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**PROCEEDINGS
OF
*THE INDIAN LEGISLATIVE COUNCIL***

ASSEMBLED FOR THE PURPOSE OF MAKING

LAWS AND REGULATIONS

VOL. LVIII

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GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE INDIAN LEGISLATIVE COUNCIL ASSEMBLED UNDER
THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT, 1915.
(5 & 6 Geo. V, Ch. 61.)

The Council met at the Council Chamber, Viceregal Lodge, Simla, on
Tuesday, the 23rd September, 1919.

PRESENT :

The Hon'ble SIR GEORGE LOWNDERS, K.C.S.I., K.C., *Vice-President, presiding,*
and 41 Members, of whom 30 were Additional Members.

QUESTIONS AND ANSWERS.

The Hon'ble Mr. W. E. Crum asked :—

11-5 A.M.

1. "With regard to the position of subjects of late enemy countries and their return to India, will Government be pleased to state :—

Exclusion of
Germans
and enemy
subjects
from India.

(a) for how long they are prepared to exclude Germans and subjects of other late enemy countries from India ?

(b) what steps they are taking regarding Article 438 of the Peace Treaty ?

(c) whether they are prepared to permanently exclude German missions from India ? and

(d) what circumstances will guide them in making exceptions to repatriation of interned enemy subjects ?"

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(40)

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[*Sir William Vincent; Mr. W. E. Crum.*]

[23RD SEPTEMBER, 1919.]

The Hon'ble Sir William Vincent replied :—

“(a) The Government of India are in correspondence with the Secretary of State for India on the subject of the admission into, or exclusion from, India of subjects of countries which are or have been at war with His Majesty. They hope to be in a position very soon to make a public announcement of their policy in this matter.

(b) The properties and undertakings of all German missions in India, including the Basel Mission Trading Company, have been vested in the provincial Custodians of Enemy Property, boards of trustees have been formed, and the properties and undertakings are being transferred from the Custodians to the trustees in accordance with Article 438 of the Peace Treaty.

(c) The Government of India will act in accordance with any decision which may be arrived at by His Majesty's Government. His Majesty's Government have decided that missionary and other philanthropic societies or organizations of alien enemy nationality, and their individual members of alien enemy nationality or birth, irrespective of their religious belief, cannot be re-admitted to India for a period which may be defined hereafter.

(d) The Government of India have decided that every German and Austrian at present in India is to be repatriated, subject to exceptions only in cases where there are very special reasons for granting exemption from repatriation. Each case will be considered on its merits. Exemption might be granted on the ground that an individual was by birth a British subject; that he has married and brought up a family in India and has entirely severed his connection with his own country; or that he is a native of territory which has ceased to be German or Austrian territory as a result of the Peace Treaty. But it is impossible to specify all circumstances which the Government of India might think sufficient.

In the United Kingdom, in the case of Germans married to British-born wives and deported from England to Germany, the wives have been allowed to stay in England or follow their husbands to Germany, as they preferred. In the case of British-born children of such parents, the law does not authorize the deportation of British subjects, but it has been the practice in England to include the names of very young children in the mother's permit. When the children are of school-going age or over, each case has been dealt with individually. In such cases the practice has been to make inquiries and try to ascertain whether the children wished to go or stay, and in the latter event whether there were relatives in England who could take care of them. The Government of India propose to be guided by the same principles in dealing with British-born wives and children of Germans and Austrians who were interned in India and are to be repatriated.”

“**The Hon'ble Mr. W. E. Crum** :—“ May I ask a supplementary question? Can the Hon'ble Member say how soon he will be able to give a definite answer to (a)? ”

The Hon'ble Sir William Vincent :—“ We have telegraphed about this matter to the Secretary of State recently, but I am unable to say the exact date on which a final decision will be reached.”

The Hon'ble Mr. W. E. Crum asked :—

Ev. 1 of
India
Income-tax.

2. “(a) Has the attention of Government been drawn to an announcement reported to have been made by the Secretary of State in the House of Commons on 17th July regarding apparent evasion of Indian income-tax?”

(b) What steps are Government taking to improve the machinery of collection and to prevent evasion?”

[23RD SEPTEMBER, 1919.]

[Mr. H. F. Howard; Rao Bahadur B. N. Sarma; Sir William Vincent.]

The Hon'ble Mr. H. F. Howard replied :—

“(a) Yes.

(b) The Government of India are fully aware of the importance of improving income-tax assessment and preventing evasion. Before the passing of the new Act they had put to Local Governments (which, it should be remembered, are in charge of the administration of income-tax) the question whether the time had not come for the more general employment of specially trained and whole-time income-tax establishments. The importance of tightening the administration has been generally recognised, and though the diversity of conditions in the several provinces renders the application of any uniform system impracticable, the majority of Local Governments are, it is understood, taking up the suggestion, and it may interest the Hon'ble Member to learn that recently in the cities of Calcutta, Bombay and Rangoon, the income-tax establishments have been considerably strengthened. Special additions have also been made to the staff in the Punjab, the United Provinces and Madras, while certain improvements in the machinery have been introduced in the districts of Bengal. It is hoped that with this strengthening of the assessing staff a progressive improvement will be secured in the direction of enforcing liability to the tax where it is now being evaded. The Government of India also hope to obtain from Mr. Watkins, the expert in income-tax administration, whose services have been kindly lent to them in connection with the Excess Profits Duty by the Board of Inland Revenue of the United Kingdom, useful advice in connection with the whole subject.”

The Hon'ble Rao Bahadur B. N. Sarma asked :—

3. “Will Government be pleased to state approximately the rough estimates of the world's production of gold and silver during 1919-20 and 1920-21.”

World's production of gold and silver.

The Hon'ble Mr. H. F. Howard replied :—

“The Government of India have not seen any authoritative estimates of the world's production of gold and silver during the current and next years, and in view of the various uncertain factors involved, they do not think that it will serve any useful purpose for them to attempt to frame any such estimates for the public information.”

The Hon'ble Rao Bahadur B. N. Sarma asked :—

4. (a) Has any conclusion been arrived at in fixing the salaries of Europeans and Indians serving in India and doing the same work?

(b) Is there to be any differential treatment, and, if so, on what principle?

(c) Is the European allowance to be the same in respect of all services or to vary with the service and status, rank and length of service of the individual? If so, what are the differences?”

System adopted in fixing the salaries of Europeans and Indians serving in India.

The Hon'ble Sir William Vincent replied :—

“No conclusion has been arrived at.”

The Hon'ble Rao Bahadur B. N. Sarma asked :—

5. “What is the value of the gold and silver employed in arts in the various countries during the ten years prior to the war?”

Value of gold and silver employed in arts.

{Mr. H. F. Howard; Rao Bahadur B. N. Sarma; the Vice-President.]

[23RD SEPTEMBER, 1919.]

The Hon'ble Mr. H. F. Howard replied :—

"The information asked for by the Hon'ble Member is not available except as regards the United States, where in 1916 the amount of gold consumed in the industrial arts was valued at slightly over 51 million dollars, i.e., about £10½ million, while the silver consumed amounted to somewhat over 32 million fine ounces.

In the case of India, it is impossible to say how far the gold and silver which has gone into consumption is held in the form of coin, and how much has been melted down for use in the arts."

The Hon'ble Rao Bahadur B. N. Sarma asked :—

Exchange
compensation
allowance.

6. "Will Government be pleased to state the reduction, if any, in the expenditure under exchange compensation allowance (1) during the official year 1918-19, and (2) during the four months ending on 31st July 1919, and the reduction anticipated during the succeeding eight months?"

The Hon'ble Mr. H. F. Howard replied :—

"The expenditure on account of exchange compensation allowance was reduced from Rs. 43½ lakhs in 1917-18 to less than Rs. 7½ lakhs in 1918-19, and to nil during the first four months of the current year. No expenditure on this account is anticipated during the remaining eight months."

The Hon'ble Rao Bahadur B. N. Sarma asked :—

Collection
of taxes.

7. "Do Government propose to consider the desirability of arranging for the collection of some taxes during the slack months of the trading season?"

The Hon'ble Mr. H. F. Howard replied :—

"The Hon'ble Member's question is not understood. The collection of Government taxes goes on through both the slack and the busy seasons of the year."

The Hon'ble Rao Bahadur Sarma :—"May I request that the dates of the collection of revenue be postponed so as to enable the money to be used for the benefit of the trade? That is the question I wish to ask."

The Vice-President :—"I understand that the Hon'ble Member desires to ask a supplementary question."

The Hon'ble Mr. H. F. Howard :—"I am afraid I did not catch what the Hon'ble Member said."

The Hon'ble Rao Bahadur Sarma :—"May I ask the question as to whether the dates of collection of certain of these taxes might be postponed till the slack season so that during the busy trade season the money may remain with the trade?"

The Hon'ble Mr. H. F. Howard :—"I am afraid, Sir, that we want all the money that we can get as early as we can get it. That is the answer to the Hon'ble Member's question."

[23RD SEPTEMBER, 1919.]

[Rao Bahadur B. N. Sarma ; Mr. R. A. Mant ; Mr. H. F. Howard ; Rai Sahib Seth Nathmal.]

The Hon'ble Rao Bahadur B. N. Sarma asked :—

8. "(a) Do very wide differences exist between province and province, adjoining districts and even parts of the same district in prices of foodstuffs?" Differences in prices of foodstuffs in various districts.

(b) Are Government in a position to say whether this is due partly to the inability of the Railway Companies to meet the normal traffic demands?"

The Hon'ble Mr. R. A. Mant replied :—

"Full details of the wholesale and retail prices of food-grains in the different provinces and districts of India for the second half of July will be found in the Supplement to the Gazette of India for the 13th September. An examination of these statistics discloses considerable differences in the retail prices of food-grains, but it is not possible to assign any one cause for these variations. Marked differences in the price of rice, for instance, in adjoining districts may be due purely to local causes as when communications are temporarily interrupted by floods, or they may be due to the fact that District Officers have not reported the price of the same quality of rice. But the principal cause is probably that suggested by the Hon'ble Member, namely, the inability of the railways to cope with all the traffic offering. This has compelled Government to control the inter-provincial movements of food-grains, and retarded the leveling process which is ordinarily promoted by free communications. The Government of India are now advised that the railway position is improving, and they are consulting Local Governments as to the possibility of relaxing control over the internal movements of food-grains."

The Hon'ble Rao Bahadur B. N. Sarma asked :—

9. "(a) Will Government be pleased to state to the extent of the latest figures available, the existing currency in cheques, notes and metal in the various countries having principal trade relations with India?" Metallic and paper currency.

(b) Is there in such countries sufficient metallic currency behind the cheque and paper currency according to the accepted standards prior to the war?"

(c) What proposals, if any, do Government contemplate for assisting India to compete industrially and commercially successfully with other countries?"

The Hon'ble Mr. H. F. Howard replied :—

"(a) I lay on the table a statement* giving the latest information available regarding the note circulation, and coin and bullion reserve held against the latter, in the United Kingdom, Japan, the United States of America, France and Italy. No information is available regarding cheques or the metallic currency actually in circulation.

(b) Government regret that they have no information on the point.

(c) This opens up such very wide matters that it is not practicable to deal with them by means of question and answer. I can only refer the Hon'ble Member to the Report of the Industries Commission."

The Hon'ble Rai Sahib Seth Nathmal asked :—

10. "(a) With reference to the policy of Imperial preference reported to have been announced by the Chancellor of the Exchequer in the House of" Imperial Preference.

[*Rai Sahib Seth Nathmal; Sir George Barnes; Mr. H. F. Howard; Sir William Vincent.*]

[23RD SEPTEMBER, 1919.]

Commons, were the Government of India previously consulted or was Indian public opinion on the subject in any other way presented before His Majesty's Government?

(b) If the answer be in the negative, do Government propose to represent to His Majesty's Government the considered public opinion in India after ascertaining the same?"

The Hon'ble Sir George Barnes replied :—

"The Government of India were consulted on the general question of fiscal policy arising out of the Resolutions of the Paris Conference held in June, 1916, though no specific reference at that time was made to Imperial preference. The Government of India did also ask Local Governments for their views on general questions of trade policy after the war, and in doing so, made a reference to the question of preferential tariffs. The replies of Local Governments indicated that a scheme of Imperial preference would, on the whole, receive the approval and support of the majority of the commercial community in India. But no discussion of the general principle has been invited. The replies were placed before the Secretary of State."

The Hon'ble Rai Sahib Seth Nathmal asked :—

Consideration of the establishment of a State Bank in India.

11. "(a) Is it not a fact that the Chamberlain Commission on Indian Finance and Currency in 1913 suggested the appointment of an expert committee to examine the question of the establishment of a State Central Bank in India?"

(b) Do Government propose to ask the Secretary of State to refer the matter to the committee now sitting in London for consideration and for working out in detail a definite scheme capable of immediate adoption?"

The Hon'ble Mr. H. F. Howard replied :—

"The answer to (a) is in the affirmative and to (b) in the negative. I may add that I propose to give a brief explanation of the position in connection with the Resolution which Mr. Sarma will shortly move."

The Hon'ble Rai Sahib Seth Nathmal asked :—

Katapur Bakrid riot case.

12. "(a) Has the attention of Government been drawn to the editorial column of the 'Amrita Bazar Patrika' of the 18th August, 1919, relating to the Katapur Bakrid riot case and the severity of the sentences passed on the accused, in which it is stated that 8 have been condemned to death and 135 sentenced to transportation for life, that among the 8 condemned there are 3 *mahants*, one doctor and one aged banker, and that among those transported for life there are high *pondas*, municipal commissioners and secretary, zamindars and bankers as also a Sub-Inspector of Police?"

(b) Do Government propose to take any action to reduce the sentences or to grant pardons in the above case?"

The Hon'ble Sir William Vincent replied :—

"(a) The attention of Government has been drawn to the article in question.

(b) It is understood that the sentences are being considered by the Local Government. The Government of India have not received any application from any of the convicted persons."

[28th SEPTEMBER, 1919.]

[Rai Sahib Seth Nathmal; Sir William Vincent; Sir Arthur Anderson.]

The Hon'ble Rai Sahib Seth Nathmal asked :—

13. "With reference to the reply given in this Council by the Hon'ble Sir Reginald Craddock in answer to a question asked by the Hon'ble Maharaja Sir Manindra Ohandra Nandi on the 19th September 1916, will Government be pleased to state what further action the Government of India and the various Local Governments have taken for placing the ancient systems of medicine on a scientific basis and for increasing their usefulness?" Ayurvedic and Unani systems of medicine.

The Hon'ble Sir William Vincent replied :—

"Local Governments have been consulted in the matter and their unanimous opinion is that before anything can be done in the direction of placing the Ayurvedic and Unani systems of medicine on a scientific basis, it is essential that there should be a strong movement among indigenous practitioners to reform and organize themselves, and of such a movement there is at present little or no evidence. The Government of India consider, however, that the scientific investigation of the properties of indigenous drugs is likely to be fruitful, and may help to achieve the object which the Hon'ble Member has in view, of increasing the usefulness of the ancient Indian systems of medicine. An investigation on these lines is to be made by the Drugs Manufacture Committee which has recently been appointed. This Committee will, amongst other matters, inquire into the value of indigenous medicines and will collect information regarding the mineral and vegetable drugs not included in the British pharmacopœia which are at present most commonly used by those who practise the Ayurvedic and Unani systems."

The Hon'ble Rai Sahib Seth Nathmal asked :—

14. "Will Government lay on the table the correspondence, if any, between the Government of India and the Central Provinces Administration relating to the constitution of a Chief Court at Nagpur? What action do Government propose to take on the proposals made by the Central Provinces Administration?" Constitution of a Chief Court at Nagpur.

The Hon'ble Sir William Vincent replied :—

"A decision on the question of constituting a Chief Court at Nagpur has been postponed for the time being on financial grounds. As no final decision has yet been reached, the Government of India are not prepared at this stage to lay the papers on the table. I shall be glad to give the Hon'ble Member further information privately if he wishes."

