickel was given a subsidy from Indian revenues and a market for accumulated stocks and silver depreciated. I want information as to the total value in sterling or rupees of the purchases of nickel made by Government to replace the silver subsidiary coinage by nickel coinage and the annual subsidy we are continuing to pay for the annual wear and tear of nickel coins by buying more."

Of course, the Government experts said the replacement was made because nickel is harder, cheaper, etc., etc. But regarding things of value, we might consider long-time things and not wear and tear. Also, if you can agitate to replace nickel again by silver in the subsidiary coinage, it will be good. Silver and gold will last and have lasted as far as human eye can see

The Honourable Sir George Schuster: Sir, if my Honourable friend's speech is a move in this campaign of agitation to replace nickel by silver, I say that his whole speech is irrelevant to this particular issue and out of order.

Mr. Vidya Sagar Pandya: I simply want to draw attention to the point and not a move in any agitation for the present. Now, let me finish the letter.

"A wicked young friend of mine told me"

The Honourable Sir George Schuster: I really must raise the point of order. According to the rulings which you have given, Sir, I do put it to you that my Honourable friend's speech is entirely irrelevant to the issue before the House and to what the House is entitled to discuss under a supplementary demand.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member will not be in order if he wants, on this motion, to make out a case that it would be better to substitute silver for nickel as subsidiary coinage. Is that the object?

Mr. Vidya Sagar Pandya: No.

Mr. President (The Honourable Sir Shanmukham Chetty): Then what is his object in reading out that letter?

Mr. Vidya Sagar Pandya: My object is to show that there is so much of wastage on nickel and the Government have to come forward every year with a supplementary demand, and some better methods should be adopted

The Honourable Sir George Schuster: If that is my Honourable friend's point, I put it again to you, Sir, that it is out of order because we are committed in any case to this policy. The nickel coin is in existence. Some of it comes back some years, in other years more goes out than comes back. That is not the issue before the House. The issue before the House is whether this small expenditure in connection with the return of a certain amount of nickel coinage is to be met: not the question of whether we ought to alter our policy regarding the issuing of nickel coins.

Mr. Vidya Sagar Pandya: Is it not relevant to point out to the Government how the country loses on account of this new nickel coinage, and to draw attention to that fact in connection with this demand? If that is out of order, I have nothing more to say.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member simply wants to point out that a great deal of loss is being incurred on account of this item coming up year after year. His remarks must be confined to pointing out that fact, but he is enlarging the scope of his argument and wants to prove that it would be more advantageous to substitute nickel by silver. He may just refer to that, but to read a long letter in support of that is not in order.

Mr. Vidya Sagar Pandya: Well, Sir, I bow to your ruling, and I hope I have not infringed any of your rulings; and if I may be permitted to read a couple of lines (Laughter), it won't do any harm.

"A wicked young friend of mine told me regarding the export of gold and its advantages of imports given by the Finance Member, "Peasants' gold is being exported by Indian princes and bullion dealers to English Banks to import French diseases to be cured by German remedies, which call for a further export of gold." (Laughter.)

"I hope you will excuse the facetiousness of the young man and let me have the favour of an early reply. I am sending this by registered post, not because I am afraid of your not noticing it, but because I have had reason to suspect that my letters are being intercepted and destroyed in the post by mysterious people whom I would like to catch." (Laughter.)

Sir, that goes to show how the C. I. D. and the Postal Department are co-operating in the matter of this silver question—I mean the nickel question,—I won't mention silver, that is tabooed. Sir, with these words, I oppose the motion.

The Honourable Sir George Schuster: Sir, I am afraid ninety-five per cent of my Honourable friend's speech I cannot deal with, because I still maintain that it is quite irrelevant to the issue before the House. My Honourable friend also raised the point about the head under which this particular item of expenditure was charged. I would like to make it clear that I did not quite hear what he said on the first point, so that I did not give quite a correct answer to that. This particular head has to deal with nickel coinage. Therefore, if it did not come under this Interest-free Advances head, it would come under Mint and not under Currency, so that my Honourable friend's first point was quite incorrect. There is no question that anything to do with nickel coinage would have come under Currency. I may explain to my Honourable friend that this method of charging part of the expenditure in connection with the return of nickel coins to this head of Interest-free Advances is a matter of technical accounting. It is a rather complicated matter, but I think I can put the substance of it most clearly by saying that this Interest-free Advances head operates really like a suspense account until the whole transaction is concluded. That is why the cost of the return of nickel coins sometimes appears under this Interest-free Advances head. That is all I have to say.

Mr. M. Maswood Ahmad: Sir, sometimes we find the Government Members place before us certain items of new expenditure in the shape of supplementary demands. If we are not aware of those items and

those expenditure beforehand how could we discuss them at the time of the Budget? Can we discuss the policy of those particular items which are newly brought before the House or before the country in the shape of supplementary demands, or it is the case that that also cannot be discussed?

Mr. President (The Honourable Sir Shanmukham Chetty): The very name of the demand shows that it is supplementary to what has been sanctioned in the Budget, and, therefore, no question of policy can be discussed.

The question is:

"That a supplementary sum not exceeding Rs. 2,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Interest-free advances'."

The motion was adopted.

LOANS AND ADVANCES BEARING INTEREST.

The Honourable Sir George Schuster: Sir, I move:

"That a supplementary sum not exceeding Rs. 1,64,97,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Loans and Advances bearing Interest'."

Mr. B. Das: Sir, I welcome this opportunity that the Honourable the Finance Member has given to draw the attention of the House to the policy of Government regarding the granting of advances and loans to different Indian States, which policy, I say, is detrimental to the financial credit of India. Sir, if we refer to the Standing Finance Committee's report, Volume XIII, No. 8, page 499, we find that several Indian States are given loans—which raises important questions of policy in that supplementary demand.

Sir, a loan of Rs. 25 lakhs was granted to the Nawanagar State for certain so-called essential works. The Alwar State got Rs. 25
12 Noon. lakhs in order to prevent a serious breakdown in administration of that State; and then the Bahawalpur State—everybody knows about that State's bankruptcy—got another Rs. 12·97 lakhs for additional expenditure on the Sutlej Valley Project. Sir, I do not know whether the first two items are productive debts or not. At any rate, the Alwar State has not got the money to promote the development of that State. As regards the Bahawalpur State, I am sorry, that State is the victim of that one Provincial Government of my Honourable friend. Mr. Jagannath Aggarwal, and, Sir, that Government brought out a project called the Sutlej Valley scheme whereby the Bahawalpur State was committed to an expenditure of two or three crores. And, as I said the other day on the debate on the Finance Bill, the State has now been saddled with a debt of 12 to 13 crores from the Government of India. I do not know if it is true that the Government of India are going to write-off a certain amount of the accumulated interest charges. I have a recollection that the Government of India have written off a certain amount, but the Honourable the Finance Member last year tried to shift

[Mr. B. Das.]

the blame from the shoulders of the Punjab Government to the broad shoulders of the Government of India. The Government of India did not like even last year to throw the blame on the Government of the Punjab for this bad project and for the heavy loans that are being saddled on the shoulders of the Bahawalpur State. If the Government of India have written off a certain amount of the debt of the Bahawalpur State, it ought to be a burden on the shoulders of my friends from the Punjab, because it was their Government which designed the whole project, to which neither the Government of India nor the Bahawalpur State was a party. I want to have a definite reply from the Government. These States are clamouring for suzerainty, and how is it that we are financing their maladministration which is affecting the ways and means position of the Government of India finances, and probably the Government of India are incurring loans to advance money to these States. But this money is being advanced on unproductive debts on the so-called productive assets which will never prove to be so. Take, for instance, this Bahawalpur State which owes the Government of India 13 crores of rupees. Will the Government of India ever be able to get as much from the Bahawalpur State? The State has got an annual income of 60 lakhs only.

Another thing I would like to know from the Government of India is the rate of interest that these States pay, especially in view of the very antagonistic attitude of some of these towards British India. The Government of India reduce the rate of their interest annually according to their borrowings. Do these States also get the advantage of this reduction in interest? I would like to know whether the States pay the same rate of interest as the Provinces or they pay the rate of interest at which the money was borrowed in the year that a particular State received the loan? This remark of mine applies more to Nawabnagar State and to Alwar State. Recently I find that it has become the established feature of the Government of India Budget that they give loans to those States the attitude of which is very hostile towards us. I do not want to see the credit of the Government of India deteriorate, because these insolvent States will be financed not on financial grounds or grounds of friendship, but on political grounds for which my Honourable friend, Mr. Metcalfe, sits there. I do not want a political reply, but I want a financial reply, and as this will be the last reply of the Honourable the Finance Member on the financial aspect of the Budget, I hope he will make it clear as to what has been the policy of his Department and that of the Government of India during the last six years in the matter of advancing money to these Indian States on such a large scale without any proper security or cover.

Mr. S. C. Mitra: Sir, I agree to a great extent with the points raised by my Honourable friend, Mr. B. Das. Referring to the proceedings of the meetings of the Standing Finance Committee, I find the following question and answer:

"Q. Is the proposal in respect of a new service?"

A. No."

It is true that the policy of lending money to Indian States may not be a new policy, but this practice of giving money to individual State is certainly a special feature, and, therefore, it is a "new service"

especially so far as a particular State is concerned. I cannot understand why this grant should come in the shape of a supplementary grant. I think Government are taking undue advantage of the ruling from the Chair that, in the case of a supplementary grant, we cannot raise the questions of policy. I take the first item—loan of 25 lakhs to the Nawanagar State. This was required mainly on account of certain essential works which could not otherwise have been completed for lack of funds. They had some beneficial works to perform in the State, and, therefore, they wanted money. (*A Voice*: "Essential works-") Everything is essential. Will the Honourable the Finance Member satisfy this House as to why he has come before us in the shape of a supplementary grant on this particular issue? There must have been demands from these two or three States for a long time asking for these loans. Could not Government get time during all these months to settle the conditions and come before this House? They have come before us at the fag-end of the Session when they want to sit late hours to finish these items. They have brought very important items before us, particularly the one which relates to the Nawanagar State. We know as regards the customs policy so far as the Virangaum cotton is concerned. They were not accommodating and the Government of India did not do their duty to the people. Sir, before such grants are sanctioned, this House has every right to judge on the merits of each case whether these largesse should be made to these Indian States or not. The Honourable the Finance Member must justify before this House if he expects us to vote silently that this was a case of merely a supplementary grant and not of a new service in its technical sense.

Then, there is the loan of 25 lakhs to the Alwar State. This amount was required in order to prevent a serious breakdown in the administration. But the breakdown in administration cannot come all of a sudden as soon as March is over. If the administration was breaking down, it was breaking down for a long time, and it was known to the Government of India. And if they are to make charities from the public money, they should certainly come before this House to have its vote and not to come here and say that we cannot discuss the policy, because it is an old policy of lending money to anybody who may want it. Besides, the money has already been lent, and, after lending it, they have come before us to get our sanction. Sir, it is nothing short of an insult to this House to treat it in this manner. This House should have an opportunity to judge on the merits of the case. We do not know what is the rate of interest and what amount has been paid by some of the States, especially States like the Bahawalpur State. What is the time during which the Government of India expect these payments? I know that in certain cases all the estimates have gone wrong, as, for instance, in the case of the Sutlej Valley project, and each year additional amounts have got to be lent, and nobody knows when this capital expenditure is likely to be paid up. I do not know if there is any amount fixed to be paid and the whole period within which this amount is to be repaid to Government. These are essential facts which the House should be informed before they can come to any judgment, and particularly I invite your special attention to the fact that it is an abuse of the procedure of this House to bring these matters in the way of supplementary demands.

Mr. President (The Honourable Sir Shanmukham Chetty): The point raised by the Honourable Member, Mr. Mitra, raises rather an important

[Mr. President.]

issue. The discussion on supplementary demands is restricted in its scope, and, by the well established practice of this House, general questions of policy are not allowed to be discussed on supplementary demands. The Government, therefore, ought to be very careful as to what items they bring under supplementary demands (Applause), because, if important items are brought under this head, then the House is deprived of an opportunity of having a full discussion on a question of policy involved in that grant. Legislative rule No. 50 defines the scope of supplementary demands. It says:

"An estimate shall be presented to the Assembly for a supplementary or additional grant when:

- (i) the amount voted in the Budget of a grant is found to be insufficient for the purposes of the current year, or
- (ii) a need arises during the current year for expenditure for which the vote of the Assembly is necessary upon some new service not contemplated in the Budget for that year."

Supplementary demands must, therefore, be justified on one of those two grounds. The Standing Finance Committee of this House is one of the very important Committees, and it is more or less the watchdog of this House to see that all items of expenditure proposed by Government are fully scrutinised and examined before Government bring those proposals before the House. The Chair would now suggest that, when proposals for supplementary demands are placed before the Standing Finance Committee, that Committee, if they have not followed that practice in the past, must satisfy themselves whether these supplementary demands placed before them for their approval can be justified on one of these two grounds (Applause), and whenever the Committee find that they are not satisfied that the supplementary demands placed before them can be justified on one of these two grounds, they must make a remark to that effect in their proceedings. That will give a guidance to this House. (Applause.)

The Honourable Sir George Schuster: May I just intervene, and, on behalf of the Standing Finance Committee, say that the Standing Finance Committee is a very efficient watchdog on behalf of this House, and that the Standing Finance Committee always does raise these points. In this particular case, the three items covered could not be foreseen at the time when the budget was presented, the needs not having arisen. Therefore we could not foresee them. The needs arose in the course of the year, but whether we were right or wrong in meeting the need is another question. But undoubtedly the needs had not been foreseen and they had to be dealt with in the form of supplementary demands. Then, on the question of the scope of the discussion on supplementary demands, we certainly would never take the point that in a case of this kind the question of whether this particular item of expenditure is a right or wrong item for the Government to have undertaken ought not to be discussed. I have never tried to put to you, Sir, the interpretation of the rule about policy in that narrow sense, and I would assure my Honourable friend that it never occurred to us for a moment that by putting forward this demand in this form we would be robbing the House of the opportunity of examining the situation. In fact I would put it

to my Honourable friend that when a demand of this kind comes up in the form of a supplementary demand, it is much more likely to get the attention of the House than if it is mixed up in the whole mass of demands for grants, which, as Honourable Members know only too well, in the main have to go through without the hope of being discussed. I do want to make that point clear.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): I understand the position enunciated by the Honourable the Finance Member to be this, that where a demand is covered by clause 2 of the rules which you have just read out, namely, new services not contemplated at the time when the Budget was presented, the question of policy would be discussed and is open to discussion by this House whatever may have been the view of the Standing Finance Committee. Where, on the other hand, the supplementary demand is really supplementary to the Budget, in that case the fact that the general policy was under discussion and could have been discussed at the time of the Budget precludes the reiteration of the same question when the supplementary demand comes up for the vote of this House. If that is the view of the Honourable the Finance Member, we on this side of the House entirely endorse it, and I hope, Sir, that would be regarded as a rule of this House when dealing with supplementary grants.

The Honourable Sir George Schuster: I do not quite understand my Honourable friend's point, but I would put it to you, Sir, that it is not so much a question of policy, as a question of the propriety of a particular item of expenditure. Once you admit that the propriety of a particular item of expenditure can be discussed, then I would say that the House has full freedom, all the freedom that it wants, to discuss that particular item.

Raja Bahadur G. Krishnamachariar: Sir, I dare say that we are all very much obliged to the Honourable the Finance Member who indicated to us that the scope of the discussion in matters of this sort is not so limited as we at one time thought, and I am glad that we have got some opportunity of pointing out the propriety or otherwise of the demand. Starting from that position, I should very much like to ask whether the loan to the Alwar State is a proper loan. It is stated in the reasons that it is due to the breakdown in the administration of that State. Under our rules, I do not think we are entitled to discuss the internal administration of that State, and yet we are asked here in all solemnity to say that 25 lakhs may be paid out of the tax-payer's money. Why? Because it is not going to be of any use in British India, but it is because that some State, whose administration we cannot discuss and whose administration, we do not know why it had broken down and who it is that caused that breakdown and how long it would take for that breakdown to readjust itself, these things are taboo to us, we cannot discuss all these things, wants the money, and, notwithstanding that, we are asked quietly to dole out 25 lakhs. I say it is most unjust to this House. Are we or are we not the guardians of the finances of the country? If so, we are entitled to say and to ask the Government as to why do they spend this 25 lakhs. All that we are told is that two circumstances happened, one is that there is a breakdown in the Alwar State administration, and the second is that the Standing

[Raja Bahadur G. Krishnamachariar.]