The Hon'ble Rai Sahib Seth Nathmal asked :—

15. "Will Government be pleased to lay on the table a statement showing the superior appointments, i.e., gazetted appointments, made to the various branches of the Railway service during the years 1916-17, 1917-18, and 1918-19 classified as below :—" Higher appointments on Railways.

Europeans. Eurasians. Hindus. Muhammadans. Others."

The Hon'ble Sir Arthur Anderson replied :—

"A statement* is laid on the table. The figures given therein do not include officers of the Audit and Accounts Department, State Railways, who are provided by the Indian Finance Department.

The Hon'ble Rai Sahib Seth Nathmal asked :—

16. "What is the actual expenditure on the construction of New Delhi from the date of the undertaking of the works up to 31st March 1919?" Expenditure on New Delhi.

* Not included in these Proceedings.

[Mr. R. A. Mant; Mr. K. V. Rangaswamy Ayyangar; Sir William Vincent; Mr. N. F. Paton; Mr. H. F. Howard.]

[23RD SEPTEMBER, 1919.]

The Hon'ble Mr. R. A. Mant replied :—

"The outlay on the New Capital at Delhi up to the end of 31st March 1919, was as follows :—

	Rs.
Actual expenditure to end of 1917-1918	2,63,02,408
Approximate expenditure in 1918-1919	41,27,000
	<hr/>
Total	3,04,29,408 "
	<hr/>

The Hon'ble Mr. K. V. Rangaswamy Ayyangar asked :—

Appointment of a non-official commission to inquire into the Calcutta disturbances of September 1917.

17. "(a) Is it a fact that the Calcutta public appointed a non-official commission consisting of Messrs. L. P. E. Pugh, A. Tyabji, H. D. Bose, C. Vijayaraghavachariar and Agit Prasada to inquire into the Calcutta disturbances of September, 1917; that the said commission sat for about a month in Calcutta and after an open public inquiry, submitted a report to Government?"

(b) Will Government be pleased to lay the said report on the table and to state to what extent they propose to give effect to the recommendations of the said commission?"

The Hon'ble Sir William Vincent replied :—

"(a) and (b) No such report has reached the Government of India."

The Hon'ble Mr. N. F. Paton asked :—

Government Loan and hoarding of Silver Rupees.

18. "(a) Is it a fact that a very small amount of new money has been invested in the recent Government Loan as compared with the very large sums subscribed and being subscribed to Joint Stock Companies?"

(b) Are Government satisfied that the terms of their recent Loan were such as to enlist the full financial support that might otherwise have been obtained?"

(c) Is it a fact that very large quantities of silver rupees are being hoarded throughout India?"

(d) Are Government prepared to consider the advisability of commencing issues of Premium Bonds concurrently with the issue of the next Loan, with a view to bringing into circulation these hoarded rupees?"

The Hon'ble Mr. H. F. Howard replied :—

"(a) Government do not consider that the amount subscribed to their recent loan, namely, over 21 crores, compares unfavourably with the sums now being invested in companies.

(b) Government are satisfied that the terms of their loan were as liberal as the circumstances justified.

(c) Government have no exact information as to the amount of rupees now in hoards, but it is probable that the facts are as stated in the question.

(d) Suggestions for the issue of premium bonds were carefully examined two years ago. Even if the issue of such bonds were a measure free from objection *per se*, Government do not consider that it would have any material effect in bringing hoarded rupees into circulation."

[23RD SEPTEMBER, 1919.]

[*Mr. Saekhidananda Sinha ; Mr. H. F. Howard ; Sir William Vincent.*]

The Hon'ble Mr. Saekhidananda Sinha asked :—

19. "(a) What truth, if any, is in the following statement of alleged facts as given by the *Statesman* :—

The value of the sovereign.

"If you land in the country with a sovereign the Government will take it away from you and give you eleven rupees three annas in return. If you are in the country and happen to have a sovereign and take it to the Currency Office you will get fifteen rupees for it. On the other hand, if you take it to the bazar you will find purchasers at twenty-one rupees. But if you accept it you will be committing an offence.

(b) If the facts be as stated above, do Government propose to take any action in the matter and, if so, what action? If no action is proposed to be taken, will Government state the reasons?"

The Hon'ble Mr. H. F. Howard replied :—

"(a) The facts are substantially as stated.

(b) Government recognise the present anomalous position in which there are three prices for gold, namely, (1) the bazar price, (2) the price paid by Government for gold acquired by them on import into India, and (3) the legal tender rate at which sovereigns are received at the currency office. The anomaly should however, disappear when the present artificial restrictions on the movement of gold into India are removed, and when the ultimate rate at which gold will be legal tender in India has been determined as a result of the deliberations of the Currency Committee now sitting in London. As regards the bazar price of gold the Hon'ble Member will no doubt have noticed that the premium has recently been greatly reduced owing to the fortnightly sales of gold by Government."

The Hon'ble Mr. Saekhidananda Sinha asked :—

20. "(a) Has the attention of Government been drawn to the Resolution of the Government of Bihar and Orissa on the administration of the Jails in that province in the year 1917-18, showing that 13,777 prisoners were admitted to hospital as against 6,579 in the previous year, that the daily average number in hospital was 662 against 310, the total number of deaths rose from 237 to 584 and the death rate from 32.9 to 63.4 *per mille*?

Jail administration of Bihar and Orissa.

(b) Have Government in their possession information about the Jail administration of any other province or provinces, during the same period, showing either an equally bad or even a worse state of affairs? If so, will Government be pleased to furnish the same?

(c) If the answer to (b) be in the affirmative, has the Provincial Government concerned tried to explain the situation by urging the same view as the Bihar and Orissa Government that 'it is difficult to resist the conclusion that the officers of the provincial service who have taken their places as medical officers or Superintendents of Jail work have been unable to adapt themselves to it or to control their subordinates'?"

The Hon'ble Sir William Vincent replied :—

"(a) Government have seen the Resolution of the Government of Bihar and Orissa on the administration of the jails in that Province in the year 1918.

(b) A statement^a is laid on the table showing for each Province in 1917 and 1918 the ratio *per mille* of average strength—

(c) of admissions into hospital,

^aAppendix B.

[*Sir William Vincent ; Mr. Sachchidananda Sinha.*]

[23RD SEPTEMBER, 1919.]

(ii) of daily average number sick, and

(iii) of deaths from all causes.

(c) Almost every Local Government has at one time or another drawn attention to the deterioration in the efficiency of the administration of the Jails Department during the last few years owing to the absence on military duty of many regular officers of the Indian Medical Service belonging to that Department.

"The increase in the death-rate in most provinces is greatly deplored by the Government who are endeavouring to secure the speedy return to civil duty of as many officers of the Department as possible."

The Hon'ble Mr. Sachchidananda Sinha asked :—

Acceptance
of "dalis" by
Government
officers.

21. "(a) Has the attention of Government been drawn to a Resolution dated Ranchi, the 16th July 1919, issued by the Lieutenant-Governor of Bihar and Orissa on *dalis*, in which His Honour in Council has been pleased to declare his decision that from the 1st of September, 1919, 'no Government officer shall be permitted to accept *dalis*' ?

(b) Has the attention of the Government been drawn to the leading article on the subject in the *Searchlight* of August 17th last, in which that journal expresses its appreciation of the said action of the Lieutenant-Governor in Council ?

(c) Is the practice in regard to receiving *dalis* in other provinces the same or about the same as that which obtained in Bihar and Orissa before the promulgation of the recent Resolution ? If so, do Government propose to invite the attention of other Local Governments to the Resolution with a view to their taking similar action ? If not, will Government state their reasons therefor ?

(d) Are there any rules on the subject of presents or *dalis* issued by the Government of India ? If so, will Government lay on the table a copy thereof ?

(e) In the matter of receiving presents by Government officers, are there any rules of the Government of India which make a differentiation between Indian and non-Indian non-officials prohibiting acceptance of presents from the former but not from the latter ? If so, will Government be pleased to state the reasons for maintaining such a difference ?

(f) If any such rules of differentiation be in existence, would it not be open to Government officers in Bihar and Orissa to continue to accept presents or *dalis* from non-Indian non-officials, in spite of the Resolution promulgated by the Lieutenant-Governor in Council and would not the effect of the said Resolution to that extent be nullified ?

(g) If the answer to the part (f) be in the affirmative, do Government propose to so revise the rules as to remove the differentiation in this matter between Indian and non-Indian non-officials ? If not, why not ?"

The Hon'ble Sir William Vincent replied :—

"(a) The Government of India have not seen the Resolution referred to.

(b) The Government of India have seen the newspaper article referred to.

(c) The Government of the Punjab has, it is understood, issued an order prohibiting the acceptance of *dalis*. The Government of India have not precise information as to the practice in other Provinces. The matter is one entirely in the discretion of Local Governments ; but the Government of India

[23RD SEPTEMBER, 1919.]

[*Sir William Vincent ; Mr. Sachchidananda Sinha.*]

are prepared to draw the attention of other Local Governments to the orders issued by the Governments of the Punjab and Bihar and Orissa.

(d) A copy of rule 2 of the Government Servants' Conduct Rules is laid on the table.

(e) Rule 2 of the Government Servants' Conduct Rules provides that a Government servant may not, without the previous sanction of the Government of India, directly or indirectly accept, either on his own behalf or on behalf of any other person, any gift, gratuity or reward, or any promise of a gift, gratuity or reward, from any native of India. The rule does not mention gifts from persons other than Indians. The rule was based on the East India Company Act, 1772 (13 Geo. 3, c. 63), which prohibited the acceptance of presents from any of the natives of Asia. The offering of presents to Government servants is not a European custom.

(f and g) As already stated, the Government of India have not seen the Resolution said to have been issued by the Government of Bihar and Orissa."

The Government Servants' Conduct Rules.

* * * * *

2. A Government servant may not, without the previous sanction of the Government of India, directly or indirectly accept, either on his own behalf or on behalf of any other person, any gift, gratuity or reward, or any promise of a gift, gratuity or reward from any Native of India.

The Head of a Government or Administration or a Political Officer may accept from any Native Prince or Chief a ceremonial gift which is deposited in the Government Toshakhana and for which a return present is made at the Government expense. Any Government servant may accept a complimentary present of flowers or fruit or similar articles of trifling value. The practice of giving such presents should however be discouraged.

When a gift of substantial value cannot be refused without giving offence, it should, unless the Government of India by special order otherwise direct, be delivered up to the Government."

The Hon'ble Mr. Sachchidananda Sinha asked :—

22. "(a) Have any steps been so far taken to carry out the recommendations of the Public Services Commission in the matter of increase of salaries of the members of the Provincial Civil Services—Executive and Judicial—in any province? If so, in which of them?"

Increase of salaries of members of the Provincial Civil Services.

(b) Are Government aware that the members of these two services have been very hard hit by reason of their comparatively small salaries and the recent abnormal rise in prices?

(c) If no steps have been taken so far, do Government propose to deal with the question at an early date? If so, when may the orders fixing the revised scale of salary be expected?"

The Hon'ble Sir William Vincent replied :—

"The Hon'ble Member is referred to the replies given on the 15th and 17th September to similar questions by the Hon'ble Rai Sahib Seth Nathmal and the Hon'ble Sardar Bahadur Sardar Sundar Singh Majithia."

[*Sir Sachchidananda Sinha; Sir Arthur Anderson; Sir William Vincent; Mr. Kamini Kumar Chanda.*] [23RD SEPTEMBER, 1919.]

The Hon'ble Mr. Sachchidananda Sinha asked:—

Director-
General
of the
Bhagalpur
Division,
North of
the East
Indian
Railway.

23. "(a) Are Government aware that the dismantling of the Bhagalpur-Bonasi section of the East Indian Railway has caused very great inconvenience to the people of the Bhagalpur and Saptal Perganas Districts in Bihar ?

(b) Is it a fact that the people of the tracts affected have submitted a memorial to the Commissioner of the Bhagalpur Division, as stated in an editorial paragraph in the *Searchlight* of Patna in its issue of 17th August last ?

(c) Is it true as further stated therein that 'the earth-work on the railway track and the masonry work of the bridges and also the station buildings . . . are all intact and only the iron materials have to be supplied and laid on' ?

(d) If the answer to part (c) be in the affirmative, do Government propose to take in hand the restoration of the line as soon as possible? If not, will Government be pleased to state the reasons for delaying re-opening the line, and also the approximate time at which the public may look forward to travelling on that section of the East Indian Railway."

The Hon'ble Sir Arthur Anderson replied:—

"The replies to (a) (b) (c) and the first part of (d) are in the affirmative. I may explain for the Hon'ble Member's information with regard to the second part of (d) that it is the intention to utilise second-hand rails for relaying the line as soon as these can be obtained, but it is not possible yet to forecast a date. Government are alive to the necessity for relaying dismantled lines as soon as possible."

The Hon'ble Mr. Sachchidananda Sinha asked:—

The Punjab
Inquiry
Committee.

24. "(a) Has the attention of Government been drawn to the statement of the *Englishman* in its issue of September 6th, 1919, in an editorial paragraph under the heading 'By the way' in which is noticed the personnel of the Punjab Inquiry Committee, that 'Sir Chimam Lal Setalvad is the second Presidency Magistrate at Bombay' ?

(b) Is it not a fact that Sir Chimam Lal Setalvad who has been appointed a member of the Committee is a non-official, an Advocate of the Bombay High Court and at present the Vice-Chancellor of the Bombay University ?

(c) If the answer be in the affirmative, will Government be pleased to state whether there is any foundation for the *Englishman's* statement ?"

The Hon'ble Sir William Vincent replied:—

"(a) Yes.

(b) Yes.

(c) No."

The Hon'ble Mr. Kamini Kumar Chanda asked:—

Training of
Indian
cadets at
Sandhurst.

25. "(a) Is it a fact that Indian cadets have been sent to Sandhurst for training ? (b) Have the sons of any Indian officers been selected for this course of training ? (c) If not, is it in contemplation to make any such selection ?"

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[Major General Sir Alfred Bingley; Sir William Vincent; Mr. Kamini Kumar Chanda; Sir George Barnes.]

The Hon'ble Major General Sir Alfred Bingley replied :—

“(a) Yes. Ten Indian cadets have been admitted to Sandhurst.

(b) No.

(c) The sons of Indian officers are accepted gladly, but the standards of education or of fitness in other respects cannot be lowered on their account.”

The Hon'ble Mr. Kamini Kumar Chanda asked :—

26. “In how many cases since the Indian Press Act, 1910, was enacted have there been appeals in the different High Courts against orders of forfeiture and in how many cases, if any, has the appeal been successful?”

Order of forfeiture under the Press Act of 1910.

The Hon'ble Sir William Vincent replied :—

“Since the introduction of the Indian Press Act, 1910, fifteen appeals have been preferred to High Courts against orders of forfeiture of security, eleven of which were rejected on their merits, while one was successful. Three are still undecided.”

The Hon'ble Mr. Kamini Kumar Chanda asked :—

27. “(a) Is it a fact that Indian labourers employed in Ceylon estates are sentenced to imprisonment for breach of labour contracts and other labour offences?”

Indian Labourers in Ceylon.

(b) Is it a fact that the Government of Ceylon has under contemplation a new labour Ordinance to secure increased recruitment in India? If so, do Government propose to ascertain the provisions of the contemplated legislation and take steps to safeguard the interests of Indian labourers?”

The Hon'ble Sir George Barnes replied :—

“(a) In Ceylon an Ordinance of 1865 contains penal sections imposing imprisonment for labour offences. It also makes an employer liable to imprisonment for refusal to pay wages when due. The law is a general one, and applies not only to estate labourers but all servants, labourers and journeymen artificers. The Hon'ble Member will find in paragraph 43 of the Report made to the Government of India by Mr. Marjoribanks and the Hon'ble Khan Bahadur Ahmad Thambi Marakkayar Sahib Bahadur in 1917 particulars of the extent to which the penal sections of this Ordinance were used in 1915 in the case of the estate labourers and their employers. The number of persons charged with labour offences in 1915 appears to have been only about one per cent of the total labour force. I may say that both the Madras Government and the Government of India have already addressed the Secretary of State on the subject of this Ordinance, and we have been informed by the Secretary of State that the Colonial Office have asked the Ceylon Government earnestly to consider how far it might be possible to dispense with all punishment for labour offences.