Finance Committee, being a very efficient body of men, who do raise these questions once having come to the conclusion, is it suggested that we cannot reopen it here? After all, what do the Standing Finance Committee say? There are three paragraphs only giving the explanation in some detail as to how these demands came into existence, and, beyond that, as far as I can see from the report of the Standing Finance Committee, there is no further information. I ask, is it fair, is it treating this House with courtesy to ask it to vote such a large sum as 25 lakhs without giving us the information? The other day, when my Honourable friend moved a cut on the income-tax asking that the limit may be brought down to Rs. 1,500 instead of Rs. 2,000, the Honourable the Finance Member said that that would cost about 22 lakhs. Now, if this 25 lakhs is not given to the Alwar State

The Honourable Sir George Schuster: May I point out to my Honourable friend that this is capital expenditure which we have every reason to hope we shall recover. It is not a charge against the revenue accounts of the year.

Raja Bahadur G. Krishnamachariar: Then, I will not put it upon that ground. I will put it on the general ground. We all hope for very good things. But do you really believe that in view of the most confused state of Alwar administration—if you allow me I can discuss and I am quite prepared to point out that Government have been proceeding upon a wrong basis in expecting a return of this money, and, therefore, they would not be justified in lending this money—in view of all this the money that is going to be advanced may not be returned. I submit either relax your rule that we can, in cases of this sort, discuss the position in an Indian State, or do not come to us for money and take the money in some other way by which you will be entitled to do without coming to us for the vote.

Now, the next instance is the Nawanagar State. I am not putting my argument upon the ground that they co-operate or do not co-operate. That is an entirely different question. If upon its merits and the matter is *res interfra*, you ought to help these Indian States. I do not care whether they co-operate or not; that is an entirely irrelevant question, but the fact of the matter and the position which is not now apparent and which I would respectfully ask the Honourable the Finance Member to clear up and not refer me to a volume in the Library where I have got to go and study, I would ask him what is the essential basis of work that this gentleman began and which is to be completed and which, but for this grant of loan, would not be completed. Why should these gentlemen go and launch upon a project which they have no money to meet? I want so many things, and I am always told that there is no money; and if these gentlemen started upon a wild goose chase or a wild cat scheme, and they find all of a sudden that they cannot finish it with 25 lakhs, why should our Government go out of their way to lend? There may be good reasons, but so far we have not been given any reasons whatsoever as to why this money should be lent to this State when we ourselves are suffering from a chronic want of funds and when everything is held up, because there are no funds. I would respectfully ask, what is it that prompted these people to first launch upon the work and then find an empty treasury and then come to us for a loan. It is not a speciality, I admit, with an Indian State that their estimates are increasing. We have had a very good

instance in the Mettur project in the Madras Presidency which started with three crores, then jumped up to seven crores, and has now, I believe, gone up to 13 crores. That is the habit of these estimates. I do not know whether there is anything inherent in these estimates that they have a knack of going up and up. An instance of that is the Vizagapatam Harbour. We are, I respectfully submit, entitled to find out if these gentlemen did not husband their resources in a proper and reasonable manner, such as a reasonable man would take care of his own property. And if they did it and if it is a question of benefiting their subjects for whose interest this project was started, I quite admit that the Government of India, which claim suzerainty and paramountcy, should come to the help of these States. But where are the facts? We do not know what the details are. And yet, Sir, we are asked to register a vote for 50 lakhs of rupees which is, I respectfully submit, to say the least of it, not fair to us, not fair to the country and not fair to the Government themselves, although they come and ask us for this vote. Therefore, I submit that hereafter, when proposals of this kind are submitted to the House, we should be supplied with sufficient details in order to satisfy reasonable men as to the correctness of the position taken up by Government. That is all that I have got to submit.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): Sir, this is a very important question that has been raised. Apart from the particular demands I think there is a very important question as regards the scope of the discussion which these supplementary demands may involve. I submit to the House that it may not be possible to lay down any hard and fast rule in the matter. But I think there is one general principle which Government ought to observe, and, in fairness to this House, they should adhere to it as strictly as possible, that they should not put forward any supplementary demand which could have been foreseen and provided for in the budget.

The Honourable Sir George Schuster: We entirely accept that. I do not dispute that for a moment; I fully accept that as a rule.

Sir Abdur Rahim: That is an obvious principle, and I am glad to find that the Honourable the Finance Member accepts it. Now, we have noticed that on a very large number of demands, which have been put forward by Government this time, it may not be possible to deal with the question of the different items in detail, but, as regards the scope of the discussion of supplementary demands generally, what I submit is this that in some cases a new expenditure may have to be incurred which was not contemplated and could not have been contemplated or foreseen at the time the Budget was framed and placed before us. In a case like that, I suggest that it would be very difficult to say that we cannot raise any discussion as to policy. It is always a very difficult thing to draw the line, whether policy is involved or not. Often, in discussing the merits of any demand which must be discussed if the House is to have to say anything about it at all, the discussion may often bear on what may be considered to be questions of policy. So I say that it is not always possible to draw an exact line in every case, and I think it ought to be the general attitude of Government, that opportunity is allowed to Honourable Members who are not satisfied as to the merits of a particular demand to discuss those merits within proper limits.

Mr. N. M. Joshi (Nominated Non-Official): What right have Government to prevent that?

Sir Abdur Rahim: I do not think it is possible to enforce any strict rule that we are not to touch upon the question of policy in every case. In some cases it is impossible to draw a line.

Then, Sir, as regards the demand of 25 lakhs for the Alwar State and 25 lakhs for the Nawanagar State, as it has been very forcibly pointed out by my Honourable friend, the Raja Bahadur, the position is extremely anomalous. I recognise, and I suppose that is the case which will be put forward by Government, that the whole of the relations between us and the Indian States is in an anomalous position. The whole Budget is passed and we have not been in a position to deal effectively with any item and to reject any item in the Political Department's budget. But when you are making a big demand like this for lending to a State, even though it is merely a capital expenditure, surely this House is entitled to be satisfied as to why the Government of India should undertake any such liability. We have to be satisfied as to what is the occasion that has given rise to this demand or rather this application on behalf of a particular State, and what are the chances of the loan, if advanced, being repaid within a reasonable time. I do not suggest that we should be entitled to discuss the administration of a particular State which has applied for the loan or whether the need for that loan has been caused by any sort of maladministration in the State. I do not suggest that we are entitled to go as far as that. But, at the same time, this House is entitled to be satisfied that there are good grounds for the Government of India to come to us and say that a particular State is in difficulties which it could not avoid and we should advance a particular sum of money to enable that State to tide over that difficulty. I do think that however anomalous the relations may be between us and the Indian States, we are entitled, when a demand of this nature is made, to be satisfied that it is right on the part of the Government of India to come and ask us to make such a big advance.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadian Rural): Sir, I generally agree with the observations that have been made by my Honourable friends, the Raja Bahadur and Sir Abdur Rahim, particularly on the constitutional aspect of the question. My Honourable friend, the Raja Bahadur, made a casual reference to the duties of the Government of India as the Paramount Power with reference to the States. Now, Sir, my Honourable friend knows it best that so far as the question of Paramountcy is concerned, the claim that has been put forward by the States is that their relations are with the British Crown and they are not prepared even to recognise the Government of India as the constituted agents of that Paramount Power. They demand that, so far as the future Constitution goes, the Viceroy should be given a kind of a legal entity for the purpose of discharging the duties of an agent to the Paramount Power. Now, I should very much like to know as to whether, when the Government of India agree to advance these loans to States A, B or C, they should not insist upon a guarantee from the British Crown as the Paramount Power, so as to ensure the proper repayment of the amounts to the British Indian exchequer. (Laughter.) This point is not altogether an academic one, as the House very well knows, particularly with reference to the Bahawalpur loan. I dare say, my Honourable friend, the Finance Member, will not claim that there is any reasonable likelihood of the large loan advanced to the Bahawalpur State, which I will at once agree has been the victim of circumstances, being recovered within the near future. Therefore, I want to know what policy the Government of India have been pursuing in the past and propose to pursue in the future having regard to the claims which

have been put forward by the States in regard to the British Crown being the Paramount Power, and not the Government of India. I admit that my Honourable friend, as the Chairman of the Standing Finance Committee, has every right to speak on behalf of that Committee in regard to these matters, but I am assured by my Honourable friend on my left that, when these proposals were placed before the Committee, no particulars of any kind which might help that Committee to come to a proper decision were furnished.

The Honourable Sir George Schuster: The particulars that were placed before the Committee are the particulars that have been printed in the proceedings, and members of the Committee know only too well that they have only to ask for further particulars in order to get anything they want. I do not think there is any member of the Committee who would say that we have ever refused to give any particulars when they have asked.

Mr. K. O. Neogy: That is hardly complimentary to that Committee. The particulars that my Honourable friend refers to, I would ask my Honourable friend himself to read out to the House. If that Committee has failed to discharge its duty in this matter, it is certainly up to this House to demand all necessary particulars before we could agree to pass any of these items. The first one relates to Nawanagar State, and this is all that we have before us:

“This was required mainly on account of certain essential works which could not otherwise have been completed for lack of funds.”

I want a categorical answer to the following points:

- (1) What particularly were the works which necessitated this loan from the Government of India?
- (2) Have the Government of India satisfied themselves and are the Government of India prepared to satisfy this House as to the essential character of those works?
- (3) Whether there was a real lack of funds in that State.

We must be satisfied on these three points before we can agree to pass this demand

Sir Hari Singh Gour: And, fourthly, as to what is the security.

Mr. K. O. Neogy: Of course: I have said that I want the security of the British Crown as the Paramount Power. It is well known that a port in the Nawanagar State has been competing very much with some British Indian ports in Western India. I want to be satisfied that this particular amount is not needed by the State either directly or indirectly for the purposes of development of that particular port which has been competing with our own ports; and I should like to know what steps the Government of India propose to take to see that this amount is not spent for that purpose by that State.

Major Nawab Ahmad Nawas Khan (Nominated Non-Official): Perhaps the Honourable Member is producing jealousy between British India and the Indian States, which is contradictory to his advice.

Mr. M. Maswood Ahmad: Mr. Neogy, don't take him seriously. He does not know anything about these things. (Laughter.)

Mr. K. O. Neogy: I do not think my Honourable friend's interruption will be taken very seriously. Next is the Alwar State, and I formally want information, because I find that that information was not insisted upon by the Standing Finance Committee. I want information from the Government as to what was the breakdown in the administration which necessitated this loan, and we demand a fuller opportunity of discussion of the situation that brought about this particular application from that State, and, again, what securities we have so far as the Alwar State is concerned, for the repayment of that loan and within what period we can expect that loan to be repaid.

As regards the Bahawalpur State, as I have already stated, I greatly sympathise with that State which has been saddled with an enormous amount of debt, not on account of any fault of its own. We know that it was due to certain miscalculations made by the Public Works Department, or whichever Department it may be, of the Punjab Government that this amount of several crores—it stands perhaps in the neighbourhood of Rs. 13 crores—has been saddled upon this State. We find that under this specific item we are expected to advance an additional loan, for it comes to that, of about 13 lakhs of rupees. I should like to know from my Honourable friend what is the additional security for this loan, apart from the security which I take it he has got from the State for the past loan, and in what period he expects to have this particular amount of 13 lakhs recovered. I am not, I know, entitled to go into the question of the previous loan. But I should like to know during what particular period this loan of 13 lakhs is expected to be recovered from that State. We want a very full opportunity for the discussion of these various points before we can agree to these items of expenditure.

Mr. F. E. James (Madras: European): Sir, I merely want to say that we have a great deal of sympathy with the point of view that has been expressed. The Committee has approved of this particular item, and yet it appears that the Committee did not have before it the information which, I think, it should have had before it, and I am not a little surprised that the Committee did not ask for that information. The two points, I think, on which information is really required by the House is, first of all, what is the purpose of the loan and what is the security against which the loan is granted. I should like to ask the Honourable the Finance Member whether he can tell the House what would happen in case the State defaulted. How would this loan be recoverable? What would be the particular machinery devised for recovering the loan in question? I would point out to the House that this item covers not only loans to Indian States, but also a loan by means of an overdraft to the Province of Burma. The relation between the Government of India and the Provinces is in fact the relation between a banker and his clients. The Provinces are entitled, under certain conditions, to overdraw their accounts with the Government of India, but the Government of India have ample security in dealing with provincial overdrafts. Have they got any such security in dealing with defaulting States or with States which have borrowed money from the Government of India and are not able either to pay interest on the due date or to repay on the conditions laid down in the terms of the loan? I do think those are very important matters, and I can say from my own knowledge of two Provinces that there is very strong feeling in provincial circles that the greatest possible care should be used in advancing loans to States.

Major Nawab Ahmad Nawaz Khan: Sir, it is the imperative duty of the Paramount Power to give financial help to Indian States as well as to any other class of people in British India. If it is contended that the people in British India have certain claims on the Government, then I say that the Indian States have better claims for help on the British Government, and, therefore, they have every right and claim to ask the Paramount Power for any kind of help, financial, political or otherwise

Mr. Gaya Prasad Singh: Out of our pockets?

Major Nawab Ahmad Nawaz Khan: So far as the technicalities and other legal quibbles are concerned, I will not say much, but the point is, if any Indian State is in need of financial assistance, to whom else can it go for such help? No State can ask the Assembly to give any financial help to it, nor can any State ask any foreign power for such help, and, therefore, these States can only come to the Government of India for help, and the Government of India are bound to help the Indian States. The point that is made by certain Members that every question relating to financial assistance to Indian States should be placed before the House is really an impossible proposition

Several Honourable Members: Why, why?

Major Nawab Ahmad Nawaz Khan: Because, by reason of the delicate relations which exist between the Indian States and the British Government, the circumstances under which the loan is asked for and the reasons for such loans which are sometimes secret cannot always be put before the Finance Committee Members or before the House.

Mr. Gaya Prasad Singh: Then we will refuse payment.

Major Nawab Ahmad Nawaz Khan: What the members of the Standing Finance Committee or the Members of this House wish to be satisfied is about the rate of interest charged on loans to Indian States which should be reasonable and that the period of repayment of loans is not unduly long, and that the State to which the loan is advanced is quite solvent

Mr. S. G. Jog (Berar Representative): The loan is not due to any mal-administration.

Major Nawab Ahmad Nawaz Khan: And, of that, the Honourable Member is not the judge. It is the Government of India which is the proper judge, and I can assure the House that those officers of the Government, who look into these cases are much more able than any Member of this House. Everybody thinks his own wisdom is better than that of another. No Honourable Member should think that, simply because a certain State asks for a loan, the officers of the Government will blindly sanction it, without looking into all the matters carefully before making any advance. It takes the Government many many months, in some cases years, to scrutinise all facts before they agree to sanction a loan, and only when they are fully satisfied, that they sanction the loan. I do not wish to take the name of any particular State, but in some cases I know the Government take as security like the income of railways or other things from those States against the loan that is advanced to them, and when

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Government are completely satisfied about the solvency of the State, then the loan is sanctioned. If I ask any Honourable Member of the House,—speaking about one's own domestic affairs,—to give me an account of his expenses which he bears for his wife, I don't think he will agree to do it

An Honourable Member: Who is the wife?

Major Nawab Ahmad Nawaz Khan: The same is the case with the Indian States. Only those who rule know well the exact and delicate position of their State affairs.

Mr. B. Das: Then the Indian States happen to be wives?

Major Nawab Ahmad Nawaz Khan: No Honourable Member would like to give an account of his income and expenditure if he is asked to produce it in this House to be discussed.

Mr. N. M. Joshi: Wife's bill must be paid.

Major Nawab Ahmad Nawaz Khan: In the case of the Bahawalpur State, it is stated that the Government have made a blunder, or if the Government had consulted the Members of the Assembly, the mistake they have now made would not have occurred. That is not correct, because if the same reports and estimates of engineers and others which were submitted to the Government of India for scrutiny and which were made the basis for advancing the loan to this State had been placed before the Members of this House, probably they would have made the same mistake and decided in the same way as the Government of India have decided, and the next Assembly would have perhaps called us silly for having committed a mistake of this kind. It is not that any Government wilfully or knowing the future defects sanctioned the loan to this State. To err is human. Every one of us commits mistakes; many Legislatures commit mistakes. Therefore, if it is contended that every request for a loan by a State should be placed before the Members of the Assembly, it will be an impossible proposition, because the question of Government policy or of the internal affairs of an Indian State cannot be discussed in this House. My friend, Mr. Neogy, said that if money was wanted by any State for general improvement and if that improvement had some effect on the neighbouring districts of British India, we should stand in the way of granting such loans

Mr. K. C. Neogy: Who said that?

Major Nawab Ahmad Nawaz Khan: Now, if the same principle is adopted by the Indian Princes, what would be the effect on your Federation? We must be ready for a healthy competition. Let the Indian States take money from Banks or from Government to improve their position, and their progress may have some effect on the neighbouring British districts. Have we ever thought that what we are doing in British India will have good or bad effect on the Indian States? We have never thought of it, and, so, what is the use of this unhealthy competition? Look before

you leap. We criticise others, while we must know that we have also our own defects which we do not try to correct. My point is that there is no need for Government to consult the Assembly before advancing loans to Indian States or to discuss the question of policy. The only point that should be considered by this House is whether the rate of interest is fair and the period of repayment of the loan is not unduly long, and the security is a good one.

Mr. Gaya Prasad Singh: I suggest, Sir, that the Government Member should reply first, so that we may be in a position to judge for ourselves whether there should be any further debate or not on this question.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair cannot compel the Government Member to reply.

The Honourable Sir George Schuster: I should be very glad to intervene now if you could possibly leave me freedom to reply to any other points that are made.

Several Honourable Members: Yes. You have always the last word.

The Honourable Sir George Schuster: I am only anxious to help the House in this matter.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member can have another say.

The Honourable Sir George Schuster: In the first place, I would like to make it clear at once that I do feel that the House is entirely justified in having raised this issue. (Hear, hear.) I should never have thought of taking a point of order on this issue that it was irrelevant or going outside the scope of discussion on a supplementary grant. I might say that I think that Honourable Members who have spoken have done extremely well in the public interest in raising an issue of this kind. (Hear, hear.) It is an issue of great importance. I hope the House will, on the other side, appreciate that we are in a certain amount of difficulty in discussing this question of loans to the States, because it is the rule that the internal administration of the States should not be discussed in this House. But I hope that I shall be able to give Honourable Members a certain amount of information which will at least enable them to form judgments on the main issues that are involved.

Now, a question of policy has been raised—again I make no complaint that a question of policy of this kind has been raised—as to what is our policy in granting loans to Indian States. I would like first to remind the House of the fact that hitherto the advances which we have made to the Indian States are not of very important dimensions. In the table which appears with the Financial Secretary's Memorandum, there is a figure of Advances. Capital advanced to Indian States and other Interest Bearing Loans—the total amount under that head is, on the 31st March, 1934, Rs. 21.20 lakhs; that is to say, out of a total Government debt of over Rs. 1,200 crores, only Rs. 21.20 lakhs has been raised for advances to Indian States. So, if this is a dangerous practice, at any rate the practice has not gone very far yet, and out of that Rs. 21.20 lakhs, by far the largest item is the advance to Bahawalpur, and but for that item which is something

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over 12 crores, the total advances to Indian States would only be rather less than nine crores. I hope that will reassure the House to some extent that we do not go in for making loans to Indian States on a very large scale.

Specific questions have been asked as regards the terms of these particular loans, and my Honourable friend, Mr. Neogy, has stated that he wants to be satisfied what security we have got, what rates of interest were charged, what are the terms of repayment, what are the objects for which the loans were granted, and so on.

In the first place, I will take the loan to the State of Nawanager. Here it is difficult really for me to explain all the circumstances, but what I put to the House is this, that, as Honourable Members know, the late Jam Sahib died in the course of the year and the new ruler succeeded. When he took over, he found that there were certain liabilities which he had to meet and certain commitments which he had to complete and carry out and he found that, in order to give himself a fair start, he did require a loan. The main purpose—there are a number of items included in this amount—the main purpose, by far the largest item was a sum required for the completion of a tank known as the Ganga Sagar Tank. That had been begun some years before, some of the earth work had suffered very severely in the last four monsoons and it had reached a point at which, unless he was enabled to undertake fairly substantial expenditure, the whole value of the work would be destroyed. So that was urgently necessary work. That really covers practically the whole of the amount of the advance to him. Therefore, my Honourable friend, Mr. Neogy, can rest assured that we have not been advancing money to Nawanager State in order to enable it to equip its port in competition with Bombay.

Sir Hari Singh Gour: Is that a tank for irrigation purposes?

The Honourable Sir George Schuster: Yes, for irrigation purposes. There is just one other point that I want to make clear in connection with our relations with the State of Nawanager, and that is, Honourable Members know that we now have the Viramgam Land Customs Line. The arrangement that we have as regards customs with Nawanager is that they charge customs on imports at the port of entry, Bedibunder, and if goods have paid customs at Bedibunder and if a certificate is produced to the effect that customs duties have been paid, then those goods are allowed to pass the Viramgam Line without further examination or without further charge and we are left to recover from the State the amount of duty that they have collected. When the present ruler succeeded, the State had fallen into very substantial arrears. They had collected customs on our account but they had not paid over the amount due to us as and when it was received. I think the arrears were something like Rs. 50 lakhs.

An Honourable Member: Was any interest charged?

The Honourable Sir George Schuster: We made a great point about the correction of this very irregular situation, and the present ruler has—I referred to the fact in my Budget speech—practically wiped off the whole of the arrears so that, instead of being in the position of having advanced a large sum of money to Nawanager on an irregular basis, we have recovered the whole of that money and have advanced on a regular basis a loan of

Rs. 25 lakhs. Therefore, really our financial position *vis-a-vis* the Nawanagar State is much more satisfactory now than what it was at the beginning of the year.

As regards the terms of the loan, I will read to the House the terms :

"The money will be advanced in two instalments, one of Rs. 14 lakhs to be made immediately, and the second of Rs. 11 lakhs after 1st January, 1934. Interest will be charged at the rate of 4½ per cent., per annum and will be payable annually as it becomes due. The entire debt will be recoverable from all the resources of the Nawanagar State and will be a specific charge on the customs duties levied upon goods consumed within the territories of the Nawanagar State."

Therefore, we have a specific security on the customs duties collected by the Nawanagar State and retained by the Nawanagar State. I have not been able to turn up in the course of this discussion the exact amount of customs levied, but it is, at any rate, very much more than is necessary to cover what is due on this loan :

"Repayment of principal will begin after one year and it is to be made in annual instalments of five lakhs so that the total loan is repayable within six years by five equal instalments of five lakhs per annum."

I think the House will recognise that that is a good business arrangement.

I come next to the case of Alwar. That is more difficult to deal with, but I think there can hardly be a Member of this House who is not aware of the difficulties which had arisen as regards the administration of the State of Alwar which made it necessary for the Government of India to step in and take over the administration. We do feel—and I think the House will agree with me—that it would be impossible to allow any part of India which is in such close connection with the rest of India to become completely bankrupt and its administration to cease completely. We were, therefore, bound to take steps to prevent such a situation arising, and in this particular case the only step that was possible was for the Government of India to take over the administration and lend to the State a certain amount of money to cover immediate needs. Now, Sir, I will give the House the main particulars of the terms on which that advance was made. The letter of the Government of India on this matter is as follows :

"The Government of India will make an advance up to a maximum of Rs. 25 lakhs to the State as required, during the current financial year, and if necessary, they will make a further advance of Rs. 16 lakhs in the next financial year to clear the Bhavnagar loan. . . ."

That is to say, to enable the State to repay the loan which it has received from the Bhavnagar State.

Now, Sir, there is a particular point I want to make in connection with that term. We have agreed to advance 25 lakhs. In fact, that
 1 P.M. has already been advanced and we have agreed to make a further advance of 16 lakhs next year, so that our commitment to Alwar is not 25 lakhs, but 41 lakhs. Now, Sir, the 16 lakhs which is to be advanced next year is actually included in our Budget proposals for next year and, therefore, we have done what is proper. We knew that the advance was to be made and we included it in our budget proposals for this year. Now, I think it is interesting to point out to the House that although that was done, and although we followed the correct procedure in that matter, the House has not in fact taken the opportunity of discovering that 16 lakhs or discussing it. On

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the other hand, in the case of the 25 lakhs covered by a supplementary demand, the eagle eye of Mr. Neogy and Mr. B. Das and others is turned upon the amount. I think that will demonstrate that, if our object was to avoid discussion of these issues, we should not choose this method of moving supplementary demands. (Laughter.)

Now, the terms are as follows. The rate of interest will be five per cent in the current financial year. I need not give all the details as regards this. Then, another term is connected with the Bhavnagar Durbar being given the option of reducing their interest or having their loan, to which I have already referred, repaid. The next important term is that we have provided that an officer nominated by Government remains in complete and effective control of the State and State finances until repayment has been made, that the State in the current financial year shall submit a definite scheme for the funding and repayment of the whole debt and that the State budget should be submitted annually for sanction to the Government of India. Now, Sir, in the circumstances, I put it to the House, that we were forced to prevent a breakdown in the administration of Alwar. We had no option and we have made terms which will enable us to secure the proper administration of the State and the full repayment of our debt. We have every hope that the debt will be repaid, that the finances of the State can be put into good order and that the tax-payers of India will lose no money on account of these advances.

Now, Sir, I am left with this case of the Bahawalpur loan. As regards that, we have had other discussions in this House, and it would be useless for me to make any attempt to disguise the fact, even if I wished to do so, that this whole incident is a very unsatisfactory one. I would not like to say anything now which would convey any implication as to where the main blame rests for this incident, but I would suggest to my Honourable friend, Mr. Neogy, and others, who may speak on this matter, that it would be wise for them not to be hasty in imputing the whole of the blame either to the Government of India or the Punjab Government and parading themselves as sympathetic advocates for a State which has been very much misled and very badly treated. As I say, I wish to say nothing now which will convey any implication as to where the blame lies but I must remind the House that the main cause of loss of money in connection with this project is the fact that the Bahawalpur State in order to secure to itself a large share of the waters of the Sutlej and in order to prevent rivals—either another Indian State or the Punjab Government, from claiming a larger share of those waters grossly overstated the area which was fit for irrigation and cultivation. They always maintained that they had an area fit for irrigation and cultivation of over two million acres. That was their statement and they refused to consider any plan which did not include the canalisation of the whole of that area and the allocation of water sufficient for that area. One of the reasons why the scheme has gone wrong is that it has now been established that not more than a maximum of about 900,000 acres is really fit for cultivation, and a great part even of that is of very doubtful value at the present level of prices. This is one of the major factors why this scheme has gone wrong. Of course the other major factor is that all the calculations were based on a level of prices current after the war, and the present level of prices as every one knows is not only very much less than the post war level but actually considerably less than the pre-war level. Now, Sir, when it is question of considering what ought to

have been done and where the blame lies, I do wish to remind the House of the fact, a fact of which I have reminded them on other occasions, that if they go about the world and look for projects which have gone wrong owing to miscalculations which were made after the war and based on the great optimism which then prevailed, they will find examples in every country; and I would be willing to wager that in every country they would find examples far worse than this Bahawalpur Sutlej Valley scheme, examples of projects which had been sponsored by Governments or which had been financed and promoted by leading financial experts and magnates in those countries. Every one made mistakes in that atmosphere of post-war optimism, and I do agree with my friend on my right who put forward the view that if the figures and estimates which were before the Governments concerned when it was decided to embark upon this project, had been put before the House there is not a single Member of this House who would have been able to say "You should not go on with this project". In fact, they would have said "It is an absolute gold mine; let us sink as much money in it as possible". Indeed it is a remarkable fact that even with the total miscalculation of areas available and even with the tremendous fall in prices, it is conceivable that with a slight recovery in prices this project will not come out so badly. The margin which seemed to be available on the original estimates was a stupendous margin and, as I say, I think that Honourable Members can easily find for themselves examples where people of the best possible judgment and experience had made far worse mistakes than this. But that does not get over the fact that it is a very serious situation. We have advanced 12 crores to the State; so far we have not faced the fact that interest is not being earned on this loan. Interest is being added to capital and certainly in the course of the next financial year something will have to be done about that. It is a weak spot in our budget, that we are taking credit for something like 50 lakhs of interest which in fact we shall only get by lending the money ourselves and therefore increasing the capital amount of this debt. I do not want to disguise the seriousness of the situation at all. It is a case which I may say has caused me a very considerable amount of concern. It was a commitment which I found when I took over; it was undertaken long ago, and it is one of the problems for which I am afraid I have not been able to find a satisfactory solution and which I have to leave to my successor. I would like to tell the House why we have not attempted any final solution of this problem yet. In the first place, when the Bahawalpur State asked us to take up this question, they came forward with a large claim against the Government of India and also against the Government of the Punjab. We said: "Before we consider what we can do in this matter, we must clear up the issue of your claim against the Government of the Punjab. Therefore, you must submit a case". They took a good deal of time in preparing the case and then we had to allow the Government of the Punjab adequate time to go into the matter. The Government of the Punjab went very thoroughly into it and in fact produced a volume of a very formidable size dealing with all the Bahawalpur allegations. We have only had that a month or two, and we have not been able finally to dispose of the case, but I want to make this clear that we do not think, having considered the answers put up by the Punjab Government, that there is any substantial ground for claiming large sums from the Punjab Government, and we think that the matter will have to be dealt with—mainly at any rate—as one of a financial adjustment between the Government of India and the State. What we shall have to consider is what are the possibilities of securing repayment and whether

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there ought to be any financial reconstruction of the scheme—just as you have, in the case of a commercial company, a reconstruction when it is proved that capital has been lost and a project has become over-capitalised, and it becomes necessary to write down the capital or at least to write down the prior charges. If that is the issue, and I submit that that is the main issue, then it becomes necessary that we should be able to form a really reliable judgment as to what the prospects of the project are; and we feel that it would be unfair to us to capitalize the project at the present level of prices, or, given only a very small recovery in prices, the project ought to be able to pay a reasonable rate of interest. Therefore, we have told the State that before we are ready to tackle this matter, we wish to wait a bit and see what is likely to happen to prices of cotton and wheat. That is the position in this matter. Now, I cannot ask the House to express any vote which would imply satisfaction with this position; indeed we ourselves are extremely dissatisfied with the position, but what I wish the House to appreciate is that, so far as we could, and indeed I think to an extent which is all that could reasonably be demanded, as soon as we had any reason to suppose that this project was going wrong, that the irrigable area had been over-estimated, we did tackle it; we appointed a very strong Committee to go into the matter. What I always considered to be urgent and much more urgent than financial reconstruction was to get the Administration on sound lines, stop any waste of money, and ensure that land which could not be irrigated should be excluded altogether and all further expenditure on it stopped. That we have achieved; we have been able to secure the services of a very first-class irrigation engineer, Sir Bernard Darley, to manage the scheme and we have our own representative as the Revenue Member of the State, so that the two work together, and I can give the House, with great confidence, an assurance that the scheme is being really well and economically administered at present and the only thing which remains for us to do is to tackle this financial readjustment. Now, in order to carry out the plan worked out by Sir Bernard Darley for getting the maximum economic benefit from the scheme, there was a certain amount of additional expenditure to be undertaken. That is mainly what is covered by this item which is included in the loans this year, and I would put it to the House that that expenditure was amply justified financially, and it is not a case of "throwing good money after bad".

Sir, several speakers have said that this Legislature is the guardian of the interests of the Indian tax-payer in matters of this kind. I fully admit that position, but, with the best will in the world, Honourable Members must acquiesce in the fact that the Executive Government has sometimes to take certain responsibilities and that individual Members of the Legislature cannot possibly go into all these items. We feel our responsibilities in this matter and I can claim that in respect of all these three items which are now under discussion, we have not led down the financial interests of India. The expenditure was either absolutely necessary or was advanced on terms which amply secured its repayment, and even in the case of the necessary items I would not put the justification solely on the necessity,—I would also claim that the advances have been made on good security and that there is every chance of their being repaid. Sir, I think that should be sufficient to put the House in possession of the main facts. I appreciate that it is difficult for Honourable Members to keep all the terms that I have mentioned in their heads as a result of merely oral representation,

but I do hope that they on their side will feel that we have made out a good case for these three items just as I on my side feel that they themselves have made out a very good case for raising the issues that have been discussed. (Loud Applause.)

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty in the Chair).

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Council of State:

"I am directed to inform you that the Council of State has, at its meeting held on the 29th March, 1934, agreed without any amendments to the following Bills which were passed by the Legislative Assembly at its meeting held on the 28th March, 1934, namely:

(1) A Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, and

(2) A Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931."

DEMANDS FOR SUPPLEMENTARY GRANTS.

LOANS AND ADVANCES BEARING INTEREST.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Sir, much of the talk which took place before the Honourable the Finance Member spoke was bound to be and, as a matter of fact, was in the air rather than on the merits of the question. But after the Honourable the Finance Member spoke, I think there is enough material for Honourable Members to base their criticism upon in connection with the present demand. The fact that this demand was passed by the Standing Finance Committee ought not to mislead anybody, because my experience of the Standing Finance Committee shows that generally demands amounting to many lakhs of rupees are not considered for even the equal number of seconds and I should very much doubt that this particular demand had got more than about a couple of minutes' consideration from the Standing Finance Committee. But in this particular case the difficulties are inherent in the situation.