(b) With regard to the second part of the Hon'ble Member's question, we know that a Committee was appointed by the Government of Ceylon in 1918, which was to advise how increased recruitment might be secured from India. The Government of India have not yet received a draft of any proposed new labour Ordinance in Ceylon, and will certainly ask that they may have an opportunity of communicating their observations on any measure affecting Indian labourers which the Government of Ceylon may have in contemplation.”

[*Mr. Kamini Kumar Chanda ; Major General Sir Alfred Bingley ; Maharaja Sir Manindra Chandra Nandi.*]

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The Hon'ble Mr. Kamini Kumar Chanda asked :—

Publication of the report of the Medical Services Commission.

28. "(a) Do Government propose to direct the publication of the report of the Medical Services Committee ?

(b) Will this Council be permitted to make suggestions before action is taken by Government on the report ?

(c) What were the terms of reference to the Committee, and the personnel of the Committee ?

The Hon'ble Major General Sir Alfred Bingley replied :—

"As regards (a), the report of the Committee is still under consideration by the Government of India, and is therefore treated as confidential for the time being. Its publication at a later stage will, however, be considered.

As regards (b), Government will be glad to consider any suggestions which Members of this Council may have to make in regard to the subjects dealt with by the Committee.

As regards (c), the attention of the Hon'ble Member is invited to the reply given to a similar question asked by the Hon'ble Mr. Surendra Nath Banerjee on the 7th March, 1919."

The Hon'ble Mr. Kamini Kumar Chanda asked :—

Concessions to Civil Assistant Surgeons holding temporary commissions in the Indian Medical Service.

29. "(a) Is it a fact that those Civil Assistant Surgeons who hold temporary commissions in the Indian Medical Service will soon revert to civil employment ?

(b) Is it proposed that after reversion they will retain the honorary rank held at the time of reversion ? (c) Do Government propose in consideration of their services and honorary rank to grant them other concessions, such as first class travelling allowance, etc. ?"

The Hon'ble Major General Sir Alfred Bingley replied :—

"(a) Owing to the present shortage of medical officers, it is unlikely that Civil Assistant Surgeons, who hold temporary commissions in the Indian Medical Service, will be permitted to resume civil employment in the near future. Certain officers, however, whose return to civil duty has been specifically asked for by their Local Governments, have already been reverted, or will be reverted shortly.

(b) The general question of permitting temporary officers in the Army to retain their rank as an honorary distinction on release from military service, is under consideration. The decision that may be arrived at on the subject will be applicable to temporary officers of the Indian Medical Service.

(c) The memorials which have been received from some temporary officers of the Indian Medical Service, praying for certain concessions, are under consideration."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

Railway line between Dacca and Aricha.

30. "(a) Are Government considering the desirability of constructing a Railway line between Dacca and Aricha ?

(b) Are Government aware of the great difficulties of communication between the city of Dacca and the headquarters of the Manikganj sub-division and the western part of the district generally ?

(c) Is it a fact that repeated representations have been made to the Local Government urging the desirability of constructing this line which will facili-

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late communication in a comparatively inaccessible part of the country, and shorten the distance between Calcutta and Dacca ? ”

The Hon'ble Sir Arthur Anderson replied :—

“ A communication on the subject has just been received from the Government of Bengal. It will be given early attention by Government. The replies to (a) and (b) are therefore substantially in the affirmative, while to (c) the reply is that Government have no special information on the subject.”

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

31. “ (a) Will Government be pleased to lay on the table a statement showing the rates and extent of allowances sanctioned, in view of the high prices, to officers serving in the various departments of the Government of India and the different Provincial Governments ? Allowances sanctioned on account of high prices. ”

(b) On what principles have the amounts of these allowances been fixed ? Do they bear any proportion to the increase in the rate of the prices of the necessaries of life ? If so, what is the said proportion ? ”

The Hon'ble Mr. H. F. Howard replied :—

“ (a) The attention of the Hon'ble Member is invited to the statement furnished to the Council, in reply to him, at the meeting held on the 19th March 1919. A revised statement* bringing up to date the information then given, regarding special allowances sanctioned by the Government of India, is laid on the table.

(b) The concessions sanctioned have been based on the recommendations of Heads of Imperial Departments and Local Governments, who are in the best position to estimate the degree of relief required. No general ratio has been adopted between the scale of allowances and the rise in prices.”

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

32. “ (a) Have Government received any proposals of the Government of Bengal in regard to the question of re-organisation of the Provincial Judicial Service ? Re-organisation of the Provincial Judicial Service. ”

(b) Are Government aware that the opinion of the Local Government as embodied in Resolution No. 6279-A., dated Calcutta, the 19th November 1918, has not met with the approval of the public in Bengal, particularly in so far as it deviates from the recommendations of the Public Services Commission ?

(c) Are Government aware that the proposals made therein are considered very unsatisfactory, especially as regards the fixing of Rs. 175 as the salary in the probationary grade, the first grade of Munsiffs (on Rs. 500) being made a selection grade, and the proposed time-scale and maximum salary for Sub-ordinate Judges ? ”

The Hon'ble Sir William Vincent replied :—

“ (a) The reply is in the affirmative.

(b) and (c) The Government of India have been informed by the Government of Bengal that numerous opinions were received in reply to their Resolution No. 6279-A., dated 19th November last, but are not aware that they were on the whole adverse to the scheme put forward in that Resolution. The proposals

*Not included in these Proceedings.

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of the Local Government have not yet been taken into consideration as the replies from the Local Governments on this section of the recommendations of the Public Services Commission are not yet complete."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

Government
control of
rice.

33. "(a) Is it a fact that the Government control of rice resulted in an increase of export from Bengal during the six months succeeding the appointment of a Foodstuffs Commissioner ?

(b) What control, if any, has been exercised by the Foodstuffs Commissioner over the export of rice overseas and coastwise from Bengal, since his appointment, through what agency has such control been exercised, and with what result ?

(c) Was any maximum limit as to quantity fixed by the Foodstuffs Commissioner, beyond which export of rice would not be allowed from Bengal ? If so, when was such limit fixed, what was the limit, and on what considerations was it based ?

(d) Did Government make any attempt to ascertain the maximum capacity of Bengal for export of rice when the Foodstuffs Commissioner assumed control, and to see that it was not exceeded ?

(e) In fixing any such maximum limit did the Foodstuffs Commissioner take into consideration the actual requirements of Bengal ?

(f) Is it a fact that for a long time after the assumption of control over the movement and supply of rice, Burma rice imported into Calcutta was entirely ear-marked for other provinces and not allowed to be consumed in Bengal ?

(g) Is it a fact that while this was the case, the price of rice consumed in Bengal was steadily rising ?

(h) When was Burma rice first permitted to be imported for Bengal under license and under what circumstances ?

What quantities of such rice have since been absorbed in Bengal month by month, and with what effect on the price of rice in Bengal ?

The Hon'ble Mr. R. A. Mant replied :—

"(a) Yes.

(b) Exports to foreign countries were either prohibited or restricted to definite quantities. Exports to Madras were not interfered with until July last when they were stopped altogether. Control was exercised through the Collector of Customs. Foreign exports between January and June 1919 were 260,000 cwts. less than in the previous year, and as most countries included in the rationing scheme have drawn their full allotments for the year, exports by sea from Calcutta have now been closed down.

(c), (d) and (e) No maximum limit was fixed, but at the Delhi Conference in October 1918 it was reported by the Bengal representative that the surplus available for export from Bengal amounted to 240,000 tons. This figure of course took no account of the surplus available from the winter rice crop of 1918. In regulating exports from Bengal, the Government of India took into account not only the estimated surplus from Bengal, but also (1) previous shipments to countries rationed from Bengal and the minimum requirements of these countries, (2) the essential requirements of other provinces, (3) the relative prices of rice in the different provinces, and (4) the comparative ease with which Bengal could be restocked owing to the proximity of Burma.

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(f) No indents for Burma rice were received from Bengal till May last.

(g) and (h) The price of rice did not begin to rise rapidly in Bengal till May last, and 1,000 tons of Burma rice were at once placed at the disposal of the Director of Civil Supplies, Bengal, by the Foodstuffs Commissioner. The allotment was raised to 3,000 tons in June, but at the end of that month the Director of Civil Supplies reported that the demand for Burma rice in Bengal was very small and that there was little prospect of the allotment being absorbed. On July 8th he confirmed his previous statement and reported that the Burma rice shops opened in Calcutta had definitely proved a failure. Nevertheless, the allotment of 3,000 tons was repeated in July and August. The demand is now brisker, and arrangements have been made to land 70,000 tons of rice in Calcutta in the current month, of which less than 25,000 tons are for provinces other than Bengal. In addition, exports of rice from Burma to Chittagong have been freely allowed, 48,091 tons having been shipped to the latter port between the 1st January and the end of August. Full information regarding the price of rice in Bengal will be found in the answer to the next question."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

34. "(a) Will Government be pleased to make a statement showing, province by province, the course of the average retail prices of rice during the last eight months?"

(b) At what wholesale rates are controlled supplies of Burma rice available at the importing centres, and how do the retail prices thereof vary, in the different provinces?"

(c) Is controlled Burma rice available at all District and Sub-divisional headquarters and other important markets?"

(d) Have the retail prices of controlled Burma rice been fixed at every place in the different provinces from the very beginning? If so, what are the said rates?"

(e) If the answer to part (d) be in the negative, will Government be pleased to state if there was anything to prevent profiteering by retail dealers in such controlled rice?"

(f) Is there anything in the different provinces to prevent a retail dealer in rice from selling a license obtained from a District Officer for a supply of Burma rice, to another person? Is he under any obligation to import the entire quantity covered by the license into any particular locality in the province within a prescribed period of time? If not, to what extent can such a locality, for the requirements of which the license is granted, count upon the supply?"

The Hon'ble Mr. R. A. Mant replied :—

"(a) A statement* giving the statistics required, as far as they are available, is laid on the table.

(b) The information asked for is not available. The Foodstuffs Commissioner fixes the ex-hopper prices of the different qualities of rice in Burma, the f. o. b. charges, and, in consultation with the Shipping Controller and the Steamer Companies concerned, the rates of freight. It is left to the local authorities to fix the landing charges at the port of entry, and the rate of

*Not included in these Proceedings.

[*Mr. R. A. Mant ; Maharaja Sir Manindra Chandra Nandi.*]

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importers' profit, and to fix the wholesale and retail prices at which the rice may be sold.

(c), (d), (e) and (f) Questions relating to the distribution and control of the rice imported from Burma within the limits of a province should be asked in the Legislative Council of the province concerned."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

Consign-
ments
of rice.

35. "(a) Has the attention of Government been drawn to a statement made at a meeting of the Bengal Legislative Council on the 4th July, last, by the Hon'ble Mr. Irwin to the effect that 2½ lakhs maunds of rice consigned to Bihar and Orissa were accumulated at three stations on the Darjeeling Kishanganj branch line for want of adequate transport facilities, and that some of the rice was rotting and some actually growing out of the bags, while people in the neighbouring district of Darjeeling were crying out for supplies? Is the statement correct?

(b) Is the carrying capacity of railways taken into account by the Foodstuffs Commissioner or Directors of Civil Supplies in fixing the allotment of rice in any particular case?

(c) What steps have been taken for the prevention of similar occurrences in future?

(d) Is it a fact that occurrences similar to the above have happened at several other railway centres?"

The Hon'ble Mr. R. A. Mant replied :—

"(a) The congestion of the rice traffic on the Darjeeling-Himalayan Railway in April last was brought to the notice of the Foodstuffs Commissioner in the beginning of May, and the attention of the Controller of Traffic was at once drawn to the matter. Inquiry showed that the congestion was due to the heavy demands for wagons on the East Indian Railway. This Railway had to restrict the Bengal and North-Western Railway at the junctions, which Railway in its turn had to restrict the Eastern Bengal Railway. These restrictions reacted on the Darjeeling-Himalayan Railway. As soon as it was possible to do so, the East Indian Railway increased the number of wagons at the transhipment points and the congestion was cleared. The Government of India have received no complaints regarding the alleged deterioration of the rice.

(b) The carrying capacity of railways is taken into account as far as possible; but the Hon'ble Member will see from the answer to the first part of his question, that it is not easy to forecast the position on a given length of railway at a given time.

(c) The Foodstuffs Commissioner works in close touch on the one hand with Provincial Directors of Civil Supplies, and, on the other, with the Railway Board.

(d) The Government of India have received no complaints of similar occurrences elsewhere."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

36. "(a) What various steps have been taken in each province for generally affording relief against the high prices of foodgrains in areas outside those in respect of which famine has been declared?

(b) Have Government any information as to what steps have been taken in the various Native States towards the same end?"

Relief
afforded
in account
of high
prices.

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The Hon'ble Mr. R. A. Mant replied :—

" (a) The question of the control of prices within the different provinces is one for the Local Governments concerned, and the Government of India have received no detailed reports as to the measures adopted. They understand, however, that in most provinces Burma rice has been used for the purpose of controlling prices. Arrangements have been made at the ports for rigorous control of the rice imported from Burma, and cheap grain shops have been opened in most provinces by district boards, municipal councils and private agencies at which Burma rice is retailed either at cost price or at very small profit. In Bombay city over 120 of these cheap grain shops have been opened, and the Government of India understand that in the Presidency as a whole more than 400 similar shops have been established. In some provinces action has been taken under the Articles of Commerce Ordinance to requisition stocks of foodgrains unreasonably withheld from the market, and in the North-West Frontier Province, where of course conditions are special, maximum prices of foodstuffs have been fixed under the Defence of India Rules.

(b) Similar action has been taken in several Indian States and many of the Durbars have also prohibited the export of foodgrains from their States."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

37. "(a) What action has been taken in regard to the Grand Trunk Canal Scheme of Bengal ?

Grand Trunk Canal scheme and improvement of silted up rivers of Bengal.

(b) How much is the said scheme estimated to cost, and what particular locality will the proposed canal serve as a means of communication ?

(c) Is there any comprehensive scheme before Government for the improvement of the old rivers of Bengal which are silting up ? If so, how much is it estimated to cost and when is it likely to be taken up ?

(d) How far, if at all, is the Grand Trunk Canal project likely on financial grounds to retard the carrying out of any scheme for improving the existing waterways of Bengal ? "

The Hon'ble Mr. R. A. Mant replied :—

" (a) A project for the construction of the Grand Trunk Canal in Bengal has recently been received from the Local Government, and is at present under the consideration of the Government of India.

(b) The scheme, as recommended for sanction by the Government of Bengal, is estimated to cost Rs. 2,88,30,500 and is designed to provide direct routes, suitable for steamer navigation, between Calcutta and—

- (i) the Ganges, *via* the Madhumati and Gorai rivers ;
- (ii) Assam, Cachar and Sylhet *via* the Madaripur Bil Canal ;
- (iii) Barisal.

(c) No comprehensive scheme for the improvement of the rivers of Bengal has been submitted to the Government of India.

(d) The construction of the Grand Trunk Canal is unlikely to retard, on financial grounds, the prosecutions of any schemes for the improvement of existing waterways which the Local Government may desire to take up."

[*Rao Bahadur B. N. Sarma.*]

[23RD SEPTEMBER, 1919.]

RESOLUTION *re* ESTABLISHMENT OF A STATE BANK IN INDIA.

11-23 LT.

The Hon'ble Rao Bahadur B. N. Sarma :—"Sir, the Resolution I beg to move runs as follows :—

"This Council recommends to the Governor General in Council that a State Bank on the lines suggested by Professor Keynes in his annexure to the report on the Indian currency be established in India at a very early date."