By the Rules and Standing Orders of the House, we are debarred from discussing the internal administration of States, I think this practice of giving loans is in one sense a right move in the right direction, because if it does nothing else, it lays open a way for this House to criticise the administration of States even in an indirect manner, for, of course, it is open to this House, if proper explanations are not forthcoming, to reject the

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demands summarily. In this case, however, the Honourable the Finance Member, as I said, has given the House enough material on which they could judge the validity or otherwise of this demand. As regards the first item, I am in a position to speak with personal knowledge to some extent. The Honourable the Finance Member said that the State of Nawanagar had paid up 50 lakhs of rupees which were due to the Government of India from the State. That is a fact. But if the Honourable Member had informed the House as to how that amount of 50 lakhs was obtained by the State, the House, I am sure, would have been much edified. As the matter is at present *sub judice*, I am not going to say anything further about it. But to give the devil his due, this much I am bound to state that the present Nawanagar prince is doing everything possible to put his house in order, and, if any State deserves help from the Government of India, that State is the Nawanagar State. I can say from my personal knowledge that the prince has restricted his personal expense to the ridiculous sum of Rs. 527 per month. If this is not economy and if this is not an attempt to put his house in order, then I do not know what the putting of one's house in order can be.

An Honourable Member: Where did you get this information from?

Mr. N. N. Anklesaria: Sir, I got this information from a very reliable quarter, and I am not going to disclose where I got it from. The Honourable the Finance Member stated that with regard to Alwar he had provided for a guarantee for repayment in the provision of the administration being entrusted to British officers. I think when such a big sum as 25 lakhs was advanced to the Nawanagar State, some such guarantee ought to have been provided for in the case of that State also. Sir, as there are Honourable Members who are able to speak as regards Alwar and as regards Bahawalpur from personal knowledge, I will not stand between them and the House.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Sir, as a member of the Standing Finance Committee, I have to stand before the bar of this House and make my explanation. My Honourable friend from Gujrat has made an apology on my behalf. He has had personal experience of the work of the Standing Finance Committee, and I endorse what he has stated here. The Standing Finance Committee is over-weighted with nominated members who consider it their business to pass the grants as quickly as possible.

The Honourable Sir George Schuster: I must protest against my Honourable friend's statement that the Standing Finance Committee is over-weighted by nominated members. The majority of the Standing Finance Committee are elected Non-Official Members, and never on any occasion has any discussion been cut short if a single Non-Official elected Member has asked for further information or wanted to discuss matters. I challenge any member of the Standing Finance Committee to contradict that statement. They always have an unlimited latitude of discussion, and never have I taken the line that a discussion must be cut short, because we have a majority, and, therefore, it need not go on.

Mr. B. V. Jadhav: I am very sorry if my remarks led the Honourable Member to surmise that I wanted to call into question his conduct as the Chairman for hurrying up the discussion.

The Honourable Sir George Schuster: My Honourable friend was equally calling into question the conduct of Nominated Members of the Committee and I resent the charges that he levelled against them which are just as much as a personal charge against myself.

Mr. B. V. Jadhav: As soon as a demand is proposed by the Chairman, there is almost a chorus in the Committee, "passed", "passed"; if that is not hurrying up, I do not know what it is.

The Honourable Sir George Schuster: That is entirely the voluntary action of the Committee, of which my Honourable friend is a member.

Mr. B. V. Jadhav: I am only speaking about the members of the Committee, I am not speaking of outsiders.

With regard to this grant, I may say that the bar upon any discussion about the administration of Indian States was before us and we could not raise any question. Now, the question of debt has come forward, and I may be allowed to offer a few remarks with regard to the State of Jamnagar. I may point out that this is one of the Guzerat States, and, if properly administered, it ought to be financially very sound as the other Guzerat States are. It has been stated here that the State of Bhawanagar lent a sum of 25 lakhs to Alwar. It means to say that the State of Bhawanagar was in a very sound financial position as it was able to lend money to outside States. I know something about Bhawanagar State and I may point out that when the late Maharaja of Bhawanagar had occasion to borrow money, he did not go to the Government of India, but he raised a loan in his own State and the administration was so much respected that the inhabitants of the State had full confidence in the Maharaja and they accepted his promissory notes. When the period for the payment of these promissory notes came, the people went to the Maharaja and requested him to issue another loan, so that they could invest their money in their own State. That is the position in an Indian State. Extravagant States have to borrow money, while the States which are well managed have no reason to borrow, and whenever there is an occasion to borrow, they have the support of their ryots. The State of Nawanagar would have been in the same happy position, but I think its administration was rather extravagant. I am very glad that the present ruler is trying to put his house in order, and my Honourable friend, Mr. Anklesaria, has been satisfied that he is conducting his private expenses properly and it amounts to only Rs. 527 per month. There are ways and ways of making budgets in an Indian State, and I need not divulge the various methods by which various items of personal expenditure are disguised as expenditure on State affairs.

Mr. N. N. Anklesaria: I may tell my Honourable friend that the attempt of the present Nawanagar prince at economy is a perfectly genuine one.

Mr. B. V. Jadhav: But the methods of genuine budgeting in Indian States are also something different from the methods in British India. A constitutional point has been raised about the connection of the Indian States with the British Crown, and I think it would be very good for both sides if the States are put under the direct suzerainty of the British Crown, and in that case it would be much better if the British Crown would take over the debt arrangements with these States as well. I do not think the revenues of British India should be saddled with these debts.

Nawab Major Malik Talib Mehdi Khan (North Punjab: Muhammadan): Sir, we have heard with great interest the reasons for advancing money by

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the Indian Government to the Indian States from the Honourable the Finance Member. I happened to be for a number of years on deputation in Bahawalpur State and it would not be out of place if I mention a few facts relating to the loan to this State. The project which was called the Sutlej Valley Project was designed and estimated by the British Engineers. It was shared by two States—Bikaner and Bahawalpur on one side, and the Punjab Government on the other. I have said above that the estimates were prepared by British Engineers, who were also responsible for examining the quality of the soil helped, of course, by officers of both the States in their latter task. The project was finally sanctioned by the Durbars. All this took place when the present ruler of Bahawalpur was a minor and the administration was carried on by a Council of Regency, consisting of myself as the Revenue Member. The work was carried on by British Engineers, all constructions were conducted by them and the project completed. As far as Bahawalpur was concerned, the working of the canals was entrusted to them for three years, so that they might make it clear that it was a profitable concern. This is what happened. No one, under the circumstances, which I have briefly referred to, can accuse the Durbar of any extravagance. whatever was spent was done by the British officials, who sent regular accounts to the respective States for scrutiny, and, after they had checked them, payments were made to the British Government. As far as the Bahawalpur State was concerned, it was decided that the State and the Indian Government, that is the Punjab Government, should work together in the matter of colonisation. The State abided by this rule. I have brought these facts to your notice in order to show whether Bahawalpur has got any claim on our sympathy. Allow me to go a little back, so that I may explain the position of the State. As far back as 1840, when Afghanistan was going to be invaded by the British Government and the Sikhs were holding the Punjab, there was no way to get through the army. It passed through Bahawalpur, an independent State, at the time, and they were not only allowed a passage, but were treated right royally on their way to Afghanistan. This is one of the reasons why the Government ought to be solicitous to that State. As regards ourselves, a time was when both the banks of the Sutlej were in the possession of the Bahawalpur State. Great difficulty was felt by the Punjab people to take their cattle on to the river or to make any use of the water. Negotiations were started, and it was eventually agreed that the right bank might remain with the British Government and the left bank was, of course, with the Bahawalpur State. This is one concession. As far as the papers show, nothing was paid for it. You can see what would have been the cost if the British Government or any private person had to purchase that concession. Consequently, the toll duty is divided between both Governments and thus Bahawalpur is to a certain extent contributing to our fund. When the time came for opening the Southern Punjab Railway which takes off somewhere near Ferozpur and goes right up to Karachi, it was Bahawalpur which offered the land, as far as I can make it, without any payment or for a very small amount. We ought to weigh the advantages which the opening of this railway means to the Punjab. Thousands of tons of grain are sent from the Punjab right up to the Karachi port. We ought not to be so absorbing, but ought to follow the principle of give and take. If the State has done all this for us there is no reason why we should be so stingy and grudge this loan. There was a time long ago when the desert part of the State was a garden and the river Saraswati, now extinct, poured into it. There are ruined forts all along its banks and the depressions show that this part of the country was

at one time very well cultivated. The tendency of the Punjab rivers is that they always move to the west. They started doing so and left this part of Bahawalpur altogether. It was once the home of a section of Rajputs called Sodhra and Sonera. It was there that the love episode took place to commemorate which was constructed the Mari of Mount. If the Durbar have seen their way to do so much for us, I do not see why we should charge them with extravagance. I do not hold a brief for anybody, but I must say that people are people and States are States. Everything connected with the States is not rotten. I have lived among them for several years and have many friends there. I admit that there are defects in them, but those defects are found everywhere. We should not expect that they should come up to the administrative level of British India which has centuries of experience behind it. We should give them some latitude and watch their affairs, but we should not decry them. If the Finance Member earmarks some money for Bahawalpur, I believe his confidence will never be misplaced as the State deserves, not only from Government, but from every Member of this Honourable House, to get the money cheaply. The difficulty is that the position of an Indian State is very peculiar. They are not liable to be sued in British Indian Courts for money transactions. They cannot borrow money from any person without the security of the British Government. As I have said above, this money was spent at a time when the ruler was a minor and the State was administered by a Council of Regency. Government advanced the money, and it is for Government to see that no untoward item has been added to it. I will end my remarks by quoting a line in Urdu which is appropriate to the condition of the princes:

*"Na tarapne ki ijazat hai na feryad ki hai,
Ghut ke mar jaen yih marzi mere sayad ki hai."*

Translated into English it runs as follows:

"I am not allowed to flutter, nor to cry; my captor desires that I should die of suffocation in the cage."

It does not behove us to grudge the money which has been so well spent, because they have started a new colony in the State which will remove the congestion we have got in the Punjab. As regards the population, we are over-producing and have already got more people than we can accommodate on the land the Province possesses. If our surplus population is going to Bahawalpur, why should we grudge the money?

Mr. B. Das: So why should not the Punjab pay the money?

Nawab Major Malik Talib Mehdi Khan: The Punjab is a part of India. If Bengal can get the money, I do not see why any other Province should not get it.

Mr. K. C. Neogy: May I know from my Honourable friend whether he admits the charge that the Bahawalpur Durbar deliberately over-estimated the amount of cultivable land in the State?

Nawab Major Malik Talib Mehdi Khan: No.

Mr. Muhammad Muazzam Sahib Bahadur (North Madras: Muhammadan): Sir, I should not have intervened in this debate but for the fact that my Honourable friend, Mr. Jadhav, made some remarks which I feel are derogatory to the Standing Finance Committee and, to a certain

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extent, to the Honourable the Finance Member. If I can give credit to the Honourable the Finance Member for any of his good points, I think the most outstanding is that he has always given the greatest latitude to us in our deliberations on the Standing Finance Committee, and I do not think any member of that Committee can controvert that point. And if my Honourable friend, Mr. Jadhav, felt aggrieved that any proposition which he wanted to be carried could not be carried, he could have called a division. And there have been cases where we have divided on a certain thing and our votes are recorded.

Coming to the question of these States which have been financed by the Government of India, although I do not like to express what I feel regarding the internal administration of these States which may be good, bad or indifferent, I must say this that, when these proposals were placed before us, we did ask the Honourable the Finance Member whether this was a new service, and we were given to understand that it was not a new service, because this was not the first time when advances of the kind were being made. As a matter of fact, sums to the extent of Rs. 20 crores or somewhere about that had already been advanced to the Indian States, and the Government of India were carrying out that policy. So when we gave our assent to these proposals, we gave it on the understanding that the Government of India had gone thoroughly into these matters, and as the States occupy a peculiar position with regard to this Legislature, we thought that we could but go a few steps and stop there: we could not discuss the internal administration of these States. Of course, even after passing these proposals, it is always open to this Assembly to criticise what we have done, as they are doing now. We did not enter into the minutest details; but we did go sufficiently into the position on those lines, although I must admit that we did not go so thoroughly into them as the Assembly has gone today through the statement made by the Finance Member

Mr. N. N. Anklesaria: May I ask the Honourable Member, for how many seconds the matter was discussed in the Standing Finance Committee?

Mr. Muhammad Muazzam Sahib Bahadur: I admit that we did not spend many minutes over it—I do admit that. That was because we felt that we were in a peculiar position with regard to these Indian States: we thought that we could not have the same latitude of discussion on these points as we have on other subjects which might be before the Committee. That is why we cut short our discussions. With these remarks, I support this motion.

Sirdar Harbans Singh Brar (East Punjab: Sikh): Sir, I feel it with sorrow and I utter it with reluctance that certain members of the Standing Finance Committee have tried to run down the Committee and its Chairman in their deliberations. I have been on four consecutive Standing Finance Committees; and if Honourable Members, who have taken the trouble of criticising, would peruse the proceedings of that Committee, they will find that more often than not I have taken the courage of being a single dissentient on items before us. With that attitude of mind

having been taken by me continuously in the Standing Finance Committee, I bear witness—Diwan Bahadur Harbilas Sardar, and Mr. Gaya Prasad Singh, if he were here, would also bear witness to it, that the Standing Finance Committee scrutinises the expenditure in such minute detail that it is not done even in this House. The Standing Finance Committee sometimes have even gone the length of requesting His Excellency the Governor General to cut down certain items of his expenditure and have succeeded in doing so. The Committee had refused certain demands of the Secretary of State and expenditure for the Burma Round Table Conference which the Assembly passed without a dissentient voice. They have called for information on items from such distant places as Andamans and other provincial headquarters before agreeing to a particular item of expenditure. It is not without responsibility and deliberation that they give their assent to these items when they come before them. They must be allowed certain discretion and certain freedom of action in deciding these matters. The Committee were fully satisfied that these items were absolutely necessary, and, therefore, the Government of India's proposals regarding the incurring of this expenditure were approved by them. Therefore, I regret very much, to say the least, that the remarks of Mr. Anklesaria and Mr. Jadhav, who has been a responsible Minister, should have been uncharitable and ungracious to their colleagues and to their Chairman—who has always given the utmost assistance and the best lead to the Committee—with whom they had the honour to serve. I am not concerned with the considerations which should weigh regarding the remission of a particular loan to a particular State. That is the concern of experts to decide whether and how much of that expenditure was fair or justified and could be borne legitimately by a particular party to it, and, I am sure, the Finance Department would not ignore the interests of British India, much less of the Punjab Government when they come to a final decision on that subject.

My friend, Nawab Talib Mehdi Khan, who had been a member of the Council of Regency for seven years, and during whose time this project was taken in hand wants the Bahawalpur Durbar to be treated lightly on the ground that His Highness the Nawab was a minor. Perfectly so. But then, would it not be proper in that case that the Council of Regency and its members should be held responsible, because they acted as guardians to the ward of that State? I hope they will be prepared to make good the loss.

The Honourable the Finance Member has in his speech given adequate reasons for advancing the loans; and the conditions, which have been placed by the Government of India regarding the interest and repayment, are, I think, the strictest possible ones, according to financial canons, and we need not have any fear on that account. It is not desirable at this time when Federation is so near that we should give any impression that we are not sympathetic, or rather that we are unsympathetic to either the form of administrations prevalent in the Indian States or the financial difficulties in which those States find themselves, due to the general depression all over the world, and which is not peculiar only to the States. If on financial grounds loans are justified and if the conditions for repayment of interest and principal are fair and just to British India, we need not discuss the other irrelevant questions of internal administration or

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otherwise. I, therefore, consider that now the discussion may be concluded after disposing of the financial aspect of it if the Honourable Members feel that financially the transaction is not a bad one. With these remarks, I conclude.

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan): Sir, the discussion on this subject has taken curious turns. Some of my friends have pleaded that, in order to enable the princes to come into the Federation, we should at once wipe off these debts for some of them, and that a mere discussion thereof is likely to frighten them away from Federation in fact. I think my task this afternoon is a very prosaic one, of considering only the financial aspect of the thing and, from that point of view, one or two remarks that fell from my friend, Nawab Talib Mehdi Khan, and others, call for some notice.

It has been pointed out that out of the total liability of 21·20 crores of loans advanced to Indian States, we have about 13 crores advanced to the Bahawalpur Durbar alone. So far as this is concerned, it has been pointed out that this was advanced during the minority of the prince. The Government of India, through their Political Department, were practically administering that State. If that is so, it should not be a matter of difficulty to find out who was responsible for putting forward that two million squares of land as the security against which that loan was being advanced, because the prince had nothing to do with the matter: the Council of Regency was there. We know one of the members of the Council is here: the engineers and others who took part in this matter could very easily be got at and we can really fix the responsibility upon the people who put forward that there were two million squares out of which only 9,00,000 squares is now available.

One thing more. Is it or is it not a fact that attempts have been made to repudiate this liability on the ground that the State administration never gave their consent to this huge project? Now, Sir, that is a matter of grave concern to the Indian tax-payer. We cannot with equanimity contemplate any such dabbling with the idea that this State, which received such a huge loan from the Government of India, which enjoyed it, should now be at liberty to go and obtain legal opinion and put forward all kinds of excuses as if they had not enjoyed the benefit of the loan. We are really perturbed

Mr. E. G. Jog: A minor is not bound.

Mr. Jagan Nath Aggarwal: If the minor is not bound, nobody is holding the minor personally responsible, and the Honourable the Law Member would have no difficulty in meeting that part of the argument, because, if the State had the benefit of the money, we could certainly look to it for the 12 crores or so. In fact, it is talks of that kind that make us more nervous, because if the State has disposed of all those acres of land to various people and recovered the value of those acres, what are we going to look to? We cannot certainly contemplate with equanimity that because Bahawalpur at one time allowed the British forces to pass through their territory to Afghanistan or gave British India some other form of

help, we should be only too glad to surrender this loan. The way in which I look upon this matter is this. In this volume of Appropriation of Accounts, I find that sanction for the grant of this loan was granted by the Secretary of State as long ago as the year 1924 or 1926. The original estimate was no more than 2,00 lakhs, or, in other words, two crores. It gradually mounted up, as the estimates have a habit of mounting up, to something like 4,84 lakhs, or four crores of rupees. It went on, and then the peak of the debt was estimated to be somewhere in the neighbourhood of 10 crores 95 lakhs. There was a provision that the unpaid interest would be capitalised, and with interest going up and estimates mounting, we find that we are now in the neighbourhood of 13 to 14 crores. Now, if this thing has gone on for such a long time, and the only attempt at recovery has been to add the interest to the principal and to write it off comfortably in the books, this is not a proposition which anybody can look on with satisfaction. We have been told that the Finance Member is uneasy about it. I can very well understand it, but the fact still remains that no satisfactory means has so far been found for a settlement of the question as to the liability for the payment of the loan.

Now, Sir, we are not at liberty to inquire into the various methods employed by the States for running their administration, but it may be pertinent to inquire whether the highest value has been obtained for the lands which these waters have irrigated, what the security is to which we can now look as most of these valuable lands have been sold, and whether the Government of India have taken as important steps for the realisation of this loan as any other creditor would have taken, because, if it is a case of loan to a minor, every creditor would see to it that his security does not disappear. It would be a funny proposition indeed if, by the time this matter is settled, we are told that all the nine hundred thousand acres of land have been sold away by the Durbar and that money went to the State gradually and it has now gradually disappeared. What would be the point in looking into the matter at that stage? Therefore, what I submit is that this question calls for urgent settlement, that all attempts at any repudiation of this debt should be nipped in the bud, that a free and complete settlement should be made on the question as to the responsibility of the Punjab Government or the officials of the Government of India,—we are, of course, prepared to excuse honest errors of judgment,—but there should be no attempt to shelve the question, for we should look upon it as a commercial proposition whether we are going to get something back or whether the loan is going to be written off in the books of the Government of India.

Another point, Sir, was raised, and that appears from one point of view somewhat satisfactory. As against the advance to the Alwar Durbar, the Government of India have stipulated that their Budget should be submitted to and scrutinised by the Government of India. I should really like to know whether we are going to have a look at that Budget or my friends opposite alone will have an opportunity of looking at it. They have too much of their own Budget and they are not really able to look into it. Perhaps the Standing Finance Committee or the Public Accounts Committee may look into it. That is in a way satisfactory, but I should like to know really whether it will be looked into only by the Political Department or some Committee of the Legislature, or some of the Accounts Committees would be able to look into it, because, after

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all, it comes to a scrutiny of expenditure; if Government are spending a few hundred thousand rupees in any Department we are entitled to look into it. When they are spending this huge sum, possibly it might be looked into from that point of view.

Then, the other question that I would like to put before the House is the point which the Finance-Member made, that in these supplementary grants the eye of our friends on this side has been able to detect this huge advance of 25 lakhs. In the Budget we were not able to do it. Does it not then, Sir, indicate a sorry state of arrangement of items and figures? It is very good that we have been able to detect it in the supplementary estimates. The supplementary estimates are better presented, but when the guillotine falls and the Budget passes through without discussion, it is a sorry state of affairs, and I think that also requires looking into. I suggest, Sir, that we should have better opportunities for being able to scan through these items in the main Budget when the time comes.

Mr. N. M. Joshi: Mr. President, I would like to make only two or three very brief remarks. The first point on which I would like to make a remark is the constitutional position which was stated by my friend, Mr. Neogy. It has been demanded by the Indian princes that their relations are and will be with the British Crown. This position creates a difficulty in the way of the Indian Government granting loans to Indian princes. If we take the present Constitution, the difficulty is to a great extent minimised. The princes do not claim that they will not have any relations with the present Government of India and the Government of India will have no power over them. That is not the claim of the princes. The princes claim that in the future Constitution they will not maintain any relations with the Government of India or the future responsible Government of India.

Now, Sir, we are asked today to vote for a loan to be given to Indian princes. In three years' time, we may have responsible Government. The loan will not be repaid by that time. Now, may I ask, if the princes refuse to have any relations with the future responsible Government of India, who is going to be responsible for the loan which is given by the executive, but which is given with the vote of the Legislature to the princes? I, therefore, feel that this point requires to be looked into. I am not against loans being given to Indian princes. I think the Indian princes are a part of India. We want the Indian princes to be a part of the Government of India as a whole. From that point of view, I think it is a good policy not to drive the Indian princes to take loans from outside. It is much better that loans should be given by the Government of India. At the same time, I would insist that loans given with the sanction of the Legislature must be safeguarded in such a way that the future Government of India will be able to recover the loans without the assistance of the British Crown. This could be done by inserting in the agreement for the loan that any prince who receives loan from the Government of India, with the consent of the Legislature, will not claim the right of direct relations only with the Crown and will not have any relations with the future Government of India

An Honourable Member: What do you mean?

Mr. N. M. Joshi: My point is that any prince who takes a loan from the Government of India will not claim the right to say that he will not maintain any relations with the future Government of India and that his relations will lie only with the British Crown. If he wants to take money, he will have to pay the price of maintaining relations with us, and not claim his right to maintain relations with the Crown. That is my meaning.

Sir Hari Singh Gour: If it borrows money from the Government of India, all that you can claim is that the money shall be repaid to the Government of India.

Mr. N. M. Joshi: But if the money is not paid back, the future Government of India will have to take steps. Certain conditions have been made, certain properties have been mortgaged. Now, if the future Government of India will not possess the right to recover the loan

An Honourable Member: It will.

Mr. N. M. Joshi: it will not; unless the future Government of India have power and have direct relations with the States, the future Government of India will not be able to recover the loans

An Honourable Member: It will not be necessary.

Mr. N. M. Joshi: Those who feel like that—let them stand and say how the future Government of India will be able to recover the loans. My point, therefore, is this. By all means give loans to the Indian States, but when an Indian prince takes a loan from the present Government, it should be made clear as part of the condition of the loan that the prince or State shall not refuse to have direct relations with the future Government of India and shall not refuse to acknowledge the authority of that Government at least in the matter of recovering loans.

The second point which I wish to raise on this occasion is to ask the Government of India what is their policy as regards the grant of loans to Indian States. From one of the reports of the Public Accounts Committee—I am now referring to the report for 1930-31, page 19—I gather that some of the loans which are shown against the names of certain States were not taken originally as loans. I think the States had to make certain payments to the Government of India; those payments were not made for a year, two years or three years. Then, instead of paying what was due to the Government of India, the Government of India converted those payments into a loan. I want to know whether the Government of India have got a certain policy as regards the recovery of the dues from the Indian States. Supposing an Indian State does not pay what is due to the British Indian Government for one year, what do the Government of India do then? Do they begin to charge interest from the first year, from the second year, or from the third year? My point is, there should be a certain policy—that if certain dues are not paid by an Indian State for a year, from the next year interest will be charged on the dues and the State will be asked to agree to certain conditions as if those dues were regular loans. From the report of the Public Accounts Committee, it is clear that the Government of India are not quite alive

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to this fact. The Auditor General had to draw the attention of the Government of India, and, then, after some years—I do not know after how many years—these dues were funded into a sort of loan. As regards the rates of interest also, I do not think there is a fixed policy which the Government place before themselves. I find from this report itself that one of the States was charged 6½ per cent, another State was charged six per cent, and so on. I should like to know on what basis these rates of interest are determined. Does it depend upon the risk? If it is risky, why take any risk at all? I do not think the Government of India can give loans where there is the least risk. I would, therefore, like the Government of India and the Legislature to have a fixed and well-determined policy as regards the loans to be given to the States, as regards the rates of interest, as regards the security which we should demand. Again, I would like the Government of India to have a policy for the recovery of the dues which the States owe to the Government of India for various purposes. I feel that the Government of India must make it a rule that, if a State does not pay its dues within a year, after that year that amount will be treated as a loan and the State will be asked to agree to certain conditions and agree to pay at a certain rate of interest.

Before I sit down, I would like to say a word about the facilities for free discussion of the items which come up before the Legislature. You know, being an old Member, and perhaps if you do not know, may I draw your attention . . .

Mr. S. G. Jog: If my Honourable friend would allow one interruption, I would like to make one point

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. That is not justifiable by way of interruption. What is it that the Honourable Member wants to make? Does he want to ask a question of Mr. Joshi, or does he want to make a personal explanation?

Mr. S. G. Jog: A sort of personal explanation. I might say

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order.

Mr. N. M. Joshi: There was a time when on supplementary grants there used to be a fair amount of discussion. During the first three years at least, this ruling to which you referred was not given. I think that ruling was given after four years' existence of the Legislative Assembly. I do not remember now exactly under what circumstances that ruling was given, but the fact remains that there was a time when we could have a free discussion on supplementary demands. This ruling was given after some years. Might I suggest that if the House finds that free discussion does not really take place on the various items that come up before the Legislature, that ruling requires clarification, and if a right which the House possessed once for three or four years was restricted by a ruling of the Chair, another ruling of the Chair could also restore that right to the Legislature. In this connection, I would draw your attention to the difficulty which we feel. The difficulty is this. It is true that the Legislature has an opportunity of discussing the policy of the Government on

these matters during the discussions on the General Budget. But, after the Budget is passed and before the supplementary demands are placed before the Legislature, Government may have changed their policy; the Legislature may have changed its views from the experience which it had in the meanwhile. Is it not, then, open to the House to refuse to give a supplementary grant on the ground that it has ceased to believe in the policy which the Government had at the time of the passing of the General Budget?

Another point, which you yourself mentioned, was this. Although the whole demand belonging to the Department may not be open for discussion, still there are items which, though not considered to be new service, are new. Even though the demand for the Department may be a supplementary demand, the demand for a particular item, which may be a small one, may not be a supplementary one. That item may be a new one altogether, and, in that case, the policy underlying that item must be discussed, as you very rightly allowed us to discuss this subject. I, therefore, feel that this question of discussion of policy on supplementary grants requires some clarification. Sir, I have done.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): If I intervene at this very late stage on this subject, it is only to clarify some of the points that have arisen in the course of this discussion. I do not want the impression to go abroad from the discussions in this Assembly that we, on any side of this House, are hostile to the real interests of Indian States or of princes. Apart from the question whether the States will enter a Federation or not, and apart from the question whether Federation is at all likely to emerge in the near future, I should like the impression to be conveyed that we are here examining the question purely on its merits and not with any bias against any Indian State.

Now, Sir, on the general question that this matter should be adequately discussed on the supplementary grant, my Honourable friend, the Finance Member, said that the House had opportunities of discussing it on the voting for demands with reference to the General Budget. May I point out to him in all humility that it is not entirely our fault that we are unable to discuss these grants adequately. Perhaps Members on the Treasury Benches may think that that is not an unmixed blessing.

The Honourable Sir George Schuster: May I just make the point clear to my Honourable friend? I did not make the point that Honourable Members had adequate opportunities for discussing everything on the Demands for Grants, because I know that five days are insufficient for that, but the point that I made was that by this coming up in a supplementary demand it did not really lessen the opportunities, but, on the contrary, that it tended to call attention to an item which otherwise might slip through unnoticed.

Diwan Bahadur A. Ramaswami Mudaliar: I am very thankful to my Honourable friend for his sympathetic attitude to this side of the House, but may I ask him to use his influence before he hands over charge as Finance Member and to request His Excellency the Viceroy to allot 15 days or at least some days more than the five days which he can allot under the Standing Rules?

The Honourable Sir George Schuster: I am entirely agreeable to do that, but, as a condition precedent to that, I would ask Honourable Members opposite to agree to utilise to the best advantage the five days that they have got.

Diwan Bahadur A. Ramaswami Mudaliar: We can only agree to differ on what is meant by the best use of the time. I think we on this side of the House have tried to do our very best, during the last four years that I have been in this Assembly, at least to utilise the five days for voting on demands in the most economic way possible. Time after time, the various Groups have concentrated the discussion on some important specific points. You will find from the rules that two days is the maximum that can be allotted for any particular demand. On no occasion have we taken two days for any particular demand. This is because of the shortage of time allotted. We have taken particular care to see that as many items as possible were discussed and we had also to see that Members who belong to unattached groups had their rights also secured. I venture to hope that Members on this side of the House have practically done their very best to bring on the floor of the House as many items as possible for discussion, and, in spite of that, if the guillotine has fallen and many important subjects have escaped our discussions, it is certainly advantageous to the Government, but it is not the fault of the Opposition.

Now, so far as this particular demand is concerned, I realise that grants have to be given by way of loans to various States owing to the policy of the Government of India. I believe that States are under an inhibition to raise loans in the open market outside their own territory. I believe that without the sanction of the Government of India or permission to do so, or whatever it may be, such loans cannot be raised in the open market in British India or anywhere outside India, and, therefore, it seems to me that it follows from that that these States, just like Provincial Governments, have necessarily to come up to the Government of India in case they require any large loans which they cannot raise within their States. In these circumstances, we have no complaint that these loans are granted, but what the House really wants to see is, as my friend, Mr. Neogy, rightly pointed out, that the terms of these loans are satisfactory, that there is a policy with reference to these loans, that some of the States are given loans, because they are nearer the throne of grace than others which are not, that the interest charged to these States is the common interest at the time when the loans are simultaneously given to any one of these States. Now, take the example of these two States which have been given loans. If I followed my Honourable friend aright, I may be wrong and I wish he would correct me, I understood him to say that the Nawanagar State received this grant at 4½ per cent interest, and I understood him further to say that the Alwar State received this grant at five per cent interest. I should like to have an explanation why, in the same year, when the money at the disposal of Government is just the same, received at the same rate of interest from public subscriptions and being paid out at the same rate, Alwar should be charged five per cent interest and Nawanagar should be charged 4½ per cent.

The Honourable Sir George Schuster: May I clear up that point at once? We have a definite policy about the rates that we charge. As regards the States, as also in the case of Provincial Governments taking

loans from the Provincial Loans Fund, we make a distinction between loans for productive purposes and loans for non-productive purposes. We charge a lower rate of interest for loans for productive purposes than for loans for non-productive purposes. The Alwar loan was definitely not a loan for productive purposes, but a loan to help the State to discharge certain liabilities. The loan to the Nawanagar State was definitely a loan for productive purposes, and, in addition, it is a secured loan. It was secured on the customs of the Nawanagar State. That is the reason for the difference. We have a definite policy. We act according to definite rules.

Diwan Bahadur A. Ramaswami Mudaliar: What is the rate charged to Bahawalpur? It must be varying rates of interest apparently.

The Honourable Sir George Schuster: The rate varies according to the varying rate for the year when the money is raised. It happened that the Bahawalpur money was mostly raised at the time when our borrowing rate was very much higher.

Mr. K. C. Neogy: I dare say it is being treated as a productive purpose!

Diwan Bahadur A. Ramaswami Mudaliar: Theoretically it must have been a productive debt.

The Honourable Sir George Schuster: That certainly was treated as a productive debt and that emphasizes the extremely theoretical nature of the distinction between productive and non-productive debt. I am quite prepared to admit that. In fact, I wrote a long note on the subject myself only last week.

Diwan Bahadur A. Ramaswami Mudaliar: A great deal has been said about this Bahawalpur debt, and I can only echo what my friend, Mr. Aggarwal, has so forcefully pointed out, that a quick decision on this subject has to be arrived at, and that, when the whole investigation is made, there will apparently be found many parties who have been guilty of lapses with respect to this matter. When the estimates went up from 200 crores to 400 crores and treble that amount, why was not the sanction of the Secretary of State obtained before the Government of India adopted measures to increase the liability on the State. For the original estimate, the sanction of the Secretary of State was necessary and was obtained, but when the increases went beyond all limits and all proportions and even the lavish estimates of the Public Works Department have been exceeded in this matter, why was it not possible for the Finance Member, who was in charge at that time, to put the whole case before the Secretary of State and require his sanction?