Sir, I sincerely wish that a Resolution of such an important character relating to banking had been moved by a member connected with commerce and banking. I feel the great disadvantage of a layman like myself venturing to bring before this Council a Resolution of this description. But my justification for doing so is the enormous importance of the subject coupled with the recent movements to place the banking facilities of India on a proper basis. There is an impression, which I believe to be accurate, that there is a movement on foot to amalgamate the three Presidency Banks and place additional facilities at their disposal. It is, under those circumstances, Sir, that I venture to bring forward this Resolution. I feel fortified in the soundness of the propositions that I am asking the Council to accept by the fact that I have the examples of almost every European country behind me. We have State Banks in France, Italy, Germany, Austria-Hungary, Russia, Netherlands, Belgium, not to speak of Japan, and recently legislation was undertaken in the United States of America to constitute a Central Federal Board and regional banks for the purpose of decentralising the functions and placing on a sound footing the banking facilities of America. I may go further and say that the Government of India, so far back as 1901, were distinctly of opinion that a Central Bank should be established in India for the purpose of relieving them of part of their responsibilities and placing India on a sound banking footing. These are the exact words of the Government of India Resolution :—'We desire at the same time to record our deliberate opinion that it would be distinctly advisable, if practicable, to establish a Central Bank in India so as to relieve Government of its present heavy responsibilities and to secure the advantages arising from the control of the banking of the country by a solid and powerful central institution.'

"Professor Keynes in collaboration with his colleagues went into the question at the request of the Chamberlain Commission and has formulated a scheme going into considerable detail as to the lines on which a Central Bank can and ought to be established in India. I have therefore the authority of a very eminent Professor of Economics and businessmen behind me in the proposals that I put before the Council.

"It is unnecessary for me to state that the principle I ask the Council to accept is the necessity for the establishment of a Central Bank; then that that Central Bank should be largely, if not wholly, controlled with regard to its general policy by the State. As to whether it should take up the question of the paper currency, gold standard and other subjects along with banking facilities are matters upon which no one need be wedded to any particular doctrine. Recent events have taught us very important lessons and they would necessarily be taken into consideration in assigning functions to this State Bank. But I am asking the Council to accept the principles underlying the recommendations of Professor Keynes, and, I think, it will not be very difficult to convince the Council of the soundness of this proposition. Sir, the events during the last few stirring years have convinced us that behind the banking system of every country lies the credit of the whole country, the credit of the Government, and it was shown that it would be absolutely impossible, in times of crisis, for the banks to undertake the work which they were doing in peace times, without State assistance. It was

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also shown that, owing to the enormous growth of Government securities, Government loans and credit facilities, in other countries, something of the same sort should be attempted in India in order to place India on the right track, and enable her to compete and hold her own successfully with the other countries of the world. All well-organised countries have learnt to make one pound go as far as five for all practical purposes. We are yet in a primitive state and we have to improve our banking system, if even the existing wealth of the country is to be utilised as it ought properly to be utilised. It is unnecessary to expatiate at great length on this point, but a few figures would convince Hon'ble Members of the enormous progress made in foreign countries during recent years and how woefully behind we are at the present moment. Hon'ble Members will find that there were in the United States 3,204 banks in 1890, whereas the number had gone up to 7,560 in 1915. And the capital and surplus was in dollars 316 millions in 1890 and have gone up to 794 millions in 1915, that is by more than 400 millions. We find also that in Japan there has been enormous progress. There were in 1916 the Bank of Japan with 11 branches, and 51 special banks with 77 branches, 1,407 ordinary banks and 2,163 branches, Savings Banks with 184 branches, altogether about 2,143 principal and 3,731 branches. Whereas in 1915-16, under banking and loan, the aggregate number was shown as 480 for the whole of India with a population of 315 millions, and the total capital was only 834 lakhs. Turning to the principal banks, Hon'ble Members will find that the capital of the Presidency Banks and the larger Indian joint stock banks is only 713 lakhs of rupees, and the reserves are about 524 lakhs. Together with the reserves, the capital will be about £8,000,000 or 12 crores of rupees. There are only 71 principal banks and 371 branches. The very large number of banks in a smaller area with a smaller population as compared with the facilities in India with its large area and population should convince clearly Hon'ble Members that we have to make very great strides in keeping up the pace. But that is not the only point. We find that the Government have been practically doing a large part of banking work. The Finance Minister and his establishment have been very hard worked, especially during the last five years, and the Currency Department must have given them no end of trouble. We have the Paper Currency and other policy managed by the State which does what banking experts do in other countries, in collaboration with the Government officials. We have the same state of things in the India Office. We have at the present moment the business of managing about £30 millions of securities in the Gold Standard Reserve alone and 54 millions in the Paper Currency. Those securities comprise stock of various kinds and treasury bills, and one important question would be how to manage them so that we may suffer no loss either in capital or interest; and we have suffered loss already by reason of depreciation in the value of the stocks we hold. Hon'ble Members will also notice that at present it would be difficult to convert the stocks and bills into gold even if it were necessary to do so, and it may not be necessary to convert the whole of the gold standard reserve having regard to the fact that our exports are in excess of our imports, and the present exchange and currency position has also been strengthened. The management of the gold currency reserve, the other stocks and bills we hold is one which would fall legitimately within the operations of a bank, while it is being at present managed by the Government. And our paper currency also has been enormously increased. From 60 crores it has gone up to 180 crores, and it is also necessary that there should be some expert body which can control this enormous growth and work it on sound lines. I think between 16 and 20 crores of rupees of notes have been issued, during the last four months, since we last met in Delhi. It is thus clear that there is necessity for a very highly trained expert body, being created at an early date for the purpose of helping the Government, with a clearly avowed responsibility. The advantages which are

[*Rao Bahadur B. N. Sarma.*]

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generally claimed for a State Bank I need hardly dilate upon at very great length. They are chiefly the following:—

- (1) the facilitating an increase of branches ;
- (2) the partial release of Government balances through their being deposited in a central institution ;
- (3) moderation of the wide fluctuation of the bank rate and its normal high level ;
- (4) the introduction of rediscount facilities ;
- (5) the obviating the existence of the independent treasury system taking large sums off the money market ;
- (6) obviating the objection to holding large sums at loan for short periods in the London money market ;
- (7) the pushing on of the further circulation of notes, by increasing the facilities for convertibility ;
- (8) the removal of the responsibility of Government officials for a variety of financial and semi-financial business ;
- (9) the command of financial and business experts instead of civilian officers, however well trained they may be in the latter portion of their lives ;
- (10) the constitution of a buffer between the Secretary of State and vexatious criticism ;
- (11) the introduction of increased stability into the Indian banking system ;
- (12) the development on sound lines of native joint stock banks ;
- (13) the possibilities of its leading to the development of co-operative banking ; and
- (14) the control of the bank rate.

That is one of the important questions which has been considered in great detail by Professor Keynes, and there are many more of the like nature.

“Now, Sir, one of the questions which has been agitating the minds of the commercial community especially was as to how to divert the treasury balances if the money was not wanted by the Government, into the general banking system of the country for the purpose of helping trade, and the Chamberlain Commission felt that the existing state of things was absolutely unjustifiable and required strong justification before it could be continued. This is what the Commissioners say at page 34 :—

‘Close on £9,000,000 was thus locked up from the market in the Reserve Treasuries as compared with about £3,500,000 a year before, while only £3,752,000 out of the total of £19,268,200 was placed with the banks. Only a comparatively small portion of the £2,198,300 deposited at branches of the banks can be regarded as readily available in the money market, but as this money would be for the most part necessarily located in much the same places under any system, it may be counted as being at any rate more available for trade than if it had been in district treasuries. The causes which led to this state of things on the 31st March 1913 were mainly a sudden slackening off in the demand for Council drafts, unaccompanied by any noticeable slackening of internal trade in India, and a record surplus of revenue over expenditure. It appears to us that a system which leads in certain circumstances to the locking up of nearly £9,000,000 during the busiest period of the commercial year, and £5,400,000 more than under the same system was summarily locked up in the previous year, requires very strong justification.’

Therefore, one of the main objects which we must have in view is how to enable this public money to help trade, when money is wanted. Well, it has

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been suggested in several quarters that we might simply amalgamate the Presidency Banks, exercise some sort of superficial control over them and place our treasury balances, or such money as can be spared at their disposal, in order to help the objects we have in view. Then Professor Keynes says at page 61 :—

‘It seems clear that Government cannot entrust any of its existing duties to private hands. It has also become plain that, whether a State Bank is established or not, Government, so far from relinquishing old duties, must bend itself to new ones.’

Then on another page he says that the Government must, if they place their treasury balances at the disposal of any amalgamated Central Bank, control largely the conduct of that Bank, and the question is, whether the control should be of the nature suggested here, namely, governing completely the larger policy with an eye to general public interests without sacrificing commercial interests, or whether we ought to leave these private bankers to do what they can with Government assistance, slightly encouraged or slightly advised by Government officials. I think Professor Keynes says clearly that this enormous amount cannot and ought not to be entrusted to these banks, amalgamated or not, and that some rigorous system ought to be enforced with regard to control. And the other reasons are given in continuation of what I have read out to you. They are :—

‘The functions of the note issue, it is generally agreed, must be extended, and an element of discretion must be introduced where there was previously none. As in the case of the note issue, so in the case of the cash balances, there must be less rigidity of rule and more discretion. Now, with a State Bank, all this would be easy, and there are plenty of precedents to look to; but as soon as an attempt is made to work out precisely by what sort of procedure these objects are to be attained in the absence of a State Bank, it becomes apparent that it is not altogether through chance or obtuseness that such desirable changes have not been made long ago. The existing system has been deeply conditioned by the absence of a State Bank. The history of the management of the cash balances, for example, bears witness to this. At no time has anyone supposed the existing system to be perfectly satisfactory. It has established itself because it is the only system which frees the officials from the exercise of a discretion for which they do not feel themselves competent and from which they therefore shrink. The evidence is that actual practice has always tended to be more rigid than the actual letter of the rule laid down by the Secretary of State; and the choice lies between a good deal of responsibility *without* thoroughly satisfactory machinery for the discharge of it, and a little more responsibility *with* such a machinery. The balance of advantage is with the second alternative!’

Now to take up the question as to whether we can place all our treasury balances with these Presidency Banks. One objection I have, Sir, is that, even at present, I feel that very much more money is being kept with the Presidency Banks—subject to correction—than is necessary, without interest. Hon'ble Members will find that the State is under an obligation of keeping without interest only about 75 lakhs of rupees roughly with these Presidency Banks. But the figures that were furnished to the Chamberlain Commission, quoted at page 723, show that roughly between 3 and 4 crores, running into 5 crores in 1918, were kept with the Presidency Banks. Now the Hon'ble Mr. Howard has kindly placed me in possession of some of the later figures. I find, turning to the published figures, that the cash balances in the Public Treasuries and in the Presidency Banks ranged between 14 and 22 crores in 1916-17 and 18 and 32 in 1913-14. In the slack months of this year May, June, July and August, we find that the totals were roughly 16 crores. Of this, with the Presidency Banks on the 31st of May 1919 we find 88½ lakhs, on the 30th June 1919, 78½ lakhs, on the 31st July 1919, 770 lakhs, and on the 31st of August 1919, 975 lakhs. I have been told that the amounts have been reduced latterly, that they would work out to about 600 crores, 285 lakhs in the Reserve Presidency Head Offices and 365 in branch offices. Hon'ble Members will therefore see that enormous sums of money have been kept with the Presidency Banks free of interest for several years past. Now you will

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find that, with the increased growth of currency, with increased taxation, with increased commerce, that the treasury balances must necessarily be larger and, therefore, the amounts placed at the Presidency Banks would also be larger, and, I think, if treasury balances were also to be placed at their disposal, the increased amounts would roughly run to not less than 7 or 8 crores of rupees. Now, would it be just to the other banks of the country thus to back up the Presidency Banks? I do not want to introduce any racial questions into this,— but I must invite attention to the injustice which would be done simply because it is a question of all-India trade, all-India commerce and all-India interests. It is also necessary to bear in mind the sentiments of the people. Hon'ble Members will find that, as against 735 lakhs of capital and reserve in the Presidency Banks, we have the other larger banks with a capital of about 524 lakhs, that is about 72 per cent. Of course, many of them are very small and it may not be safe to keep large balances with them, but still the question remains as to whether they would not suffer by the constitution of a Central Bank not subject to real State control. Professor Keynes made it clear that, in order to encourage Indian Joint Stock Banks and Native State Banks, a Central Bank with State control is absolutely necessary. Then, turning to the question of increasing the number of branches I submit, Sir, that the figures, which I have quoted from Japan, the United States of America, not to speak of those of other European States, would show clearly that we must increase rapidly and enormously the number of branch banks. Fifteen hundred small towns have taluk treasuries, and there are 270 district treasuries; in all of them branches may and should be opened. The past history of the Presidency Banks shows that they established only 62 branches during so many years. One reason is, that the banks look legitimately to their own profits; the percentage of profits is 14, 16 and 12 and so on; whereas under the State law of Germany you find a gradation of profits allowed and the dividends run from 8 or 9 per cent. You find the same thing in America also, that these banks have paid only between 3 and 4 per cent dividends. Therefore, there is no use in disguising from our eyes the fact that the Presidency Banks or an amalgamation thereof is not likely, even if they were compelled to do so, to push forward as vigorously the increase in branches as a State bank would do.

“Then, Sir, there is the question of safeguarding Indian interests. A large number of shareholders as shown by Mr. Vidya Sagar Pandya are Europeans and rightly so, because they have invested their money and at any rate they are keener bankers than other people. But, at the same time, the largest influence wielded in any Central Bank under the circumstances would be European and rightly so too. If the State control be of a very very subsidiary or superficial character, it is believed that there would be absolutely no chance of Indian banking institutions getting their proper share. I wish to submit that this would lead to very bitter resentment; and any policy which does not equally help the Indian joint stock banks should not be embarked upon.

“There is another point also, Sir, and that is this; we are going to have a semi-federal system of Government in India; the Provincial Governments would wish to have a very much larger voice than they have at present over the banks within their jurisdiction, and the Legislative Councils would desire to exercise very strong control and wield real influence to promote the development of the banking system; and I would, therefore, submit that the federal state system should be followed; we would have then a board corresponding to the United States federal boards, somewhat under the control of the Government, *i.e.*, people, and adequate safeguards have been provided by Professor Keynes, in his detailed scheme to see that the shareholders exercise true control in real banking and to prevent banking or commercial interests being sacrificed unduly. The scheme provides for decentralisation, for absolute control by the shareholders in the domestic concerns of the bankers in the province, while at

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the same time the general policy of the country, the general good of the country would not be allowed to be sacrificed for the sake of private interests, however legitimate they may be, by the State control which is provided there. There would be necessity for various modifications therein, but I submit that in essence it is a sound scheme and provides both State and shareholders' control

The Vice-President :—“I must remind the Hon'ble Member that he is coming to the end of his time.”

The Hon'ble Rao Bahadur B. N. Sarma :—“Then, Sir, there is the important question of purchasing gold and silver. The independent treasury system in India has created a very large number of treasury experts. Similarly, there would be every likelihood that a State bank would encourage the growth of a large number of banking experts, European and Indian. After all we are human; I suppose we would like to help our own friends and kith and kin, and therefore it legitimately follows that the Indian interests—however lofty and high-minded people particular individuals may be sometimes—would not receive the same encouragement under an amalgamated private bank as under a system of State management and control. I, therefore, submit to the consideration of the Council the immediate necessity for asking the Government to establish a central bank, inasmuch as there are so many interests which have to be conserved, encouraged, solidified, without mutual friction or risk of friction. I submit that the control of the State ought to be much larger than may be possible in the case of a private central bank, and that can be provided for without sacrificing any interests whatever, in the scheme outlined by Professor Keynes. I, therefore, submit that an analogous scheme, modified by the lessons which have been taught by the war, should be adopted immediately by the State, because, I think, there is no problem of more vital importance than this question of improving the banking facilities in India. The Industrial Commission has asked for it. Hon'ble Members will also see that whereas Government loans were only a few crores of rupees prior to 1916, when the Government vigorously undertook to advertise and to show the people the necessity for coming to their assistance, about 40 or 50 crores were forthcoming in a year. Therefore, we have abundant resources; our agricultural resources are not poorer than those of any other country if properly developed. We may not have as much gold and silver as in other countries in a fluid form which can materially help the progress of the industries and commerce of the country; but still if the Government should undertake the development of banking as the people have got very great confidence in what the Government undertakes, deposits would be readily forthcoming, and from the hoards if there be any. Much has been done for co-operative credit, much has been done for agriculture; but I think what has been done is a very very tiny fraction of what has to be done; and unless we have a broad liberal policy of expansion—and we cannot have a broad policy unless there are experts behind the Government to advise and initiate the broad policy and to encourage and to put it into effect—I do not think there is a bright future before us. We cannot after all expect a private banker, however eminent and high-souled he may be, to sacrifice his own profit for the sake of the general good. Past history shows that a *laissez faire* policy will not do if we are to achieve any real or rapid progress. I, therefore, submit that this Resolution deserves to be accepted by the Council.”