The Honourable Sir George Schuster: Perhaps it will be convenient if I interrupt my Honourable friend at this stage and answer that question. The Secretary of State's sanction to the increases has been taken from time to time throughout. I do not know why my Honourable friend suggests that it was not. But I would just like to explain one point as to the reasons for the increase over the original estimate. There are three factors really which affect that. First of all, the actual cost of the works was underestimated. That, one must admit, was a mistake on the part of the Engineers, but it is not a very abnormal form of mistake. Secondly,

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in making the estimate of the capital expenditure for a project of this kind, one has to take into account the expenditure on one side and the receipts on the other. Now, it is always assumed that capital will be coming back from sales of lands as capital is expended on the further development of the project. In this case, the slump in prices has meant that the sale of land has not been proceeding at the pace that was expected, or, where land has been taken up on purchase, the payment of instalments has been delayed, so that the capital necessary is mounting up. That is the second factor. The third factor, of course, is that the delay in the realisation of receipts and the low scale of prices has meant that interest has been added to capital for a much longer period than was originally anticipated. If all these three factors are taken into account, I think my Honourable friend will find that the original estimates were not so absurdly out as the figures would seem to indicate.

Diwan Bahadur A. Ramaswami Mudaliar: I was only following the note of the Auditor-General when I said that there was a great deal of delay and unnecessary and avoidable delay before the sanction of the Secretary of State was obtained for the revised estimates. As regards this question of the sale of lands, may I know from the Honourable Member whether the proceeds of the sale of land are being credited to this account and being credited to the Government of India as they are being realised?

The Honourable Sir George Schuster: Yes. The colonisation and sale of land have for many years been in the hands of a qualified officer appointed and acting on behalf of the Government of India, and the whole of the finances of the project are kept entirely separate from the State finance, so that we can be satisfied that the sale of land has been proceeding in a proper way and that anything that is realised from the sale of land comes back to help the finances of the scheme.

Diwan Bahadur A. Ramaswami Mudaliar: I take it that the Honourable the Finance Member has replied to the effect that the proceeds of the sales of land itself have gone to the coffers of the Government of India. I understand that that was the implication of his answer.

The Honourable Sir George Schuster: Yes.

Diwan Bahadur A. Ramaswami Mudaliar: Now, Sir, I would only like to emphasise what has been said by many previous speakers that, so far as the accounts with regard to the Bahawalpur State are concerned, the sooner we come to a settlement as regards the whole scheme, the amount that has been or is to be spent and the manner in which it should be repaid, the better will it be. There is a way in which the responsibilities and the burden resting on the State may be lightened, and that is obviously by increasing the period of amortisation. It will certainly not be possible for the scheme to begin to pay at once, and it will take many years before it can begin to pay. Certainly it will not be possible for this to happen within the short period of twenty years, and one way to render relief to the State which finds itself in such unhappy circumstances—a result, as shown this morning, not entirely due to its own fault—is by increasing the period of amortisation, say, to fifty years, so that the amount that may be paid annually by way of wiping out the capital

charges may not be an over-burden to the State itself. I hope that this discussion has had the very useful effect of drawing the attention of the Government of India and of the Finance Member to the need for laying down certain definite principles with reference to which alone loans to these Indian States should be granted.

Now, my Honourable friend, Mr. Joshi, had some doubt about the relationship of the Paramount Power to these Indian States and as to how these loans could be collected. I find no difficulty whatsoever with reference to that when once the Federation comes into existence. I take it that with reference to the Provinces also, the Federal Government as such will have no power over the Provincial Governments, but loans should be given and the method of collecting these loans will be exactly the same, viz., that if a Provincial Government does not pay loans, then the Federal Government will have the right of proceeding against that Provincial Government through the Governor General. That, at any rate, is the scheme of the White Paper.

Mr. N. M. Joshi: May I interrupt the Honourable Member and ask him whether he realises that in the future Constitution the Governor General and the Viceroy will be separate entities?

Diwan Bahadur A. Ramaswami Mudaliar: They will be separate entities, but I do not profess to support it or to justify it, but the constitutional proposal is that the Viceroy in this respect will be the collector of the debts of the Government of India just as the Governor General will be the collector of the debts so far as Provincial Governments are concerned, and, with that position, one has to be content for the time being, till those wiser men in Parliament go through the scheme and turn out something which may come as a surprise to all of us. I have nothing more to add.

Diwan Bahadur Harbilas Sarda (Ajmer-Merwara: General): Sir, I wish to say a few words with regard to the position of the Standing Finance Committee itself in relation to the matters that come up before it for discussion and approval. The present discussion is about the question of giving loans to Bahawalpur, Alwar and Nawanagar. I must here say that the functions and powers of the Standing Finance Committee are not exactly those with which this House is invested. This House has wider powers of discussion than those that are allowed to the Standing Finance Committee. There are questions of policy, there are questions of relations between the Indian States and the Government of India which cannot be discussed in the Standing Finance Committee. This House has much wider powers and it can discuss many questions which would be out of place so far as discussion in the Standing Finance Committee goes. We, as members of the Standing Finance Committee, have got to see, when a proposal is placed before us, that it is a right proposal, in the sense that if we have to give any loan, the loan is secured, that it will be repaid, that the Government of India are in a position to give that loan, and that no objectionable feature attaches to the giving of that loan. Now, with regard to Bahawalpur, the loan was given several years ago, the loan was of several crores of rupees, and this House has had opportunities for several years to question the propriety or impropriety of that loan. Year after year Budgets have been passed and now to fasten on the Standing Finance Committee the responsibility of not going fully into the question of that loan is not at all fair to the Standing Finance Committee.

[**Diwan Bahadur Harbilas Sarda.**]

As regards Alwar, we all know, every one in this House knows, every one in the country knows, what turmoil and trouble there was in that State, and the Government as the Suzerain Power had certain responsibilities, not only towards the ruler, but also towards the people of that State; and, in order that things should be brought into proper order, it became necessary for the Government of India—I am not discussing the question of policy whether it was rightly or wrongly done—it became necessary for the Government of India to take over the management of that State; and considering the financial condition of that State owing to the troubles with which that State had been afflicted for several months, it became necessary for the Government of India to make the financial arrangements necessary for carrying on the administration of that State, and it became necessary that a loan should be given to that State. Before the Government of India gave this loan to the Alwar Government, the latter had obtained a loan from another State, and I know that the terms which the Government of India gave to that State were better than the terms on which that State obtained a loan from the other State. Now, it was in the interest both of the Alwar State and of the Government of India that this loan should be given. The Alwar State got its loan on better terms than it could have got from private parties.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): How is that beneficial to us?

Diwan Bahadur Harbilas Sarda: The Government of India are able to obtain loans on easier terms than those on which they give loans to Indian States, and, as long as the Government of India know perfectly well that the loan is secured, if the Government of India are able not only to oblige and help the State, but also to make a little money, if they can have a little margin of profit, then I think the Government of India's action must be approved. Sir, three and a half per cent or four per cent is the interest on which the Government are able to secure public loans, and if they give a loan to the Alwar State at five per cent, then the Government of India not only do not lose anything, but make a little profit, and, at the same time, they are able to help Alwar. We know perfectly well that, so far as this is concerned, the Standing Finance Committee have no reason to complain of this transaction.

Then, if you take Nawanagar, it is a short-dated loan, as the Honourable the Finance Member has explained and if the loan has been given for, say, one-half per cent per annum less, that is quite justified; when a loan is to be payable after a short period, you give better terms than when a loan is given for a longer period. At the same time, there are circumstances which would make the opposite course a very appropriate one too; but, considering how these things were done, I do not think there is anything wrong about the way in which members of the Standing Finance Committee approved of these loans.

As regards the question of suzerainty, my friend, Mr. Joshi, has raised the question whether the Government of India would be able to recover these loans. I have not the slightest doubt, and I do not think any other Member has any doubt, that the loans are as secure as anything. There is no question of these States not paying up these loans; and if by

any chance an occasion like that does arise, the Government of India have sufficient power to recover their money. The question of the suzerainty comes in only if the Government of India want to enforce their terms. All that the State can do is to appeal to the Suzerain Power to protect it from the Government of India and the Government of India being also a part of the Crown, the Crown will know how to act. So far as security is concerned, there is absolutely no question that the loans are not secure.

I must also say one thing here. Sir, I have been a member of the Standing Finance Committee for a number of years, and, so far as the placing of information before that Committee is concerned, I must say that the Chairman treats the members with great courtesy. He never refuses to place before the Committee any information which we may require in connection with a subject. We have several times differed from the Honourable the Finance Member with regard to the sanctioning of a particular expenditure, and we have found that, though he was in a position at that time to carry the thing by a majority of votes, he did not do so when he found that several members objected to it. He held his hand and did not pass it, but postponed it and gave us further information. So far as that goes, I must pay a tribute to the Finance Member that he has treated the members of the Committee with great courtesy and helped us in every way that he could.

Sir, it has been said here that the Bahawalpur loan will be written off, and this and that will happen. These are questions for which the Standing Finance Committee is not at all responsible. The Standing Finance Committee could never contemplate what action the Government of India would take under certain circumstances which might arise later. It is for the Government of India to decide what action they should take if certain unexpected or untoward circumstances arose and it would be the function of this House, when that occasion arose, to take such action as it thought proper. But the Standing Finance Committee could not be expected to go into those matters which never arose and about which there was no question. The question of writing off the loan never arose. In fact, it cannot arise before the Standing Finance Committee. Therefore, the Standing Finance Committee is not responsible for these things. As for the making of rules and other matters which the Government of India should do, so that some sort of uniformity of procedure may be secured with regard to the question of giving loans to various States, that is a matter which certainly the Government of India can look into, and, as the attention of the Government has been drawn to it, I suppose they will consider this matter.

The Honourable Sir George Schuster: Sir, I will try to be brief. I have no quarrel with anything that has been said on the other side except by those who have cast aspersions on the procedure of the Standing Finance Committee or those like my friend, Mr. Joshi, who have implied that the Government of India have no policy in these matters. As regards the Standing Finance Committee, I do not wish to enlarge upon that matter again. I only want to point out to the House that the membership of the Standing Finance Committee consists of one official member, myself, and the whole of the rest of the 15 are elected by this House. It happens that three at present are nominated members, so that, out of 15 members, only four are either Officials or nominated members. I submit that, in these circumstances, my Honourable friend, Mr. Jadhav,

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who said that he was overawed by the nominated members of the Committee, was making a pitiful attempt to evade his own responsibility in this matter.

As regards the Government of India's policy, we have really a very definite policy in these cases. As a matter of policy, we do not really like making advances to the Indian States. I might tell the House of an incident that occurred only last week. A particular State, which is in a very strong financial position, inquired whether we were prepared to consider a loan of about 10 or 20 lakhs for productive purposes. Now, at a time like the present, as a matter of general financial policy, I think it would be really a good thing for the Government of India to encourage sound expenditure by the States. But my reply to the ruler in that case was that on its merits we might be quite prepared to consider it, but that we should very much prefer if he would make his own arrangements to raise the money from a bank. We thought that he would have no difficulty in doing so, because his finances were in a very sound order and our reason was that we did not wish to get too much entangled in the financial affairs of the States. That really is a sort of guiding basis of our policy. On the other hand, occasions arise where, for various reasons, it would be difficult for a State to raise money elsewhere or to raise it on reasonable terms and where, we think, as a matter of policy, that we ought to step in and give some assistance provided that we are not risking the money of the Indian tax-payer. Further, when we do make an advance, we have very definite rules in the matter. We make the advance at a certain small margin above the actual borrowing rate of the Government of India and we make a distinction between loans for productive purposes and loans for non-productive purposes. Then, Sir, it was suggested that where a State incurs liabilities to the Government of India and runs up a debit balance not taken by way of a loan, we are slack in our procedure and possibly we allow the thing to run on for some time without making any interest charge. Well, I must admit that the Government of India as a banker, in their relations particularly with the Provinces, have not been very strict in these matters in the past for the reason that, on the whole, on balance we have had in our hands more funds on which we pay no interest than we have standing against us debit balances on which no interest is claimed. But the position is changing now, and we have had to tighten up our procedure, and I can say quite definitely that where we have had cases of a State being in arrears for certain payments, we have insisted on interest being charged, and that will be our definite practice in that matter. I think that really sufficiently clears up those points.

Now, Sir, as regards the Bahawalpur loan. My Honourable friend, Mr. Aggarwal, seemed to imply that there was some idea of repudiation of liability in this matter. There is no question of that. The State has never suggested that it might repudiate its liabilities in this matter, nor have we ever suggested that we should countenance any such repudiation. The only questions that have arisen are, first, whether the State has any legitimate ground for claiming damages against either the contracting authority, the Punjab Government, which carried out the engineering works or possibly against the Government of India. That was one possibility. And the other possibility is that in the event of the

project proving definitely unremunerative, we might have to approach the position from the point of view of the State's ability to pay. That, I think, Honourable Members will recognise, is a definite practical fact which might have to be faced. I hope myself that it will not have to be faced.

Now, Sir, on this whole question, I would like to say this. Several Honourable Members have said that we ought to be quick and clear up the situation. I gave the House certain reasons why we had thought that it might be better policy not to attempt to clear it up just at present, but wait and see how prices were going to go up. I personally think that we have been right in that. But when the time comes for clearing it up, I think what underlies all the speeches from the other side is this, that this House ought to have some opportunity of having a say in any reconstruction scheme that may have to be adopted. Now, Sir, it is difficult to say exactly what will arise, but I have no hesitation in saying that we recognise that this House, if it is necessary to write off monies that have been advanced at the expense of the tax-payers of British India—if that should become necessary, this House will certainly have a right to be consulted in the matter, and when any scheme for reconstruction does come along, certainly this House ought to have an opportunity of expressing its views upon it before the Government commit themselves at all. I trust that that will satisfy Honourable Members as regards our attitude on this matter. I have already, by way of interruption, answered several questions asked by my Honourable friend, Mr. Mudaliar, about our policy as to what has been happening as regards crediting the proceeds of sale of lands. My Honourable friend also suggested that when the time comes for trying to arrive at some rearrangement of this project which will be within the ability of the State to meet, we shall have to take into account the possibility of delaying the period for amortisation. I wish, Sir, that I could feel satisfied that that method alone was likely to meet the needs of the case. Obviously that is one of the methods that will have to be considered.

Mr. B. Das: Will the Honourable Member kindly say what is the amount received so far from the Bahawalpur State by sale of land?

The Honourable Sir George Schuster: I am afraid I must have notice of that question. I have not got the figure in my head, but a great deal of the land has been sold, though, of course, payment is only made in instalments, and, at the present low level of prices, it is quite impossible to recover the instalments. That is why the capital charge has been mounting up. I think that is all I need say on this subject. I trust that the House will recognise that, as regards the two new loans under discussion, we have been careful in the terms that we have imposed. They are good business propositions, and I hope that the House would also be convinced that, as regards the Bahawalpur position, we have not failed to take any practical steps that are necessary to prevent the situation getting worse. All that we have done is to delay the final revision of the financing of the problem, but on every thing which affects the real results we have acted promptly and I have no hesitation in claiming that we have acted efficiently and that we have dealt with the matter in as efficient and as businesslike a way as possible. (Cheers.)

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That a supplementary sum not exceeding Rs. 1,64,97,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1934, in respect of 'Loans and Advances bearing Interest'."

The motion was adopted.

THE SUGAR (EXCISE DUTY) BILL.

The Honourable Sir George Schuster (Finance Member): Sir, I beg to move:

"That the Bill to provide for the imposition and collection of an excise duty on sugar be referred to a Select Committee, consisting of Diwan Bahadur A. Ramaswami Mudaliar, Mr. S. C. Mitra, Mr. Muhammad Azhar Ali, Seth Haji Abdoola Haroon, Lala Hari Raj Swarup, Mr. Jagan Nath Aggarwal, Mr. Bhuput Sing, Lala Rameshwar Prasad Bagla, Mr. R. S. Sarma, Mr. A. Das, Bhai Parmá Nand, Mr. C. S. Ranga Iyer, Mr. F. E. James, Mr. G. Morgan, Nawab Major Malik Talib Mehdi Khan, Sirdar Nihal Singh, Major Nawab Ahmad Nawaz Khan, Mr. G. S. Bajpai, Mr. G. S. Hardy, and the Mover, with instructions to report within seven days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Sir, in my Budget speech, I have explained the nature of, and the reasons for, our proposals, and I would not have had much to say today on this particular motion, except for the fact that in the interval there has been a good deal of talk on this subject and that a good deal of propaganda has been carried out by those interested in sugar manufacture. In fact, I may say that there has been a campaign of some intensity designed to create impressions on Members of the Legislature which I must say in many respects I find to be most misleading. I do not think, Sir, that ever in my own experience have I come in contact with a campaign of this nature. There is one Member of this House who ought to derive some satisfaction from it and that is my Honourable colleague, Sir Frank Noyce, because I feel that his revenue from telegraphs must have gone up substantially during the last month. I do not know what has been the experience of Honourable Members but I certainly have been receiving something like 20 or 25 telegrams a day.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): The same here.

The Honourable Sir George Schuster: There has been a curious similarity about these telegrams which seems to indicate some common source of inspiration. I may say, we have all had pitiful appeals from widows and small shareholders who have invested money, very often borrowed money, in the purchase of sugar shares, particularly in the Basti Sugar mills at very high premiums and who are now threatened with ruin. I shall have something to say about that later on. But what I want to say at the beginning is this.

I must confess that it was with feelings of very great reluctance, and only after long and anxious thought that I myself proposed to my colleagues this measure as part of our financial programme for this year, because I realised in many ways that it might be misunderstood and possibly that advantage

might be taken of it in ways which might be detrimental. I proposed it, because, after weighing up all the *pros* and *cons* I came very definitely to the conclusion that, however unpopular it might be, it was the right method, —essentially right—at the present time. But if I had felt any doubt on the matter, any hesitation about fighting this case, those doubts have been removed and my desire to fight has been definitely increased by the kind of propaganda which has been going on and the kind of representations which I have received.

Now, Sir, among these representations and criticisms, there are three main points. In the first place, we have been accused, and I myself particularly, of breach of faith, in that we had promised certain protection to the industry and that we are breaking our promises. Secondly, it has been alleged that great hardship will be suffered by those who have bought shares at high premiums, often as I just said with borrowed money, and, thirdly, it is said that we are dealing an unfair and possibly a fatal blow to an infant industry.

Now, Sir, let me take the first point that we are breaking our pledges, that we are guilty of bad faith. I am sure that most Honourable Members here would not subscribe to that charge. What the Government undertook to do was to give protection, as recommended by the Tariff Board, to the sugar industry. They undertook to give an effective margin of protection of Rs. 7-4-0 a cwt., and it was implied that they might consider the recommendation of the Tariff Board that if sugar is selling below a certain level, that measure of protection might be put up to Rs. 7-12-0. That is precisely what we are doing. That is the effect of our measure. and, Sir, if anything more were needed to refute these charges of breach of faith or misleading the public and the investors, I should like to remind the House of what I said myself in my Budget speech of last year. I said:

"On the other hand it would be highly imprudent for those who are investing money in the sugar business to forget that present conditions are more favourable than those on which according to the recommendations of the Tariff Board they have any right permanently to rely. For that reason a due proportion of the profits that are earned on the present basis ought to be accumulated as reserves; for no right can become established to a continuance of the present position."

These words were used deliberately as a warning that the existing position,—the position as it then was,—was much more favourable than could be permanently maintained and that the public should not be encouraged into buying sugar shares on the basis of protection at Rs. 9-1-0 a hundred-weight.

Now, Sir, let me take the second point, the question of the price of shares. In the first place, if the result of our proposals now has been to check a dangerous speculative movement, that is certainly in the interests of the country, and that indeed was one of the definite motives which we had in mind in putting these proposals forward, for that is just the sort of thing that we want to stop. But if one looks at the market quotations, it is rather surprising that prices have not fallen more than they have. Indeed I myself should have expected to see a much greater fall and should have considered such a fall as the necessary result of a step which, as I have said, we regard as essentially right. But I wonder if the House has realised,—those of them who have no interest in sugar shares,—what enormous profits must have been made in sugar shares recently. My Honourable friend, Mr. Mody, is not here, but he himself told me a story about one of the most prominent sugar companies, one of the leading market counters in this

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matter,—the Belapur Sugar Company. He told me how, a few years ago, a holder of fifteen thousand shares in the Belapur Sugar Company was tired of holding non-profitable shares too long and offered them to the managing agents at a price of two rupees a share. The managing agents said they had quite as many as they wanted, and so they did not buy. The holder of these shares kept them for a bit and eventually the shares, which he wanted to sell at two rupees each, he sold for Rs. 84 a share. And what is the price today? The price today is Rs. 186. And the record of these shares also illustrates my other point. I find on looking back at the list, that those shares stood in January at about 164. They have now, after the announcement of our proposals recovered to 186. That does not look as if our proposals had very seriously affected the market in shares. One could go right through the list of all the prominent shares and find amazing rises in prices. Take the Cawnpore Sugar Company. Its shares stood in February, 1931, at 9½; today they stand at over 30. Take the Champaran Sugar Company. The shares stood in 1929 at 10½; today they stand at 22½. The Ryam Company shares in 1929 stood at 8½, today the price is 29½. Samastipur in 1930 went down to 4½ and today they are over 10. Leaving out of account people who may have got in at the top and then become frightened and sold off their shares, the net result is that enormous profits must have been made by investors in sugar shares in India during the last two years as a result of our policy. And if these inflated prices were no longer justified, surely this House would not take the claims of investors as a reason for not proceeding with this measure. Sir, that is just one of the points about the position which I want to emphasise. We, for the sake of public policy, introduced a programme of protection. By doing that we sacrificed an enormous amount of revenue. An import of 6,00,000 tons of sugar is no longer bought from Java, but produced locally. What happens? Government, assuming that the duty is Rs. 9-1-0 a hundredweight, loses on these 6,00,000 tons about 10 crores and 80 lakhs. Who gets these 10 crores and 80 lakhs? Where do they go? The consumer does not get any benefit, but goes on paying the same price as he would pay for imported Java sugar. Where does that money go? The greater part of it goes, of course, to pay for the lesser efficiency of production in India as compared with Java, and the balance goes in profits to those who invested in the sugar companies. That is the reason why we have seen this remarkable rise in share prices. Of course, there are certain alleviating factors,—a certain amount of labour has been employed, a better market for Indian cane has been produced, and so on; but the point that I want to make is this, that the public of India and the tax-payers of India have made a tremendous sacrifice, in order to see this policy of making India self-supporting as regards sugar secured; and it does not lie in the mouth of the manufacturers now to come to us and say that it is unjust and unfair for us to reduce the 400 per cent profit that they had on the capital value of their shares to 300 per cent. (Laughter.)

Now, Sir, the third point is that we are dealing an unfair blow at the industry, a blow which will really endanger its existence. I think
 4 P.M. that that is a matter which must be gone into on facts and figures, and we shall be very pleased to discuss the facts and figures in Select Committee. But I can tell the House that we are quite satisfied after our own inquiries that every reasonably well-managed concern can pay this excise duty, can go on paying a fair price for its cane, and can pay very good dividends to its shareholders. I do think it is of the most vital importance that the Members of this House and the public should realise

how exaggerated the claims of those who put in a case for protection have come in recent years to be. We have been told, I have been told particularly by the Sugar manufacturers' representatives who came before us, that our proposition may be quite all right as regards the old and well established companies, but that the new companies that are coming on will not have a fair chance; and that they will not be able to make a profit in their first year at all. Now, Sir, if it is claimed by those who put up a case for protection that we ought to create conditions in which a new company in its first year of operation should be able to cover all its expenses, to set aside a full sum for depreciation, to provide a margin for improvements, to pay interest on its capital, and on the top of that to pay profits as well,—and that is really the claim of the manufacturers,—then I say that if this country is going to listen to claims of that kind, it is absolutely doomed to ruin, and not merely doomed to ruin, but it is doomed to a process of encouraging inefficiency in manufacturing methods. Therefore, Sir, it does seem to me to be, as I have said, of vital importance that the House should realise that position. I think, if I may express a personal opinion, that the Tariff Board in all its inquiries has taken an extremely generous view of what the manufacturer should expect in order to be able to maintain his position. We have got into the way of thinking that the manufacturer ought to be able to do all these things that I have said, to provide for depreciation, to set aside sums for extensions, to pay interest on his capital, and above that to make a profit as well; and I say that that is asking a great deal even in normal times, but, in times like the present, it is a perfectly ridiculous proposition.

Now, there is another aspect of this matter. We were told—I was particularly told this by my Honourable friend, Mr. Ranga Iyer,—that one of the motives which I advanced for introducing this measure now was a particularly bad one, the motive that unless we did something now there was a danger of overproduction in India. My Honourable friend said:

“What is this talk of overproduction? There is no danger, there cannot be a danger of overproduction: we will not be satisfied merely with supplying the Indian market; we want to supply the empire market as well. That is the goal to which we are looking forward.”

I entirely share my Honourable friend's views in that respect. I think it is a grand thing that the sugar industry of India should look forward to that as a goal. But if that is their object, then I say the worst thing that we can do, as a means of assisting them to that object, is to allow them to become accustomed to a totally unnecessary measure of protection. If they are going to take their place in competition with other countries, in selling their goods in empire markets, then they must increase their efficiency enormously from the present standard. At present, as I pointed out to my Honourable friend, they, in order to secure a position in the Indian market, will get under our proposals a margin of protection representing something like 200 per cent *ad valorem*. If they want more than that, is there the slightest chance or hope that they will develop their efficiency, so as to take their place competitively in other markets? It is quite impossible. And that is the reason why I said in my Budget speech that, taking a long view, our present proposals which would make the task of the sugar manufacturers not quite so ridiculously easy as it is at present is really in the interests of the sugar industry itself.

I have said that the question of what will be the position of the sugar manufacturers after this measure is imposed is a matter which can be

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examined in detail in Select Committee; but there is one broad aspect of the case that I want to put to the House. Here we are in India with admirable natural facilities, climatic and agricultural, for growing sugar. We have an industrious, hard-working agricultural population which is not accustomed to large returns and is satisfied with small prices. We have a set of new factories coming into the industry, late in its development, so that the general standard of equipment ought to be very high,—with no old plants that have got to be replaced and written off. Everybody is equipped with the latest up to date machinery. We have got cheap labour, cheap capital; and, looking forward, there are immense prospects of improvement in the position owing to possibilities of improvement in the quality of cane and in the methods of cultivation. All that is an untapped margin for the future. If, in these circumstances, the sugar manufacturing industry of India says: "We cannot survive: this poor little infant will not be able to grow to maturity unless you give it more than a 200 per cent margin of protection", if that is the claim, then I think, on a mere statement of the facts, it stands hopelessly condemned.

There is another aspect, which I commend to the attention of Honourable Members who are interested in industrial matters, about this exaggerated claim to protection. I seem to have noticed in the last three years a very remarkable change in the public opinion of India as regards the protection of industries. The public is beginning to ask, what is the cost to us for having this sentimental pleasure of saying that we are helping to develop indigenous Indian industries and making India self-supporting? That is a question which is now often asked on the floor of this House. I never heard it asked four or five years ago. People are beginning to count the cost; and if the manufacturing industries of India get accustomed to making these exaggerated demands, then they run the risk of making the whole policy of protection stink in the nostrils of the public of India. We have heard other cases argued—my Honourable friend, Mr. Mody, whom I now see in his place, has fought a hard, and I must say, generally a very fair fight for the interests of the industry for which he speaks—but I would ask him in his own interest to consider whether he stands a better chance for the future if he allows, or does not do all that he can to prevent, other industries making exaggerated claims which are bound to react on public opinion as regards this whole policy. Sir, moderation in all things is a very good counsel, and taking a long view, I commend that counsel to the representatives of the sugar industry who are fighting against this measure of ours today.

In all the representations that have come before us, there is one single point in which—as a matter of logic and as a matter of principle—there seems to me to be a certain amount of substance. The only complaint that has been made by the sugar manufacturing interests, which is, I think, worthy of consideration, is this: they say: "Very well; let us admit for the sake of argument that you retain for us the margin of protection recommended by the Tariff Board—Rs. 7-12-0 a cwt. But, incidentally, owing to your having given us that margin, not by reducing the import duty to Rs. 7-12-0, but by imposing an excise duty on factory produced sugar of Rs. 1-5-0, by your reducing the margin in that particular way, you have set up an unfair basis of competition between the *khandsari* manufacturers and the manufacturers of sugar who will be hit by this

excise duty". That, as I have said, seems to me to be a perfectly good logical point. There are many questions of fact which have to be investigated before one can pronounce judgment on a point of that kind, and I must say that the evidence that we have received from the sugar manufacturers on the one side and from our own, may I call them, disinterested advisers, on the other, is extremely conflicting. But that is a point, obviously a suitable point, for discussion in Select Committee. I only mention that to show the sort of things which we may have to consider in Select Committee. It is a case which will have to be gone into very carefully indeed.

That is all that I need say, I think, on the measure at this stage. Before I close, I would only like to remind the House that this measure, of course, stands as part of our financial programme as a whole, and the programme that I have put up this year, although it is included in three different measures, is essentially interconnected. If I lose one piece in the plan, then, I am afraid, the whole programme goes: I hope that the House will consider this particular measure with those considerations in mind. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Motion moved:

"That the Bill to provide for the imposition and collection of an excise duty on sugar be referred to a Select Committee, consisting of Diwan Bahadur A. Ramaswami Mudaliar, Mr. S. C. Mitra, Mr. Muhammad Azhar Ali, Seth Haji Abdoola Haroon, Lala Hari Raj Swarup, Mr. Jagan Nath Aggarwal, Mr. Bhuput Singh, Lala Rameshwar Prasad Bagla, Mr. R. S. Sarma, Mr. A. Das, Bhai Parmá Nand, Mr. C. S. Ranga Iyer, Mr. F. E. James, Mr. G. Morgan, Nawab Major Malik Talib Mehdi Khan, Sirdar Nihal Singh, Major Nawab Ahmad Nawaz Khan, Mr. G. S. Bajpai, Mr. G. S. Hardy, and the Mover, with instructions to report within seven days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 1st of August, 1934."

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Sir, in this connection I should like to point out in the first place that these factories are nowadays making huge profits. It cannot be denied that some of these factories are making profits to the extent of 50, 60, 70 and even 80 per cent.; in fact there are some factories which in some years have made as much as 200 and even 300 per cent. profit as has been stated by the Honourable Member in charge. At the same time, it cannot be denied that the attitude of the factory owners towards their labourers is not at all satisfactory. I know of many instances in which the conditions of labourers are simply pitiable. Wages are not paid to them regularly, and in some cases they have to wait for months to get their wages. Facilities like education, medical aid, maternity benefits and the like, which are essential to the labouring classes and which are provided in all advanced civilized countries, are absolutely denied to the poor labourers in these sugar factories. I am sure, nobody will be able to challenge this statement of mine.

At the same time, the attitude of the factory owners towards the poor cane growers is far from satisfactory. In previous years, the House will be surprised to know, these factory owners used to pay only Rs. 0-4-0 to

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Rs. 0-6-0 per maund for their cane to these growers, while, in the pamphlets which have been circulated to Honourable Members of this House by the Sugar Mills Association, at several places they have calculated nine annas to ten annas a maund as the price that is paid to the cane growers. They have themselves said in one place,—and this is a paper which has been circulated to the Members of the Legislative Assembly by one Mr. Than, Managing Agent, the Saraswati Sugar Syndicate, Lahore, and it is stated here that, in the western U. P. they had acute competition amongst themselves for supply of cane with the result that the price of cane has gone up beyond all expectation, and that some of the factories in the Meerut Division are now getting cane at the cost of nine or ten annas per maund at the factories. But, Sir, I have explained to the House that these factory owners never paid more than six annas a maund for their sugar cane. I say it from my personal experience of many factories. Many people, who have discussed here this question with me for taking the sugar cane from those parts of Bihar where factories have been destroyed, have told me that it is not possible to get sugar cane at the site of the factories dearer than eight annas a maund, and, in spite of the profuse sympathy for the poor sufferers, in spite of the friendship which some of the factory owners have with me, they have told me that they could not possibly afford to pay even eight annas a maund, and that, in fact, they were losing even at that rate. The figures that have been placed before us show that they are paying a better price to the cane growers, that they are paying as much as nine annas and ten annas per maund, whereas, as a matter of fact, from the instance I have quoted, the House will see how they have calculated the figures to mislead us regarding the true position of the industry in this country. In my part of Bihar, I know very well that sugar cane was purchased at four annas a maund, there was a time when the cane growers sold their cane even at the rate of three annas a maund, and this price was paid, not because the millowners were losing, but it was paid deliberately, because in those days, as I said, some of the factories were making as much as 200 per cent profit. Sir, when I look at the whole situation, I feel that the factory owners have not treated the cane grower fairly and justly. They have not treated the labourers justly and sympathetically, and that these factory owners have done everything in their power to the detriment of the interests of the poor labourers, and the cane growers for their own profit. They have resorted to coercion and other things to profit themselves.