The Hon'ble Maharaja Sir Manindra Chandra Nandi :—“I rise to accord my cordial support to this Resolution. The question of the establishment of a State Bank in India is an old one. It seems the Government has not yet been able to make up its mind in this question, but in view of its importance, I would strongly urge an early settlement. At

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the present time the Government performs many functions which belong, strictly speaking, to a State Bank. It reserves to itself the monopoly of Note Issue; it holds large sums of money in its treasuries; it manages the cash balances and portions of the Reserves; it regulates the foreign exchanges. All these functions are performed by one of the Departments of the Secretariat. They are, on the whole, performed well, but a State Bank is likely to provide a more efficient and expert machinery which will be in greater touch with the commercial world and be more cognisant of the financial needs of the people. It will also enable the Government to take over in the interest of the community other banking functions. The present arrangement is defective in many respects. Vast sums of money now lie idle in coffers of the Government during the months of the year in which the stringency of the money market is the greatest. This is hardly satisfactory. The proper utilisation of the various reserves—which, I hope, will henceforward be held in India—is also an important matter. But the most important question is the financing of the industrial and commercial concerns of the country. In an able Note prepared by Mr. J. M. Keynes, in collaboration with Sir Ernest Cable, for the use of the Chamberlain Commission, Mr. Keynes pointed out the many advantages of a State Bank to the Government and to the business-world.

“ I do not wish to dilate on these advantages, but I may add that the advantages to the people are likely to be quite as great. In the words of Mr. M. deP. Webb, ‘ a State Bank of this character, undertaking the whole of India’s monetary business, internal and external, whilst adding greatly to the Government’s power and prestige, would at the same time greatly encourage the banking habit amongst India’s timid millions and would thus be a source of strength to the great masses of the people as no other institution could.’ Mr. Keynes has also replied to the adverse criticisms of the proposal, and these replies appear to me to be quite convincing.

“ In this connection I may be permitted to observe that an amalgamation of the three Presidency Banks will not solve the problem and would be open to very serious objection. Referring to Mr. Dickson’s scheme of 1867 for amalgamating the three Presidency Banks, Lord Mayo wrote to the Secretary of State: ‘ I submit that it is not for the interest of a State that a great institution of this kind should grow up for all India, the interest of which may in time be opposed to those of the public, and whose influence at any rate may overshadow that of Government itself.’ These words are as true to-day as they were in 1867.

“ Indian opinion is practically unanimous in its demand for a State Bank. Our worthy Colleague, Sir Dinshaw Wacha, in reviewing the evidence recorded by the Indian Currency Commission, expressed himself in favour of the proposal. Mr. J. M. Keynes, a member of the Chamberlain Commission and a great authority on questions of Indian Finance, is a strong advocate of a State Bank. Sir Lionel Abrahams, after carefully weighing the advantages and disadvantages of the proposal, gives his opinion in its favour. Among European merchants, Sir Ernest Cable and Mr. Webb welcome the proposal. But opposition comes from the Presidency and Exchange Banks which fear a strong possible rival. But the ‘ vested interests ’ question is not really so serious as it seems. It is, I believe, quite feasible to safeguard all legitimate interests.

“ In 1901, the Government said, ‘ it would be distinctly advisable, if practicable, to establish a Central Bank in India, so as to relieve Government of its present heavy responsibilities and to secure the advantages arising from the control of the Banking system of a country by a solid and powerful Central Institution.’

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"I trust the Government sticks to this view, and I hope it will establish a Central State Bank at an early date. At present India and the United States are the only important countries of the world which have no State banks. In the United States efforts are being made to start a State Bank, and, I believe, it will not be for long that India will lag behind."

The Hon'ble Pandit Madan Mohan Malaviya :—"Sir, I ^{12-15 P.M.} rise to give my hearty support to the proposal contained in the Hon'ble Mr. Sarma's Resolution. It may seem a rather large order recommending to the Governor General in Council that a State bank on the lines suggested by Professor Keynes should be established at an early date. It may be said that this is a case in which the appointment of a Committee further to consider the question and to report would be the natural and more reasonable course. I think, having in view the past history of this question, the framing of the Resolution should not be too severely scrutinised. I hope the Government will see their way to declare their intention of taking early steps to have this matter investigated. There has been a large body of expert opinion which holds that there should be a State bank established in India. The history of banking in this country is somewhat unsatisfactory. I do not wish to take up much time over this question, but, I think, I should draw attention to what I said on the subject before the Industrial Commission. I there urged 'that the question of a Central State Bank having branches in every province should be taken up at an early date. The Presidency Banks have rendered inestimable service to Europeans in carrying on trade and commerce with India. They cannot under their existing charter help industries.'

"The position of the Presidency Banks has been an obstacle in the way of the creation of a State Bank in this country, and it is very necessary briefly to refer to the work of the Presidency Banks. When the Government withdrew the right of issuing notes from the Presidency Banks in 1860 they agreed to help them by allowing them the use of public balances. The Hon'ble Mr. Sarma has pointed out how huge these balances have recently been, and I think it is time for the Government to consider the situation. In a Finance Department memorandum of the 20th December 1860 to the Bank of Bengal [quoted by Sir (then Mr.) James Brunyate at page 81 of his valuable work 'An Account of the Presidency Banks'] the extent to which the Government admitted the obligation to compensate the Banks for the withdrawal of the right of issue was indicated as below :—

'The Bank of Bengal cannot be admitted to have any claim as of right to compensation, but they are certainly in a position deserving of much consideration and one in which they may equitably look for all reasonable support on the part of Government.'

"Government agreed to compensate them by giving them their cash balances without interest to the extent of 70 lakhs to the Bank of Bengal and 50 lakhs to the Banks of Bombay and Madras. In practice, as Mr. Sarma said, these balances have been very heavy. Sir James Brunyate points out in his book at page 99 :—

'Long before 1876 the Secretary of State had come to the conclusion that the Banks had been sufficiently compensated for the loss of their note issue.'

"It is high time therefore for the Government to consider the question whether these balances will be placed with Presidency Banks. If a decision is arrived at that the Government is not bound and that it is not fair in the interests of the public that these heavy balances should continue to be placed with Presidency Banks, the question arises how is the Government to deal with these balances? The need for a State Bank is obvious. I submit, therefore, that this proposal should be taken up earnestly at an

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early date and disposed of in an equitable and practical way. The proposal for a single Bank of India to take the place filled by the three Presidency Banks was before the Government of India between 1859 and 1876, but no decision was arrived at on the subject. The question was taken up by the Royal Commission on Indian Finance and Currency. They expressed no final opinion upon it, but recommended that it should be taken up at an early date. They said in paragraph 222 of the Report :-

'We regard the question, whatever decision may ultimately be arrived at upon it, as one of great importance to India which deserves the careful and early consideration of the Secretary of State and the Government of India. We think therefore that they would do well to hold an inquiry into it without delay and to appoint for this purpose a small expert body representative both of official and non-official experience, with directions to study the whole question in India in consultation with the persons and bodies primarily interested, such as the Presidency Banks, and either to pronounce definitely against the desirability of the establishment of a State or Central Bank in India at the present time, or to submit to the authorities a concrete scheme for the establishment of such a bank fully worked out in all its details and capable of immediate application.'

"That was in 1914; then the war came and the question was postponed and the Hon'ble Mr. Sarma has rendered a service to the Government and to the public by bringing forward this Resolution so that the question may be prominently brought to the front.

"Now, Sir, the next point which is a matter of importance is, what is the Government going to do? I do not know what the Hon'ble Mr. Howard will tell us; I hope he will tell us that the Government have decided to take up the question without any further delay and have the matter properly considered so that the Government may be in a position to decide upon the course to be followed. Personally speaking, I submit that there cannot be two opinions now about the need and the utility of a Central State Bank. When we look round and see the tremendous changes which have taken place in other countries, and when we compare the system of banking in India with the systems prevailing in the United Kingdom, in the United States of America, in Germany and in Japan, one cannot help feeling a great regret that this question of Banking in India should not have been tackled in a better way during all these decades. Japan was in a very backward condition in 1872. In the year of Restoration it had a very poor system of banking. The Japanese Government on the advice of Prince Ito invited a gentleman from London to organise its finance department. He introduced a sound system of banking, and the financial Annual of Japan now shows what enormous progress they have made. It is a great pleasure and satisfaction to see how they have extended their system of banking and how they have helped their trade and commerce with their banks. I need not refer to the system of banking in Germany, because it is well known that her recent huge commercial prosperity was built up by her Banks. The United States of America have very extensive State Banks, and they have all been put on a sound footing, I venture to say by the federal system they have adopted which is a guarantee against disasters to individual banks. Now, the Government of India have it under their contemplation that there should be a great industrial development in this country. Industrial development needs banking facilities. It is impossible to think of any great development of our trade and industries unless there is a sound system of banking. That system has not only to be sound, but it has to be extensive too. The Hon'ble Mr. Sarma has pointed out how great is the need of having branches of Banks in various parts of the country. This need cannot be met unless the Government tackles the problem in a serious way, unless the Government examines the whole system of banking which is necessary for India. It is not only in one department, but in various departments, that the need for banking facilities is felt. The European community is receiving a certain amount-

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of support. I do not know whether they have any complaint that more facilities are needed, but most certainly the Indian community does need many more financial facilities for the purposes of trade and commerce and of industries. Apart from this, I submit that in a country like India with all the enormous sums which are available to the Government, it is a pity that there should not be one Central State Bank which should serve as a reservoir in which all the surplus revenue of the country should be gathered and which should be, so to say, the fountain to feed the different provinces and activities in different directions in different parts of the country. The building up of the Government of India, has been a great achievement to our British friends, but it is some time now that they supplemented the administrative side of it by developing and building up to its full extent the financial and banking side also. We have to promote very great development in the direction of Railways, in the direction of industries ; we have to promote irrigation ; we have to promote co-operative credit societies and co-operative banks, and we have to promote small industries, and every one of these and many more will mean an organized, sound and extensive system of banking in the country. To my mind, the keystone of the whole system of banking would be a well-organized State Bank, and I therefore strongly commend the consideration of this question to the Government. I hope we shall not have to wait long to hear that the Government have decided to appoint a Committee of experts to advise on the question and to invite public opinion with the determination to decide this question before long. I hope that India will not have to wait long for such a time. I do not want to touch upon the other questions connected with the proposals now before the Council, questions as to how our currency and silver and other cognate subjects should be affected by the decision of Government upon this question. I am content to draw attention of the Government to the great need of having this question properly and fully considered. I hope the Government will do the needful and earn the gratitude of the people."

The Hon'ble Mr. H. F. Howard :—"Sir, I can say at once that 12-26 P.M. Government are wholly in accord with a great many of the remarks which have fallen from previous speakers. We fully recognise the importance of a very large increase in banking facilities in this country and the necessity for their very much wider distribution. This is essential, as the Hon'ble Mr. Sarma and other speakers have pointed out, if the economic development of India is not to be impeded, and if the people are to be weaned from their habits of hoarding coin and bullion. This subject has been ventilated in this Council and, as the Hon'ble Pandit has also stated, has also been placed in the forefront of the recommendations of the Industries Committee. The necessity for it has further, I may say, been impressed upon us during the various currency difficulties that we have had in the last few years, as has also the necessity of greater co-operation between us and the banks.

"I do not therefore think that I need labour this aspect of the case any further. It is sufficient to say that we are at one as to the necessity for increase in the development of banking, and the only possible point of difference between us is the best method of securing our object. I think most Hon'ble Members will have seen from the announcements that were made in a tentative way at the last half-yearly meetings of the three Presidency Banks, that the question of their amalgamation is under consideration. I can, I think, without divulging any confidence, state briefly the history of what has taken place. During the war we all of us felt that our banking arrangements left a great deal to be desired, and also that much greater co-operation is desirable between the three Presidency Banks themselves. The proposal suggests the fable of the old woman with the bundle of sticks. When the sticks were tied together they held, whereas the single stick might break. Well, we were unable, any of us, to take

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this question very much further at the time. I do not think a great many people realise how exiguous our own staff was; Government had its hands absolutely full of current problems which were engaging their attention, and we had not time to devote ourselves for many things which, though *per se* very desirable and almost essential, could not be attended to at the time. The banks again were all very short-handed and they have been themselves very hard put to it to carry on. We had, for example, a great many complaints at the delay in the issue of our loan scrip; but I think, in the circumstances, it is marvellous that the banks were able to do what they did, and Government owe all concerned a very great debt for the assistance they have given to us. Practically as soon as the Armistice was declared, the three Presidency Banks came together, and when Sir James Meston went to Bombay he was confidentially approached by them as to the way in which the Government would look on the question of their amalgamation. Well, we were only too glad to receive any advance of this kind on the Banks' part. Some informal discussions with the Banks followed, and they eventually put before us a scheme which we have passed on with our observations to the Secretary of State.

"It comes to this then, that we have before us a definite scheme for making a start in the direction of an improvement in banking facilities . . .

The Hon'ble Pandit Madan Mohan Malaviya :—" May I ask the Hon'ble Member to give us some idea of the scheme that he has in hand?"

The Vice-President :—" If the Hon'ble Member wishes to make a personal explanation he may rise; he has no right to rise otherwise."

The Hon'ble Mr. H. F. Howard :—" I was just about to justify my statement by saying that the development of banking facilities was put forward as the basis of our discussion with the Banks, and they have undertaken, if this scheme goes through, to put before themselves the ideal of opening a branch in every district in India, and have further undertaken, within the first five years, to open no less than 100 branches in different districts, of which Government shall have the option of nomination 25 per cent. I think Hon'ble Members will admit that that is a very great and rapid advance, and that if this scheme goes forward, we shall at any rate make as reasonably rapid a step on the way towards the extension of banking as we can hope for.

" I have myself quite an open mind as to the relative theoretical merits of a State and a private bank as the central institution. But apart from any question of theory, the essential thing now seems to me to be to get on with the business. I therefore quite agree both with the Hon'ble mover in not suggesting any further references to a Committee, and with the Hon'ble Pandit that the delay involved by a reference to a Committee is undesirable. I should, however, like just to make one or two remarks about the question of State *vs.* non-State banks which have fallen from Hon'ble Members. The Hon'ble Mr. Sarma held up to us the examples of the State banks in France and Germany. What has happened there? Being State banks, their resources have during the war been absolutely exploited by their Governments. Loans have been taken from them on a huge scale with the result that those banks are now, I believe, in a very parlous position, certainly the bank in Germany is. The function of a bank towards Government loans is not to take them all up in block and embarrass its resources. The function of a bank in this respect, whether a State bank or a private bank, is to act in the way of a sponge, take a certain amount off Government in the first instance with the object of distributing part of it among *bona fide* investors. That function has only in part been performed by these large State institutions on the continent,

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who have been embarrassed if not crippled as a result of their direct connection with the Government. I merely mention this as a fact and not that I rely on it to support any theoretical view on one side or the other, because I realise that there is a great deal to be said on the theoretical side, and possibly also on the practical side, for a State institution.