Now, Sir, I feel that Government should look into all these matters seriously, but, at the same time, it also should be remembered that when protection was granted to the sugar industry, certain undertakings were given by the Government to the factory owners. Though my Honourable friend has said that there is no breach of faith in imposing this excise duty, I regret I cannot agree with him. If I assure any party that I will buy certain things from him and that I will give certain facilities, and, on that understanding, that party spends not only thousands and lakhs, but crores of rupees, and if, after that, I find that the word I gave is not favourable to me and want to get rid of the promise, I do not think that any one in this country or anywhere else in the world will congratulate me.

The Honourable Sir George Schuster: Is my Honourable friend suggesting that what we are proposing now is not consistent with the original plan?

Mr. M. Maswood Ahmad: Yes. I suggest that you promised them, and what you gave with one hand you are taking away with the other.

The Honourable Sir George Schuster: They were promised a measure of protection of Rs. 7-4-0. They are given a measure of protection of Rs. 7-12-0.

Mr. M. Maswood Ahmad: Yes, Sir. But I want to show what you gave with one hand, some portion of it you are taking away with the other. My Honourable friend has said—he quoted from his speech—that these facilities are not of a permanent character. I agree, but this facility of Rs. 7-4-0 or something like that was for 15 years, and you will see that this industry is not protected by that amount. When the protection was given, it was Rs. 7-4-0, and with the surcharge of 25 per cent. on this, it went up to Rs. 9-1-0. This surcharge is not for 15 years; it may go at any time as soon as the financial position of the Government becomes better. This is a temporary relief, and it cannot be counted upon.

The Honourable Sir George Schuster: If that is my Honourable friend's point, I should like to clear that up at once. We are not contemplating putting the industry in any insecurity at all. Whether they get Rs. 7-4-0 or Rs. 7-12-0—that, of course, depends on the price of sugar, but that they can rely on, and that we are not going to take away. We are not going to diminish that by reducing the surcharge in future.

Mr. M. Maswood Ahmad: Might I understand from my Honourable friend that this surcharge of 25 per cent will remain on sugar for 15 years?

The Honourable Sir George Schuster: Our policy will always be to keep the difference between the excise duty and the import duty at the level recommended by the Tariff Board and accepted by the Government of India. We are not going to reduce that difference.

Mr. M. Maswood Ahmad: I am glad that my Honourable friend has explained the position of the Government, and it may satisfy many of us to a certain extent on that point.

My Honourable friend has hinted that the definition of factories might be considered in the Select Committee, and it will include the factories which are not manufacturing their sugar by means of vacuum pan system. As I am not on the Select Committee, I shall say something on that point, so that the members of the Select Committee may consider it. Nowadays, sugar is made in villages by means of three processes. One process is the open pan system. They make what is called *gur* and *rab* in my part of the country, and from these they make sugar which I may call brown sugar.

Sir Hari Singh Gour: Jaggery.

Mr. M. Maswood Ahmad: I am glad to learn a word from my Honourable friend, but I will still use the word *gur*, as it is called in my part of the country. This was being prepared without any protection or any protective duty. Whatever changes may take place, the definition of a factory should not be changed to affect that industry. How they do it is,—they put the juice of the sugar cane in the pan, boil it, and then allow it to crystallise. So, any change in the definition of a factory, so as to include this, will go against the agriculturists. I want an assurance from the Government that they are not going to affect this industry.

Sir Hari Singh Gour: That assurance is in the Bill.

Mr. M. Maswood Ahmad: I admit, but certain millowners are trying to change the definition in a way to include this process also. Hence I want an assurance.

The other process is that in small villages, those agriculturists, who own 50 or 60 acres, cultivate sugar cane, and, by means of crude oil engines, they work small centrifugal mills and prepare sugar which is used for themselves or for their relatives. That sugar does not go outside the village and does not get into towns. These villagers prepare a sort of inferior sugar with these centrifugal machines, and that is used by the villagers alone. They do not use the vacuum pan system; rather they use the open pan system. The main difference between vacuum pan system and open pan system is that in vacuum pan system the juice is boiled at a low temperature on account of the vacuum, and it evaporates at a lower temperature very rapidly, and, on account of this evaporation at a lower temperature, the crystals of sugar remain intact, and so, if the juice is boiled in vacuum pan, then a larger percentage is available from that juice, but the open pan system requires more heat. It takes more time for evaporation, and, on account of more heat and more time, the trouble is that the crystals of sugar change into glucose, and, in this way, a large quantity of molasses is taken, and a very small quantity of sugar is really available by means of this open pan system. As there is absolutely no profit in this open pan system and as this sugar is not sold in town markets and as this sugar is of inferior quality, I suggest that, in the definition of factory, it should be mentioned that only those factories will be treated as factories where sugar is made by means of the vacuum pan system, and all those factories where sugar is made by means of the open pan system should not be treated as factories. Rather, those factories are small ones and there should not be any excise duty on this sugar, because the result of this taxation will be that this local industry, which is in the hands of small and petty agriculturists, will vanish and will be ruined for ever. These millowners do not want that there should be any small centrifugal factories in villages, so that they may make more money and they may purchase cane at any rate they desire. So they are trying to get rid of this, and they want to add certain words that this clause should operate on those factories as well, but Government should be cautious in this, and I will suggest that some word should be mentioned here that really the factories, which are factories, should be taxed and that this cottage industry should not be taxed at all.

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

Then, I come to the consumers' point of view, and, in this connection, I want to say that consumers are suffering nowadays to a very great extent. There are already so many taxes on these consumers. They are overtaxed nowadays. Had these taxes been for the benefit of the revenue only there would not have been much objection, but my Honourable friend has rightly said that there is discontent amongst the people of this country now. Government introduce Bills for protection every month, but there is great dissatisfaction in this connection. Government should be cautious in this matter. You will find the rate at which the sugar which comes at the port from outside India after paying their taxes in their own country, after paying the profits of the managing agents in their own country and after paying the freight of the ship when it reaches our port. You will find at what rate sugar is sold in this country by means of protective duty and really who is paying this large amount. Had there not been this protective

duty on sugar, what would have been the rate? Is it not the case that Government are forcing really the consumers to pay a large amount to these millowners? My Honourable friend says it is not correct. I say, if this sugar would have come import duty free, what would have been the result?

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): The import duty the Government have already levied before the passing of the Protection Bill.

Mr. M. Maswood Ahmad: What is the difference between the import duty and the protective duty? My Honourable friend has forgotten that, by means of protection duty, they have increased the import duty on sugar.

Seth Haji Abdoola Haroon: No.

Mr. M. Maswood Ahmad: If they have not increased the import duty on sugar, then, how do you say that the protective duty was levied on sugar?

An Honourable Member: It is only a change in name.

Mr. M. Maswood Ahmad: I shall be very glad to understand that when my Honourable friend will speak.

Anyhow, in these days, consumers are paying so many taxes, and these duties are not for the benefit of the Indian treasury, but it is for the benefit of the millowners who, by some means, had got money at the time and who have invested money in these factories, and by means of these factories and by means of using the poor labourers, and poorly paying them, they want a huge amount of profit like 200 or 300 per cent.

One more point I want to refer to. It has been said by my Honourable friend, Sir George Schuster, that there is a loss of a large amount on account of the import duty on sugar. There was a time when about 6,00 lakhs

Sir Hari Singh Gour: 10 crores, 80 lakhs.

Mr. M. Maswood Ahmad: . . . was the import duty at the time, and now, where has this amount gone? They have not gone into the pocket of the millowner. I want to say that this amount has gone again to the European countries. On account of the Government promises, without understanding their position, the millionaires of this country have spent their money and they have purchased their machinery at a very high cost, and they were in a hurry at that time that sugar factories should be established in India as early as possible, so that they might make money, and so large amounts have gone there. After considering this amount and after considering the interest on this amount, you will find that all the money is not going into the pocket of the millowners, rather, all have gone to foreigners.

You will find from the figure that the number of cane factories operating in 1930-31 were 29, in 1931-32, it became 32, in the year 1932-33, it became 57, and, in the year 1933-34, it has become 134, and there is an estimate that in the year 1934-35, about 140 factories will be working in this country. So, it cannot be denied that nowadays there is some competition in this industry. In this connection, I wanted to ask the Government a question on one more point, viz., that they want to impose

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the excise duty from the 1st April, 1934. I want to say, Sir, that that would not be just. In the case of many factories in this country, they have the advantage of having greater railway facilities than others, and also there are areas where more wagons are available. Such factories placed in such fortunate position have been trying from the date of introduction of this Bill to send their sugar away from their factories as rapidly as possible, but that was not possible in the case of many other factories not enjoying such easier wagon and other facilities and they could not hurriedly send away their sugar before the 31st March, 1934. So those factories, which were in a position to send their sugar before the 31st March, 1934, will be in a better position, and they will save that duty, but those factories which, through no fault of their own, but through the fault of the Department of which my Honourable friend, Sir Joseph Bhore, is in charge could not get more wagons or were thus, and for other reasons, not in a position to send their sugar to the market, will be fully taxed. Sir, it cannot be denied that nowadays there is a great shortage of wagons in the Railway Department. I know personally and I understand from the railway authorities, whom I have met in this connection, that on the Bengal and North-Western Railway, there is a shortage of wagons; it cannot be denied that on the Eastern Bengal Railway also there is a shortage of wagons; and, at the same time, there is a great rush on the Bombay, Baroda and Central India Railway too. All attempts were made by the Bengal and North-Western Railway and other railways to borrow a few wagons from the Bombay, Baroda and Central India, but it was not possible to get a sufficient number of wagons from these railways, because they too were busy and they too were short of wagons. So the Honourable the Finance Member should really consider this question, and I hope my Honourable friend will also consult the Railway Department as to how far these factories are in trouble at present on account of this shortage of wagons. As I have already stated, I again repeat that those factories, which managed to get wagons in large numbers, are in a position at this time to send all their sugar in their possession, and my Honourable friend will not be in a position to tax those factories, but he will only be able to tax those factories which are near railways, but do suffer from a shortage of wagons and these factories will thus suffer to a great extent. Sir, Government's policy should always be to be fair and just to all, and justice should not fail. Any attempt on their part to tax a particular unfortunate portion of the industry would not be justifiable and they could not be congratulated if they did that. This question must be considered dispassionately by my Honourable friend.

Sir, a further point which I want to stress in this connection is that the time for preparing sugar is now out, and what is the use of levying this duty on these factories? The only result will be that you will tax only a few factories which are not in a position to send their sugar away from their factories, because no sugar will be made in future for nearly eight months in this country. Further, this measure will affect the earthquake-stricken people of Bihar to a very great extent. The factories there are not in a better position to utilise all the sugar-cane in those parts, and, in spite of all attempts, they were not able to secure wagons to take sugar-cane to other factories out, and it is well-known to my Honourable friend, Sir Joseph Bhore. Sir, although the Chief Commissioner of Railways, Sir Guthrie Russell, went to Muzaffarpur in this connection, and

I understand he is now back, my information is that on other metre-gauge railways also there is a great shortage of wagons and the sugar-cane cannot be taken to the factories at Sone East Bank and at Dehri rapidly, and a larger proportion of the sugar-cane in my part will be used in these factories after the 1st April. So, really, this tax will fall only on two classes—one being those factories which have not been in a position to send their sugar away from their factories, and this taxation will fall heavily on the shoulders of the Tirhut people and other people in my part of the country who were not in a position to crush all the sugar-cane and to send their sugar-cane to the factories, and this is a point to be considered in the Finance and Railway Departments. I say, the excise duty, whatever they propose—I do not say what the amount should be—should not fall on that proportion of the sugar which will be made from the sugar-cane of Bihar. At present, on account of the railway freight, the sugar-cane is being taken from that part to other factories and are yielding large amounts to the railways, and practically these sugar-cane growers are getting about three annas or four annas a maund. Once I had been in the Railway Department and consulted them on this question, and so we tried to dispose of the sugar-cane in the Muzaffarnagar area and other places, but we came to know that, in spite of the reduction in the railway freight it was not possible to take that sugar-cane into these parts because only two annas would be left for the sugar-cane grower. So we should consider that even if this sugar-cane is taken to these two mills mentioned, the return to the cane-grower is only two annas.

Further, I cannot understand what is the hurry in respect of this measure that Government are not prepared to circulate it. There are two or three points to be considered in this connection, and they can be considered only after this Bill is circulated for eliciting public opinion. I do not think Government will lose anything in this connection, because, if the season for sugar is over, you cannot expect a heavy amount of income from this excise duty this season. Whatever you will get, you will get in the next season, when it will begin from December, 1934, and up to March, 1935. That is the main season when all the factories are working in this country, and when you can expect any appreciable amount in the shape of excise duty from these factories. I assure my Honourable friend that if he will think over the matter at the Committee stage and work out properly what amount they can expect in this season, he will really realise that only a very little amount can be expected from this sugar by means of the excise duty. When they are not losing anything, what, I ask, is the reason for the hurry? If they circulate the Bill, it is quite possible for them to get information as to what the idea of the public in this country is. Whatever my Honourable friend may say about the telegrams which we have received, and my Honourable friend might say he has got information from the C. I. D. that it was all on account of the inspiration of someone else, I think if they will circulate this Bill, they will get the same information through the Local Governments. Let them realise that this is not the idea of a particular section or of a particular class of men. What we want to know is what is the idea of the public in this connection.

The second point that I wish to make out, and on which I would lay all the emphasis that I can command, is that these factories are really making a huge amount of profit. That I have already said in the begin-

[Mr. M. Maswood Ahmad.]

ning. You can check this huge profit by two ways. One way is to impose an excise duty and the other is to decrease the import duty on sugar which is imported from outside. You are to choose between these two ways. Now, who is to decide this question? My submission is that this is a point which should not be decided only by us, but rather by the public, and you can judge the opinion of the public only by circulating this Bill. If you do not circulate this Bill, you will not be able to know what the idea of the public is, whether they prefer the imposition of an excise duty on sugar or whether they like that the import duty which is levied at present on the foreign sugar should be decreased. As a representative of Bihar and Orissa, I may say that my idea is that it is better to decrease the import duty on sugar rather than impose an excise duty on it.

Mr. B. Das (Orissa Division: Non-Muhammadan): That is a wrong logic.

Mr. M. Maswood Ahmad: It may be wrong, as suggested by my Honourable friend, Mr. Das, but I think that is the only solution of the difficulty.

Mr. President (The Honourable Sir Shanmukham Chetty): I think the Honourable Member had better bring his remarks to a close.

Mr. M. Maswood Ahmad: Sir, I have always accommodated the House, and I have always accepted your suggestion to be brief. My
5 P.M. suggestion to the Government is that they should consider these points. The first point is that there is no hurry to rush through this legislation, and it should be postponed till the Simla Session. The second point is that this House should consider whether the import duty should be reduced or a new duty should be imposed. The third point is that only those factories should be taxed which prepare sugar by means of a vacuum pan system, and those factories which prepare sugar by means of centrifugal machines should not be taxed. With these words, Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 1st of August, 1934."

Mr. Ranga Iyer does not wish to move his amendment, and the next amendment is substantially the same. Therefore, it will not be moved. The discussion will be comprehensive both on Mr. Maswood Ahmad's amendment and the original motion.

STATEMENT OF BUSINESS.

The Honourable Sir Brojendra Mitter (Leader of the House): Sir, with your permission, I desire to make a statement as to the probable course of Government business in the week beginning April the 2nd.

You, Sir, have directed that the House shall sit for the transaction of Government business on Monday, the 2nd, Tuesday, the 3rd, Wednesday, the 4th, Thursday, the 5th, and Saturday, the 7th. On Monday, we shall take up the business left unfinished from today's list in the order in which it appears on that list. We expect to proceed first with the motion for the reference to Select Committee of the Sugar (Excise Duty) Bill, and, thereafter, we shall take the motion for reference to Select Committee of the Matches (Excise Duty) Bill. These will be followed on Tuesday or Wednesday, as the case may be, by the motion to take into consideration the States (Protection) Bill as reported by Select Committee, and, on the conclusion of this business, there will be motions to take into consideration and pass the Sugar-cane Bill. Should this business be concluded before the end of the week, we shall take up the Trade Disputes (Extending) Bill, for which the motions will be for consideration and passing. Thereafter, motions will be made to take into consideration and pass the Sea Customs (Amendment) Bill, the Indian Lac Cess (Amendment) Bill, and the Negotiable Instruments (Amendment) Bill, as reported by the Select Committee.

In addition to the above business on Monday, Tuesday and Saturday, three motions will be moved for the election of members to the Standing Committee on Emigration, Standing Finance Committee for Railways and the Central Advisory Council for Railways.

The Assembly then adjourned till Eleven of the Clock on Monday, the 2nd April, 1934.