"The case of the United States too is again quite different. There, again, they have not got to start to build up a new machine as it were *ab ovo*; they had merely to put the coping stone on a very large congeries of running institutions which exist throughout the length and breadth of North America. I believe the national banks in America number something like 8,000, but I am not quite certain of the figure. This meant that, not only had they something to build upon, but they also had practically unlimited personnel with which to man the new institutions which they were setting in operation. Mr. Keynes' scheme of course presupposes that we should build on our existing Presidency Banks. There are, however, always two parties to such an arrangement. I do not know how the Presidency Banks would like to be taken over lock, stock and barrel like that. We certainly could not force them into anything of the kind. We could refuse them a renewal of their charter, but it would be quite open to them to carry on as ordinary banks, and if we in those circumstances wished to start a State Bank, we should have to start with nothing to build on at all. That seems to me to be quite out of the question, and the only real practical solution, looking at it as a commercial proposition, seems to me to be to use the machinery which we have, which is in running order and which commands public confidence. It does not follow, however, that by any initial step we take now, we are definitely committed for all eternity to a private bank as compared with a State bank. My only point is, it is quite clear that however we start, we must, if we wish to get a move on at all, start with some existing institutions, so that we can get on with the minimum of delay. When we have once proceeded as far as an amalgamation and have secured some closer co-operation with Government than is practicable under present conditions, the new institution, the Imperial Bank of India, can then be allowed to develop in the way in which development seems to be best required; whether in the direction of a State Bank or not I should not like to commit either Government or the Banks or anybody else now; but there is nothing to prevent it from developing as necessary.

"I have spoken of the possible closer connection with Government. It would be out of place for me to go in any detail into the new arrangements which the Banks have proposed, and which we are inclined to favour, because they have still to be approved by the Secretary of State and to be laid before the shareholders of the Banks. I may say, however, that they contemplate that the new Bank should have at the top a central board, which should have on it representatives of all the Banks. That Board, however, could not meet weekly or daily as would be required of a managing agency. The representatives could naturally not be continuously absent from their local section of the new Bank where they would be required in order to carry on their own business.

"There will therefore have to be a smaller working body or Executive Board for current management. The spheres of the local boards of the new banks will at first correspond to the existing spheres, that is to say, Bombay, Madras and Calcutta. On the Central Board with representatives of these will be associated the Controller of Currency. The central Executive Board will consist of three or four representatives, of whom one will be the Controller of Currency. It is proposed that the Controller of Currency will, apart from being a member of this Board, have power to require the Board to hold up any matter which he may consider to be of vital importance as affecting either the financial policy of Government or the safety of its balances.

[Mr. H. F. Howard; Rao Bahadur B. N. Sarma.]

[25th September, 1919.]

"I think that I can best deal with the other points which arise in the order in which they have been raised by Hon'ble Members. One very important point which the Hon'ble Mr. Sarma raised was the future treatment of the Gold Standard Reserve and of the Paper Currency Reserve. Well, as regards the ultimate future, I regard this as an open question, but with the constitution of the new bank, as it is proposed, it is very doubtful whether management of either of these could rightly be entrusted to that bank at the outset. Mr. Keynes himself postulated that the Paper Currency Reserve should so be taken over by the State Bank. But even in London, where very large paper currency issues were made during the war, and their future is uncertain, Lord Cunliffe's Committee recommended that it would be out of the question to make over the control of the £1 note issue to the Bank of England until matters had come back to normal. In any case our Paper Currency administration could not be made over to the Central Bank until conditions again reached normality, and that may be a question not of one year or two years, but it may be five years or more. At any rate that question must be at present and continue to be an open one. As I think the Hon'ble Mr. Sarma himself realised it might very well be an open one whether the bank is a State-owned Bank or whether it is not.

"Similarly, with regard to the Gold Standard Reserve, I think the Hon'ble Mr. Sarma rather implied that Professor Keynes contemplated that the State Bank should take over the Gold Standard Reserve.

The Hon'ble Rao Bahadur B. N. Sarma:—"No, there has been a change since."

The Hon'ble Mr. H. F. Howard:—"At any rate, that was not the case. He merely contemplated that the bank should intervene in connection with the Gold Standard Reserve—I think I am correct in stating that—when it had to be utilised for the purpose of regulating exchange.

"We now come to the very important question of our balances. The Hon'ble Mr. Sarma has recognised, and the Hon'ble the Pandit has also recognised, the importance of Government balances being placed, as far as possible, at the disposal of trade. We have gone a long way in that direction in the last few years. The reserve treasuries are at present exiguous. They very seldom now-a-days run to more than a crore. It is necessary to retain as much as that when you have three separate institutions, as otherwise it would be very difficult to provide at call the funds necessary, say, in Bombay to meet Council Bills. It is true we have recently gone very much further than in the past in that direction by placing our reserve treasury balances with the banks; but this is due to two causes, first, and more important from the public point of view, in order that the money market should be rendered as easy as possible for trade; then, for Government operations, if the market gets tight, we have more difficulty in floating our loans and great difficulty in carrying on. That is the second reason. However, our present contracts with the banks are not, as one or two Hon'ble Members seem to think, rather one-sided. Until the war they were a constant bone of contention between us and the banks. We received every year, if not oftener, representations from the banks that they were very inadequately recompensed for the important services which they render to Government. This was recognised. The question of a modification of the existing banking arrangements kept on cropping up, and it was decided to ask the banks not to move for revision of their contracts immediately, until some of these other larger and more important questions were settled; but it was at the same time arranged that we should place with them rather larger balances at their head offices as a standing matter than they were strictly entitled to under their contracts.

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[Mr. H. P. Howard.]

"Mr. Sarma has referred to the large sums which are kept at the branch offices of the banks. These, however, are not kept at these offices merely for the use of the banks, but because we have at several of these branches very important liabilities continually coming upon us and we have got to keep a sufficient balance there in order to meet them. It may be said that those branches include not merely small out-of-the-way places but large towns like Rangoon, Karachi, Cawnpore and Lahore. At Karachi, for instance, we have huge disbursements to make, say of 50 lakhs, or more, while in Rangoon we have, I believe, to keep a balance of at least 40 lakhs. We should have to keep very much more money in these places if we only had treasuries there. A good deal of this money is only 'till money,' and the same applies to the money kept at our present district treasuries. The latter balances (which are not of course held at the banks) ordinarily run to 6 or 7 crores distributed probably over 200 treasuries, that is to say, our average balances at each of these treasuries run to something like 3 lakhs only. The amount at individual treasuries is therefore small; it is 'till money.' There is no question of making over this 'till money' at the district treasuries until the Presidency Banks extend their operations by opening branches at the places where these district treasuries exist. That is to say, if the Presidency Banks in one year open 20 new branches, well, then, they will automatically secure the control over twenty times 3 lakhs. But that again is not a very great additional recompense for the work which the Bank will do at those treasuries. It will always have to find funds for us when we want to spend them, but it helps its cash and, therefore, possibly may help to make it profitable to open branches at those places.

"Another question which the Hon'ble Mr. Sarma asked was, would it be legitimate for us to give our funds to one bank only as distinct from other banks? Well, I can only say that the surplus funds which we keep are relatively small; though we have to keep a very large sum as a working minimum in order to keep going. We have got these very large disbursements to make from day to day. We may have to pay out 50 lakhs at one place and 20 lakhs at another, and you cannot without notice either take that money away from a bank or provide it at a treasury without making some arrangements. In fact, we find it very difficult to work with a total balance of less than 14 crores. Now and then for a week or two we may have large balances; for instance in the last week of the loan (about the end of August) we received four or five crores; it may be another week or two before that money is spent. It will be necessary for me to explain to Council to-morrow that so far from our being full of resources as some Hon'ble Members here have said from time to time, we have, from day to day, from week to week and from month to month, with the very greatest difficulty, been carrying on.

"From another point of view also I should like to say that these arrangements with the banks have not been altogether one-sided. If we have any surplus we are very glad to leave it with the banks for the reasons I have just said, namely, that it helps us in our own operations and helps trade also. On the other hand, if we have not got any money surplus to our requirements and the banks still want some assistance, we ask them to take a loan from us of that money and charge interest to them for that loan, and we have done so on more than one occasion. In their turn the banks have always showed themselves ready to help us whenever we have been in a tight corner, as we have unfortunately been more than once. I shall not be disclosing any secret when I say that they have charged us only 3½ per cent. which compares very favourably with the rates at which we are generally able to raise such money by way of treasury bills

[Mr. H. F. Howard.]

[26th SEPTEMBER, 1910.]

or otherwise. Last year we received advances to the extent of 17 crores; and this year also we have similar advances to the extent of 13 crores.

“ There is just another point which arises here. I think it was rather implied that if the banks had to take responsibility for holding larger balances on behalf of Government they would require to be strengthened. It is proposed that the banks should raise additional capital.

“ Then there was some question with regard to the relative treatment of Europeans and Indians, with reference to which I should just like to make a few remarks. I think that it is not generally realised, the extent to which presidency banks do even at the present time help internal trade. Apart from operations connected with business at the presidency-towns, they do help the financing of the internal trade of India to a very large extent by their purchases and re-discounting of internal bills of exchange, known generally as ‘ hundis ’. The shroffs, mahajans, chiefties and others who either directly or by their relations with smaller ‘ banks ’ of the same kind largely finance the movement of produce and of important articles of commerce, such as piece-goods in the up-country markets, rely to a very great extent upon assistance from the presidency banks when in a season of active trade their whole capital is fully employed. On some occasions, for example, the amount of hundis held by the Banks of Bengal and Bombay has exceeded a third of their total advances, and during the busy season the proportion is rarely less than a quarter. The connection of the Presidency banks with up-country trade is thus already very close and intimate. It must not be understood that the financing by these banks of the internal trade and the assistance given by them to Indian financiers and merchants is limited by the extent of their hundi business. A substantial portion of the cash credits given by the Banks represent advances made directly against produce hypothecated to the banks by Indian traders. Again, loans against Government and other approved securities are frequently made to Indian concerns. In any case, with the increase in the number of branches up-country it is clear there will be a substantial increase in the assistance given by it to help the internal trade of the country.

“ Mr. Sarma referred in this connection to a statement made apparently by Mr. Vidya Sagar Pandya that the shareholders in the Presidency Banks were predominantly European. I am not sure of the other banks; but taking the case of the Bank of Bombay, I find that there are 20,000 shares in the Bank, of which 7,447 are held by Europeans and 12,553 by Indians. Mr. Sarma then developed his argument by saying that on that account the Indian trade did not get its proper share of advances. As I have said just now, the amount of the hundi business alone, apart from other advances, has been sometimes one-third of the whole advances and at any rate not less than one-fourth even during the busy seasons. The bank of Bombay have kindly furnished me with the figures of their advances to Europeans and Indians respectively. The advances to Indians amounted to 654 lakhs, while the advances to Europeans amounted to 140 lakhs. Of this advance to Europeans, 35 lakhs were advanced against the new loan to enable them to subscribe to it; the corresponding figures for Indians were two lakhs; so that if we deduct these figures from the total, you get about 630 lakhs for Indians and 105 lakhs for Europeans, that is to say, approximately 6 to 1. I have not got similar figures for the Bank of Bengal; but Sir Noreolt Warren informs me that the relative proportion is probably 49 per cent to Indians and 51 per cent to Europeans; that is perhaps not unnatural, as the jute trade at this time of the year absorbs very large advances indeed. As regards Madras, I have the figures given to the Hon'ble Pandit before the Industries Commission. Approximately 110 lakhs are advanced on the average to Indians and about 80 lakhs to Europeans. I think it is perhaps not unnatural that the Bank of Madras, with reference to whom most of these allegations have been made, is able to do the least in

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[*Mr. H. F. Howard ; Rao Bahadur B. N. Sarma.*]

assisting trade of all the Presidency banks, whether European or Indian. It must not be forgotten that the resources of that bank are very much smaller. That fact is reflected again in the further fact that the bank rate is invariably, I think, 1 per cent higher than the other presidency banks' rates. I may say that Sir Bernard Hunter has frequently complained that he did not have resources to help trade in his presidency in the way in which he would have liked. I should like to quote here one remark which he made before the Industries Commission. He was asked by the Hon'ble Pandit 'you yourself feel that these are not sufficient for the financing of industries in this presidency?' Sir Bernard Hunter said 'I have always thought that India is under-banked and one difficulty is to get resources with which to open more branches. We have got to remember that a bank has two sides; on one side it borrows and on the other side it lends. In new branches my experience is that it is always in one way that banking facilities are wanted, that is facilities for loans. There is no object in opening branch banks when you have not got enough money to go round. That is the sole reason of the want of development of banking in this presidency.' Well, I may say that Sir Bernard Hunter has told me often that he is very anxious to open as many branches as he can in spite of that difficulty, and, I think, it is only because of the war that the Bank of Madras did not two or three years ago increase the number of branches. That difficulty will very largely be remedied in so far as Madras is concerned by the institution of a central bank when it will be possible in the slack season in Calcutta or Bombay for the central executive agency to allocate funds to Madras.

"Then there was just one further point about which I should like to make one remark, and that is the question of assistance by the central bank, whether it is a State bank or a non-State bank, to industries.

"We contemplate of course that any Central Bank must help to finance industries as far as it can do so on the security of liquid assets. There can be no question of any Central Bank which is a bankers' bank financing new industries, where it will be necessary to lock up its funds for an indefinite period; if it did that it would endanger the whole banking arrangements of the country.

"I think it will be seen from these remarks that we do agree with a great deal of what Mr. Sarma has said, and I am glad to have this matter ventilated in the Resolution. We do want to get on with the business quickly, but we are unable to go into the theoretical side of the question and to consider what in some circumstances would be the best, namely, whether a State or a non-State Bank. It is for these reasons that I regret the Government cannot accept this Resolution."

The Hon'ble Rao Bahadur B. N. Sarma:— "Sir, we are deeply 1-2 P.M.
grateful to the Hon'ble Mr. Howard for his clear statement of what the Government proposes to do in this matter; we are glad that the Government recognise that additional banking facilities will have to be placed in the hands of the people. I should like, however, to state that we regret that the Government should have come to a decision about the practical steps to be adopted without following the procedure recommended by the Industrial and Currency Commissions and giving the public opportunity for discussion. I can understand that one of the objects in doing so may be that the Government wanted to push on this question as quickly as possible from the practical point of view, and that the only procedure which seemed open to them was to amalgamate the three Presidency Banks as a first step; and the rest was to come later as circumstances permitted. But, Sir, I think this statement, so far as it has been disclosed to us, does not seem to be satisfactory from the Indian point of view. Instead of the Presidency Banks working separately, except occasionally when they meet

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together for the purpose of formulating a general policy to govern them, which policy it is optional with any of them not to adopt, they are going to have a central board of management. That is so far to the good; then so far as the Government are concerned, they propose to place the treasury balances at the disposal of the central bank, the extent of which would be dependent partly on the development of their branches. The only control so far as I can see to be exercised by the Government from what was explained to us, is that of the Controller of Currency who is to be on the board when there is a question of general financial policy involved, or when he feels that the safety of the Government balances may be endangered by any proposals. I do not see that the control of the Government is intended to be very effective in any other direction. The only return for the placing of necessary balances at the disposal of the bank by the Government is going to be that the amalgamated bank undertakes to open 100 branches in five years. Ordinarily the Central Banks would be interested in opening branches only where they can make a large profit, but 35 of these places are to be chosen by the Government. There is no doubt that in the ordinary course of business the Presidency Banks would have increased their capital in so far as it might have been necessitated by trade, but they have now promised to do so and no one disputes this fact that a large proportion of the business that has been done in the past was with Indians, but it must be so inasmuch as the vast majority of the traders are Indians. But the point is, whether there was not an undue preference where there was an option and it would not continue to be so in future. It is a natural consequence from the composition of the shareholders and the management, and we must try to regulate the future so that nobody may be prejudiced and have reason for complaint. The Hon'ble Mr. Howard gave figures for Bombay but not Madras or Calcutta, the Madras figures are against him; the vast majority of the shareholders were in 1913, Europeans. The shareholders of the Bank of Bengal were mainly Europeans in 1909 according to the Capital, I do not know how far that is correct now. The fear of the Indians is when the three banks are amalgamated that the management would be almost exclusively European in the Central Bank and in the absence of rigorous control by the State, the condition of things may be worse in future than it is at present. It may be that a province which is far distant from the centre like Madras may instead of being benefited be occasionally sacrificed for the trade interests of other provinces or centres. My submission is that under the new system the Indian community, commercial, banking, industrial or agricultural, is not likely to fare better but worse than under the old system; except that as the result of additional money being forthcoming, it would result in an advantage to all. Another point is that so far as I can see it does not look very advantageous to the public that the State should sacrifice interest on crores of rupees, though the aggregate sum may be varying from day to day, for the sake of only 100 branches being opened in five years. I do not think that is a profitable financial bargain. I realise that the Government have difficulties and that they have not here a very large number of efficient Banks which they can utilise for building up a State Bank, and the most influential banks are the Presidency Banks. But my submission is that it would be absolutely wrong if the tentative proposals are not placed before the Indian Bankers and Indian commercial and public men, before the Secretary of State pronounces upon them and before a final decision is arrived at. That is our quarrel. Let these tentative terms be published. Let all the Indian Bankers know what they are and how they would affect them, and let there be public criticism, and let this criticism be forwarded to the Secretary of State and let him, after going through these criticisms, arrive at his conclusions, and let the final negotiations and bargains 'be struck,' let there be an expert committee consisting of Indians

RESOLUTION *re* ESTABLISHMENT OF A STATE BANK IN INDIA. 415

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[*Rao Bahadur B. N. Sarma; The Vice-President.*]

as well as Europeans by whom these questions can be threshed out; the Presidency and other banks and the Government sitting together at a round table may consider what the various difficulties are and arrive at some solutions. But I submit, Sir, that the whole of the private negotiations between the Government and the three Presidency Banks, however well meant they may be, will be taken amiss, and for justifiable grounds. This is of course but a repetition of the old procedure; when a matter is under communication with the higher authorities it is a secret and cannot be published. When the higher authorities have pronounced an opinion, it comes too late for the public to suggest any modifications, and the public will be asked to wait for a reasonable time to see how the thing works and that takes years. This is extremely unsatisfactory. Therefore, I submit, that the public and the Members of this Council ought to be given an opportunity to pronounce upon these tentative proposals before definite conclusions are arrived at and before it becomes too late to suggest a revision. My submission therefore is that it was wholly unwise on the part of Government that they should have kept these negotiations secret. I knew from the answer which the Hon'ble Sir James Meston gave to my question in Delhi that he was not favourably disposed towards the appointment of a committee, as suggested by the Commissions, and that is the reason why I have brought forward this Resolution in a somewhat definite form, it was also because the proposals for the amalgamation of the Presidency Banks were maturing.

"Sir, there are some matters of detail to which I would like to refer for a moment. I never thought that industries would be directly financed from the Central Bank or that it can deal with any but liquid assets. It must be a bankers' bank. The point is as to whether we have anything on record to justify the assumption that in the past any very great zeal was exhibited by the Presidency Banks in forwarding the cause of Indian industries, manufacturing or agricultural, and from our past experience we have no reason to believe that our future would be so bright. That is the reason why we are asking for greater Government control.

"Then with regard to the treasury balances, I knew that with regard to the branches, much of it, as was stated in the Commission's Report, is there for Government treasury purposes. But as was pointed out, there are occasions when large sums like 3 crores, 6 crores and 9 crores could be utilised without interest much in excess of what has been agreed to. Of course if the terms and the services as between the Government and the amalgamated bank have been arranged already, well let us know exactly what those terms are, and let us know how much interest is going to be sacrificed for those services, and what those services are going to be; the mere opening of 100 branches, and the promise to increase the capital are, I venture to submit, not services worth having for such a heavy price. I realise that the working balance would have to be about 14 crores and the amounts would be fluctuating, but still I submit that we have on record that sums to the extent of 5, 6 and 7 crores have been with the Presidency Central Banks and they could utilise them, and hereafter, as I have said, with the additional money that would flow from increased taxations and currency, the resources would be improved and the amounts would be larger.

The Vice-President:—"I must ask the Hon'ble Member to bring his remarks to a close as his time is up."

The Hon'ble Rao Bahadur B. N. Sarma:—"I therefore propose that if the Hon'ble Member could give me an assurance that this question would be more favourably considered than it has been, and the proposals would be published for public criticism before the Secretary of State would pronounce upon them, I have not the slightest objection to withdraw this Resolution; but if he says that nothing can be done, I should press the Resolution for a vote."

416 RESOLUTION *re* ESTABLISHMENT OF A STATE BANK IN INDIA ; RESOLUTION *re* ELECTRIFICATION OF RAILWAYS.

[Mr. H. F. Howard ; Rao Bahadur B. N. Sarma ; Mr. W. E. Crum.] [23RD SEPTEMBER, 1919.]

The Hon'ble Mr. H. F. Howard :—" Sir, may I say a word or two in answer to the points raised by the Hon'ble Member? Firstly, I do not think that we can publish the scheme before the Secretary of State has had an opportunity of expressing an opinion. He may or may not accept the proposals which have been put forward. Any publication of the scheme before he has done so is to be very much deprecated because it would obviously lead to speculation in the shares.

" With regard to shares the Hon'ble Mr. Sarma seems to make rather a grievance that more shares

The Hon'ble Rao Bahadur B. N. Sarma :—" I am stating only the facts."

2-17 P.M. **The Hon'ble Mr. H. F. Howard :**—" I do not know against whom he makes a grievance that more shares are not held in Madras or Bombay, but I know as another fact that there is no prohibition in the Statutes of the Banks against Indians or others acquiring shares of the Banks.

" There is another point I should like to refer to, and I should be very glad if the Hon'ble Mr. Sarma would give me some help. He says that we are sacrificing a great deal of interest as a result of the branches of the banks taking over our balances at our District Treasuries. I should like to know how else we can get interest at present on what is only 'till money' and if Mr. Sarma would explain, I should be very grateful.

" Then there is another point which, I regret, I omitted to mention. The Hon'ble Mr. Sarma suggested that the only control that we shall have over the banks will be that exercised by the proposed position of the Controller of Currency on the Administrative Board. That is not the case. The proposals, if agreed to, or in whatever form they are agreed to, will obviously have to be embodied in a new Act which will involve an entire re-casting of the present Presidency Banks Act, and the details of that will certainly have to come before this Council and considered by this Council. Of course Government may at that stage be committed to some main principles, but there will still be several important questions of detail, for example, the nature of control to be exercised by the Controller of Currency and so forth. That is all I have to say."

The Vice-President :—" I understand the Hon'ble Member desires to press the Resolution before the Council."

The motion was put and the Resolution was rejected.

RESOLUTION *re* ELECTRIFICATION OF RAILWAYS.

6-20 P.M. **The Hon'ble Mr. W. E. Crum :**—" Sir, I beg to move that—

'This Council recommends to the Governor General in Council the immediate consideration of the electrification of the suburban railways within 25 miles of Calcutta and of the improvement generally of local passenger transport and terminal facilities.'

" Sir, about a fortnight ago the Hon'ble Mr. Phelps moved a Resolution in the Bengal Council to the effect that a Committee should be appointed to discuss the question of the rise in rents in Calcutta. The Resolution was accepted by Government, and therefore in a way it may seem rather premature that I should move this Resolution about improving communications; but without doubt one of the reasons for the rise in rents in Calcutta is that the demand for land in the immediate neighbourhood of

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[Mr. W. E. Crum.]

Calcutta has outstripped the supply, and therefore it is absolutely necessary that people who want to live near Calcutta at reasonable rents must go outside. This has been the case, of course, in most of the big towns of Europe; London, Manchester, Liverpool all have very large suburbs which have steadily increased, and as they have increased, the railway communications with them have improved. Already there is a very large number of the working population of Calcutta who come in every day. In the year 1903 by the railways round Calcutta there was a daily influx to Calcutta from within 25 miles of 10,663 passengers. In the year 1918 this had risen to 25,792. The railways by which these passengers come in are the Eastern Bengal State Railway, the East Indian and the Bengal Nagpur Railway and the two small railways, the Howrah-Amta and Howrah-Sheakhala Railways. To give the Council an instance of the number of people who come to Calcutta daily, the proportion who come to Calcutta, I may instance the clerks in my own office. We have 276 clerks. Out of this no less than 99, or 36 per cent. come in daily by train to Calcutta. Out of these 99, 55 have to leave their houses before 8 o'clock in the morning and do not get home till 7-30; and of course there is no doubt about it, that the reason is bad communication. I might take as an instance the East Indian Railway. Between 5-20 and 6-20, which is the time when most people go home from the offices, there are three trains between Howrah and Bandel, that is a distance of 25 miles. Each of these trains takes a little over an hour and 20 minutes to do the journey, and they stop at every single station, 15 stations. Now, if that line was electrified and you had more frequent services of trains, and instead of having long and expensive trains to run, you could have short trains of three or four carriages, you could have a frequent service of trains, and instead of stopping at every station they could stop at every two or three. If you are able to run your trains, electric trains, so that they stop at every two stations, you would do that 25 miles in 50 minutes instead of one hour and 20 minutes, thus saving half an hour on each journey, or an hour a day for every passenger who came backwards and forwards to Calcutta. And I daresay that could be still further improved, and you could have the trains stop at every three stations perhaps. Of course it is perfectly obvious that it would be an advantage to the travelling public who have at present to wait half an hour if they miss a train, to get another in ten minutes. The same applies to all the other lines, and I am perfectly well aware that there are only three of these lines which concern the Government in that the Howrah-Amta and Howrah-Sheakhala are purely private lines. But perhaps the Howrah-Amta and Howrah-Sheakhala need this electrification more than any other because they are more crowded and the conditions of travelling are distinctly worse than they are on the big railways. For that reason though I would not expect for one moment that Government should consider themselves the electrification of these railways which are private railways. But, I think, it is very desirable that any Committee which meets in Calcutta or elsewhere to discuss this question should also consider the question of these two small railways.

“Then we come to the point as to how this electrification is going to be carried out, because it is a very expensive project to consider the electrification of so many railways. I understand that the cost of actually electrifying the railway, that is providing the necessary rolling-stock and the wiring for carrying the electricity and so forth, is about double the cost of the power station. And before the war the total cost of electrifying the Eastern Bengal Railway for 25 miles or 30 miles was estimated, I think, at something like a million pounds. That would include the power station. If, however, the railways could all be persuaded at the same time to electrify, the cost of a central power station would be very much decreased. Therefore, I would like to suggest that, if Government are willing to consider this question, they should consider the question of a central power station. In that case I have the assurance of Sir Rajendra Nath Mukerjee that he would be prepared also to electrify the two small lines. It is a lot of money to be found and I have

[Mr. W. E. Crum; Sir George Barnes.]

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spoken about that to several people in Calcutta before I left, and the conclusion that I came to was that if Government would be prepared to guarantee to a certain extent that they would take power from the central power station for these various railways, I think there would be no difficulty in finding the money for the central power station in a somewhat similar way to that in which private railways are financed. But it is not only with the railways leading to Calcutta that I would ask that the Government should deal, but with the facilities in Calcutta itself. The Hon'ble Mr. Bompas the other day, in a note to the Improvement Trust of Calcutta said: 'There is no city of the same size outside China so badly provided with public means of locomotion as Calcutta.' Even if you get the passengers to Howrah or Sealdah, they have still got a very long way to move before they get to their offices. A few years ago, I believe, the question of a central station in Calcutta was considered, and it was abandoned on the score of expense; and presumably if the expense was too great then, it would be far too great now. That was for a central station in the neighbourhood of Bowbazar.

"What I think the Government might consider is, whether it would not be feasible to electrify the Port Trust line from Chitpore down towards the jetties, and whether passengers could not be brought in from Sealdah in that direction. There is no doubt, I suppose, that we would have certain vested interests in the form of the jute balers and other people who have jute presses and land and jute godowns along that line raising objections. But when this matter of removing the jute trade was considered by the Port Facilities Commission about five years ago, the Commission reported that they were willing to agree that the jute trade should be left there for the present, but that if the line was required for other more important reasons, the question of its removal would have to be decided.

"I have no doubt about it that it is a very important thing for all our clerks in Calcutta that they should be able to get nearer to the actual business premises, and, for these reasons, I hope that the Government will be able generally to accept my Resolution, which is only asking for an inquiry into the whole question."

1-30 P.M.

The Hon'ble Sir George Barnes :—"I may say at once, Sir, that the Government fully realise the importance of the subject-matter of the Hon'ble Member's Resolution, and have no hesitation whatever in accepting it. The electrification of our railways in the neighbourhood of the great cities of India is of great importance, because by that means, as the Hon'ble Member has pointed out, we shall increase the carrying capacity of our railways in dealing with suburban traffic and shall make it more possible for people to live outside the great cities. In this way, a considerable step will be made towards solving the housing problem, which Mr. Crum has told us is so acute in Calcutta and which, I am sure, my Hon'ble friend Mr. Nigel Paton would say is even more acute in Bombay. But I should not like the Hon'ble Mr. Crum or other Hon'ble Members to think that we have taken no steps in the direction of investigating the possibilities of electrification. In 1914, the Government appointed some experts to go into the question of electrifying the railways running into Calcutta, and a report was made by those experts; but, unfortunately, in 1914, the war broke out, and all these projects have had to stand over. The scheme in question was favourably reported on, but it has, as I say, suffered the fate of many other projects during the war. The scheme referred to the Eastern Bengal Railway only. The East Indian Railway had also had under consideration the electrification of a part of their system, the part that is nearest to Calcutta, and there has been a suggestion of a joint powerhouse to serve both these systems, *i.e.*, the Eastern Bengal Railway and the East Indian Railway. I do not know at the present time what the views of the Bengal Nagpur Railway are, but the Bengal Nagpur Railway management has never been backward in adopting a forward policy.

RESOLUTION *re* ELECTRIFICATION OF RAILWAYS; RESOLUTION *re* APPOINTMENT OF AN INDIAN MEMBER TO THE ARMY IN INDIA COMMITTEE.

[23RD SEPTEMBER, 1919.]

[*Sir George Barnes; Mr. W. E. Crum; The Vice-President; Mr. Sachchidananda Sinha.*]

"I was glad to hear the Hon'ble Member suggest that the electricity needed should be provided by some central power-house, and I gathered from what he said that private enterprise in Calcutta would be willing to embark upon this. There seems to me very considerable advantage in private enterprise coming in here, always provided that the electric current can be provided for the railway systems in question at a reasonable rate, because, if private enterprise comes in and supplies the power-house, we shall have so much more money available for railway development in other directions. Mr. Howard has just told me that the amount set aside in this year for capital expenditure on railways in India is 17·7 millions sterling. That is a large sum but, as you all know, our railways have fallen into very bad repair during the past five years, and we want an enormous sum to set our open lines in order.

"As regards the question of how I can best help this project along, I would suggest that when I come down to Calcutta, as I hope to do during the cold weather, I should call a meeting of the three big systems interested and, if the Hon'ble Member thinks it advisable, I should be very glad to invite those who are in control of the two smaller systems which he also mentioned and one or two representatives of the Bengal Chamber and the Bengal National Chamber. Let us all sit round a table and see if we cannot evolve some scheme for furthering the project outlined in the Hon'ble Member's Resolution. I should like, however, to remind him that the needs of Calcutta for electrification do not stand alone; the need of Bombay is even more urgent, for the housing problem there is extremely acute, and I am sure that the Hon'ble Members who represent Bombay would be quick to point this out.

"Sir, I shall be very glad, as I say, when I come down to Calcutta, to discuss this question, and I hope the course I suggest will meet the Hon'ble Member's wishes."

The Hon'ble Mr. W. E. Crum :—"Sir, I am very pleased that the Hon'ble Member has accepted my Resolution and I do not think there is anything more to say. I am very grateful that the Government will take the matter in hand, and the method by which the Hon'ble Member proposes to do it is, I think, exceedingly satisfactory."

1-56 P.M.

The motion was put and the resolution was adopted.

The Vice-President :—"The next Resolution on the list is the Hon'ble Mr. Sinha's Resolution. I do not know whether he thinks he will be able to finish it before 2 o'clock."

The Hon'ble Mr. Sachchidananda Sinha :—"I do not think so, Sir. We might take it after the recess."

The Vice-President :—"After this the 'deluge,' so far as Resolutions are concerned. We shall not sit after 2 o'clock."

The Hon'ble Mr. Sachchidananda Sinha :—"Then I shall move it now."

RESOLUTION *re* APPOINTMENT OF AN INDIAN MEMBER TO THE ARMY IN INDIA COMMITTEE.

The Hon'ble Mr. Sachchidananda Sinha :—"Sir, I rise to move the Resolution which stands in my name and which runs as follows:—"

1-56 P.M.

This Council recommends to the Governor General in Council that he may be pleased to make a representation to the Secretary of State for India (or, if need be, to His Majesty's

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TO THE ARMY IN INDIA COMMITTEE.

[*Mr. Sachchidananda Sinha.*]

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Government) that an Indian member chosen from the non-official Indian members of this Council be appointed to the Indian Army Commission recently constituted.'

'As the Council may be aware, the Secretary of State has recently appointed an Indian Army Commission, and the constitution and the personnel of this Commission have been duly announced. The personnel of the Commission, Sir, has not given satisfaction to the public either in England or in India, and I find that on August 6th Mr. Fredrick Roberts asked a question in the House of Commons of Mr. Montagu on the subject. He asked the Secretary of State for India—

'whether the Indian Army Commission will inquire into the grievances of the Indian section of the Army and of Indians generally with regard to the military policy of the Government; why no Indian is appointed a member of the Commission; whether the omission will be made good before the Commission commence their work; whether the Right Hon'ble gentleman is aware of the strength of the feeling against Sir Michael O'Dwyer for his recent administrative acts in the Panjab; and why he has been appointed in the face of such feeling?'

Mr. Montagu replied:—

'Under the terms of reference the Committee is concerned with general questions of military administration and organisation, not with grievances; but I am considering the appointment of an Indian member. I do not see that recent administrative acts in the Panjab have any bearing on this inquiry.'

'Captain Ormsby-Gore also asked the Secretary of State for India 'why no Indian has been appointed on Lord Esher's Committee on the Indian Army?'

'Mr. Montagu replied. 'The appointment of an Indian to the Committee on the Army in India is under consideration.'

'That will satisfy the Council that even in England exception has been taken to the constitution and the personnel of the Committee. In India, since the announcement was made, public opinion has been insistent that there should be at least one Indian public man to represent the Indian point of view on this Committee. It has also been given out, Sir, though not formally, that an Indian gentleman has been offered a seat on this Committee and that he has accepted it, but no formal announcement has been made so far of that. The name of the gentleman said to have been appointed, however, has not satisfied Indian public opinion, and for this reason that the gentleman whose name has been given out is known to be merely a military expert and can thus advise the Committee on military matters only, but he is not in a position, regard being had to his experience of Indian problems, to advise the Committee on the financial aspects of Indian Army administration, nor on those which affect the public at large. It was under the impression that an Indian gentleman had already been appointed, or was going to be appointed, that I first desired to word my Resolution in the way that there should be an additional Indian Member, but when I learnt that no formal announcement had been made to that effect, I altered the Resolution to the form in which it stands now on the agenda paper. However, I hope that the Hon'ble Sir Alfred Bingley will look into the spirit of the Resolution and not take up the wording of it. As the resolution stands, you will notice, Sir, that I make no distinction between the elected non-official members of this Council, and the nominated ones. There are 32 non-official members of this Council, of whom 27 are elected and 5 nominated. I have no desire to make any invidious distinction between the two classes of members, and therefore I have not put the word 'elected' in my Resolution. I leave it open to the Government to choose whomsoever they like, an elected member or a nominated one. At the same time, I hope that in order to satisfy the public demand the gentleman chosen by the Government will be one who comes within the definition of a public man. I need not mention names to the Council; there are many elected members of this Council who are well-known public men, and any of them would be able to make a very good member of

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[*Mr. Sachchidananda Sinha; Major-General Sir Alfred Bingley.*]

this committee. I have been told that the question of appointing an Indian public man does not arise inasmuch as that committee has been constituted not with a view to going into any special grievances of Indians or about any other matters except those of military administration and organisation. That may be, and in that view there may be no harm in appointing an Indian military expert to advise the committee. At the same time I take it that this committee will deal with financial problems also. Unless I am greatly mistaken it will be impossible for the committee to consider the military administration of the country without going into the financial aspects of the case. Indian public opinion for the last fifty years has been insistent that there has been an ever-growing and increasing expenditure on the Indian Army, far beyond the resources of the people of India; and therefore, I think it highly desirable that on this committee there should be somebody who can put forward not only the expert military view of the matter, but also that which the people of India hold on this question. When I speak of the people of India I know my Hon'ble friend, Mr. Macpherson, will get up and say 'There are certain non-political classes who have said nothing about this matter'. But when I say 'the people of India' I am not talking of these non-political classes, the 'dummies and mummies'; I am talking of those who are politically minded, those who think out things for themselves; and I say that this class has been insistent that during the past fifty years the Indian Army has been a very expensive luxury for the people of our country, that it costs a very large sum of money, far beyond the means of the people. I, therefore, contend that there should be a second Indian member on the Committee, who will be a public man chosen from among the elected members of this Council, and who can best advise the Committee on this particular point.

"I have only one word more to say, as I am speaking against time. It is sometimes said: 'Oh, well, in a technical matter like this, how can an Indian public man be useful?' But that contention seems to me to be futile. In England we have civilian Secretaries of State for War and Under Secretaries of State for War; they are not, so far as we know, drawn from the ranks of the Army; but they are taken from civilian classes. Here on this committee I understand there are to be two civilians, Sir Godfrey Pell and one other gentleman. In this country we find our civilians not only advising on military affairs, but doing all kinds of things, as heads of telegraphs and post offices, police, education, and various other departments. Therefore, I think that there can be no serious objection to an Indian civilian, by which I mean an Indian public man, being appointed on this committee; and I hope Government will see their way to accept my Resolution, and that they will recommend somebody from this Council from amongst the elected Indian members whose appointment will give satisfaction to the public. With these remarks, Sir, I beg to move the Resolution."

The Hon'ble Major-General Sir Alfred Bingley:—"The Resolution which the Hon'ble Member has just moved is one which Government is quite prepared to accept and has, indeed, anticipated. The Secretary of State, with the concurrence of His Excellency the Viceroy, has appointed the Hon'ble Major Malik Sir Umar Hayat Khan Tiwana, who is a member of this Council, to be a member of the Army Committee.

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"Sir Umar Hayat Khan has served in France and in Mesopotamia and has rendered valuable service in connection with recruiting. He belongs to a class which has rendered conspicuous service throughout the war, and his knowledge of the army and of the races from which it is recruited will be of special value to the Committee, as it is knowledge gained in the field as under peace conditions.

[*Major-General Sir Alfred Bingley.*]

[23RD SEPTEMBER, 1919.]

“As there seems to be some doubt as to the composition of the Committee I may mention that the other members are :—

President :

VISCOUNT ESHER.

Members :

SIR MICHAEL O'DWYER, late Lieutenant-Governor of the Punjab.

LIEUTENANT-GENERAL SIR H. V. COX, Indian Army, Secretary, Military Department, India Office.

LIEUTENANT-GENERAL SIR W. C. JACOB, Indian Army, Commanding 2nd Army Corps, Army of the Rhine.

LIEUTENANT-GENERAL SIR H. HUDSON, Indian Army, Adjutant General in India.

LIEUTENANT-GENERAL SIR J. P. DU CANE, late Commanding 15th Army Corps in France.

SIR G. FELL, Indian Civil Service, late Financial Adviser, Military Finance Branch, Finance Department, Government of India.

MAJOR-GENERAL SIR W. GILLMAN, late Chief of the General Staff in Mesopotamia.

Secretary :

BRIGADIER-GENERAL O. M. WAGSTAFF, Royal Engineers.

“It may be of interest if I make a few remarks as to the objects of the Committee. It is considered that the time has now arrived for reviewing our military position in the light of the experience gained during the last five years.

“The system of army administration now in force is the system which was introduced in 1906 on the highest military advice then obtainable, namely, that of Lord Kitchener.

“The sponsors of that system—the then Secretary of State for India and his expert advisers laboured however under an important disadvantage—a disadvantage for which they were in no way responsible—they had not the recent experience of a great war to guide them.

“Needless to say it does not follow that a system which is found workable in peace time will necessarily prove a sound one in war. However smoothly things may run when conditions are normal, defects are liable to disclose themselves under the strain and the altered conditions of actual war.

“The Admiralty system of administration in England has existed for a long period of years without undergoing any radical alteration. This is because it has been handed down from the period of the great naval wars, and because it may be said to be founded on the proved requirements of war. It has seldom been the subject of attack and may be said to have the confidence of the Empire.

“The War Office has not been so fortunate. During the latter half of the last century no other public department came in for so much hostile criticism. Great changes were frequent and stability of administration was not attained until a comparatively recent period.

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THE ARMY IN INDIA COMMITTEE.

[23RD SEPTEMBER, 1919.]

[Major-General Sir Alfred Bingley;
Pandit Madan Mohan Malaviya.]

“ Our military system in India has just been subjected to the strain of the greatest war in history. It was but natural that defects and shortcomings should have revealed themselves—in fact it was in the light of what I have said inevitable that it should be so. Nevertheless, in spite of these defects, the system now in force has enabled India to more than double her army in the course of the war and to raise over a million of men. It has enabled her to maintain great Expeditionary Forces overseas and to play a distinguished part in the world-wide struggle now happily ended. To achieve these results, it has been necessary to remedy defects as they appeared; but it will be readily recognized that anything that could be done in this direction was necessarily in the nature of a temporary expedient. Any general revision or reconstruction of the system of military administration had to await the conclusion of the war.

“ It now behoves us to turn to the best possible account the invaluable experience acquired during the past five years, experience which has been bought at a great price and which, let us hope, is unlikely to recur in the lifetime of those who have survived. We want to extract the last ounce of benefit from the lessons which the war has afforded us, and to ensure that for the expenditure we incur on the Army of the future, we secure the maximum of efficiency. The best way of doing this is to bring to bear on the problem the best brains and the most recent experience available. The Committee which is about to assemble is composed of men of great ability and distinction, and all of them have special qualifications for the work before them.

“ It will be the business of the Committee to—

- (1) Inquire into and report, with special reference to *post bellum* conditions, upon the administration and, where necessary, the organization of the Army in India, including its relations with the War Office and the India Office, and the relations of these two Offices with one another.
- (2) Consider the position of the Commander-in-Chief in India in his dual capacity as Commander-in-Chief and Member of the Executive Council, and to make recommendations.
- (3) Consider and report upon any other matters which they may decide are relevant to the inquiry.

“ It will be realised that the problems with which the Committee has to deal are difficult and complex, and that their task is one of great magnitude; but I think that this Council and the public may rest assured that the matter is in thoroughly competent hands.

“ The Hon'ble Member has suggested that there is a desire in Indian circles, and more especially among the Indian elected Members of this Council, to provide for the safeguarding of Indian interests, particularly as regards military expenditure, by appointing an additional Indian Member to the Committee. I can assure him that this is a function that can safely be left to the Government of India, and that there is no necessity for going beyond the terms of his Resolution. Nevertheless, if any Members of this Council are anxious to explain their views in regard to military expenditure or any other matter coming within the scope of the Committee's inquiry, I have no doubt that the latter will be glad to examine them and consider their recommendations.”

The Hon'ble Pandit Madan Mohan Malaviya :—“ Sir, I ^{1-32 n.v.} am disappointed at the reply which the Hon'ble Sir Alfred Bingley has given. It was well known very long before notice of this Resolution was given by the Hon'ble Mr. Sinha that our Hon'ble Colleague Malik Sir Umar Hayat Khan was to be a member of this Committee. Without saying one word

[*Pandit Madan Mohan Malaviya.*]

[23RD SEPTEMBER, 1919.]

regarding his qualifications as a military man, I may say in this Council without a semblance of disrespect or discourtesy to him that the announcement did not satisfy the Indian public interested in the question of the proper and efficient administration of the Indian Army. And not only was dissatisfaction expressed in this country, but I think the Hon'ble Mr. Chintam, the editor of the 'Leader' wrote an article in the 'Times' or some paper expressing that view. Now it was in order to give expression to those sentiments that the Hon'ble Mr. Sinha gave notice of his Resolution. He has not said one word against the Hon'ble Sir Umar Hayat Khan, nor do I wish to say one word against him as regards his qualifications to express an opinion upon military matters. But it will be recognised by the Council that the questions which have been referred to this Committee, which I am glad will be presided over by Lord Esher, are of very deep importance to the people of this country as a whole. The Government have recognised the importance of this question by nominating a very strong Committee. There are eight gentlemen who represent the civil and military elements among the European element. Now there is one Indian member on this Committee. Putting aside everything regarding the high qualifications of the Hon'ble Sir Umar Hayat Khan as a military man, I ask the Council, I ask the Hon'ble the Army Secretary to say whether he is satisfied that this is fair, whether in a matter of such public concern to the people of India, for we Indians constitute a large fraction of the Indian Empire, we Indians pay the taxes which support the Army, we supply effective soldiers and labour and we are affected by mismanagement and inefficiency, in the medical or other services which are a necessary part of the army administration. We Indians are deeply and vitally interested in the question. Is it right, is it fair of the Government to take only one Indian member to represent the Indian point of view and to put forward the Indian point of view? I submit that it is not. The bulk of the Army is Indian; Indians are interested, they suffer along with their British fellow subjects from mismanagement in the Army. We have had complaints of mismanagement in Mesopotamia; there have recently been complaints about the medical arrangements in the Afghan war. Did Indians suffer or did they not suffer? Look at the question from any point of view, look at it from its military aspect, it affects Indians much more than their British fellow-subjects, look at the financial aspect, it will be seen that it affects the Indians much more than their European fellow-subjects; look at it from the medical or any other aspect and you will find that Indians are more deeply and vitally affected than Europeans. Therefore it is only fair that this Committee should be increased by an Indian. I do not complain of any member who has been appointed, but you owe it to the public to put on some other Indian gentleman who may be able to watch the inquiry from the point of view of the general Indian public. It may be said that the questions to which Sir Alfred Bigley referred will be purely questions for military experts. Military experts will be wanted there and they are there, but there are other questions which affect the general civil population. In England, as the Hon'ble Mr. Sinha pointed out, military questions are not left entirely to the military. Military men are very good and they deserve our gratitude for the sacrifices they make and for the dangers to which they are exposed. But I may be permitted to remark that there are questions which are not purely expert in their character; there are questions in which civilians may be allowed without being considered impertinent to offer an opinion. Such questions are discussed in the English Parliament times without number. Was not this great system which you are going to rectify the result of a discussion between a civilian Lord Curzon and a military man Lord Kitchener? Has not the experience of the war shown that the views held by Lord Kitchener were not correct and that there was much in the views of a civilian like Lord Curzon to commend themselves.

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[23RD SEPTEMBER, 1919.]

[*Pandit Madan Mohar Malaviya ; the Vice President.*]

to the consideration of military men ? If this was so you cannot dispense with the views of civilians. You cannot dispense with the views of Indian public men, are they not interested, have they not sons and relations who have fought in the war ? Have these men not contributed towards the success that has been achieved by His Majesty's arms in the war ?”

It being 2 o'clock :

The Vice President.—“I am afraid I must call upon the Hon'ble Member to resume his seat.”

The Council then adjourned to Wednesday, the 24th September 1919, at 11 A.M.

SIMLA;

The 2nd October, 1919.

H. M. SMITH,

} *Offg. Secretary to the Government of India,
Legislative Department.*