[Shri Bhupesh Gupta.]

stock exchange tell you how many small shareholders had been ruined by speculative operations? Now you will say: "You go and sell. Why should you blame the stock exchange?" I do not blame the stock exchange as such, but the manipulations take place in such a manner that sometimes people are induced to sell shares when they should not sell. Sometimes the people are induced to buy shares by some fraudulent manipulations when they should not buy.

MR. DEPUTY CHAIRMAN: All this is not relevant at this stage. We are in the third reading stage, Mr. Gupta.

SHRI BHUPESH GUPTA: Yes. Sir, as I was saying that is how those people are ruined. I say you have to check this thing now that we are having this measure. What we need is a proper administrative set-up, to enforce this law. Many of the laws that are passed in this Parliament are not enforced in practice.

MR. DEPUTY CHAIRMAN: That will do, Mr. Gupta.

SHRI BHUPESH GUPTA: Therefore, Sir, I would request Government to set up a proper administration and pick up a little courage. They are in a position to take action against the speculators that are prowling in our economy and let us not forget those gentlemen because unless we put them in the right place, our entire economy will be in danger.

That is what I would like to state again before I resume my seat.

3 P.M.

SHRI M. C. SHAH: Sir, I am glad and happy that Shri Bhupesh Gupta during these last two hours, or rather three hours, has tried to learn some thing and say it out here in the third reading. I am glad that he also accepts now the usefulness of this legislative piece. That is a gain so far as I am concerned. Now, it is only commonsense that is required to understand that whenever a Bill of this nature is passed, there is always an administrative setup to adrrlinister the law. Whenever penalties and all sorts of checks are prescribed, naturally it goes without saying that there must be a strong administrative set-up and it does not require so many minutes of speech and repeating things again and again. I do not think any purpose can be served except taking the time of the House. I have already tried to explain all the points. I also made the point that he got knowledge from Lon don; I thought that London was a big place of stock exchange. He had been there and I thought he might have got some knowledge from there. That is why I referred to him. If he feels hurt ....

SHRI BHUPESH GUPTA: No; I do not feel hurt.

SHRI M. C. SHAH: Further, Members of the House may not have known that he had been to London and he must thank me for having made that fact known to the Members. Sir, I do not want to take more time of the House. I commend the Bill to the House.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed." The

motion was adopted.

THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 1956

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA): Sir, I beg to move :

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

This Bill now consists of only seven clauses in all and the purposes of these clauses have already been given in the Statement of Objects and Reasons and Notes on Clauses. I shall explain in some more detail the salient features of the Bill.

Under Section 33(2) of the Reserve Bank of India Act, 1934, not less than two-fifths of the assets of the Issue Department of the Reserve Bank are required to be held in gold coin, gold bullion or foreign securities, the value of gold coin and gold not being below Rs. 40 crores in value. For some time it has been felt that these provisions are unduly restrictive in the context of our plans for development. The House is well aware that a developing economy needs a growing supply of currency to meet the normal increase in the demand for currency. As economic activity expands, more money is needed to enable the large volume of transactions to be carried on smoothly. The present provisions require that minimum foreign exchange reserves must be held by the Reserve Bank of India in a fixed proportion to the expanding note circulation. This arrangement will seriously restrict the ability of the Bank to supply the growing requirements of currency in a developing economy. Let us consider what we propose to do in the second Five Year Plan and see how the present provisions would inhabit the implementation of the Plan as desired. The scale of development expenditure in the public as well as private sectors and the magnitude of deficit financing envisaged in the second Five Year Plan with their effects on balance of payments and foreign reserves will render the rigid proportional method of cover for note issue unworkable under the new conditions. There will, on the one hand, occur a substantial increase in the note issue which would require an increase in the figure of statutory cover under the law as it stands; in the memorandum of the second Five Year Plan, it has been stated that the deficit financing might be of the order of Rs. 1,200 crores. On the other hand, the foreign assets eligible for providing this cover will not increase, nor will they remain even stationary; but they are actually bound to undergo a decline with a decrease in our foreign balances. In these circumstances, the existing provisions set a serious limit to the Bank's capacity to expand currency during the second Plan period. On July 20, 1956, as against the note issue of Rs. 1,485'22 crores the Reserve Bank had in the Issue Department in gold coin and gold bullion Rs. 40-02 crores [valued at the rate of 8-47512 grains of fine gold for rupee fixed by Section 33 (4) of the Act] and in foreign securities Rs. 616-68 crores. Under the existing provisions of the Act, therefore, the additional amount of currency that could be issued would be Rs. 156 crores only. I am sure that everyone would agree that a currency expansion of Rs. 156 crores would be far from adequate to meet the requirements of an expanding economy. Even this order of increase in currency, however, would not be possible if at the same time the reserve of foreign securities is going down as a result of large foreign exchange requirements in the second Plan which would naturally cause adverse balance of payments. This is in fact taking place already and some idea of the rate at which our foreign reserves can go down when the tempo of development rises is provided by the fact that although the note issue is now smaller than when I presented the Bill to the Lok Sabha by Rs. 17 crores, the figure of further increase possible on the basis of existing reserves is not, therefore, higher by this amount but actually it is lower. On 6th July scope for further increase of note issue was for Rs. 189 crores and on 20ih, that is, within fifteen days, that scope has been reduced to Rs. 156 crores. This is because the foreign reserves have, in the meanwhile, declined by Rs. 20 crores in the Issue Department, though there has been a small increase of Rs. 6 crores in the Banking Department and that does not count for this purpose. In view of the large gap in the foreign exchange part of the Plan, it is possible that the draft on sterling balances may be heavier in the earlier part of the Plan period. The urgency to amend section 33(2) of the Act is, therefore, beyond question.

The principle of linking foreign exchange reserves to note issue is in fact getting somewhat outmoded and country after country has severed this rigid link in the last two decades. As long as monetary authorities were obliged to tender gold in return for domestic currency even for internal purposes, it was necessary for Central Banks and Governments to hold gold and foreign exchange reserves in a certain proper-tionate relation to note issue. The central purpose of foreign exchange reserves is now universally recognised to be the ability of a country to meet unfavourable turns in balance of payments that is, to meet its foreign obligations. The size of the gold and foreign exchange reserves, therefore, is now determined in relation to the range of fluctuations in the payments posilion rather than in relation to the size of note issue. In fact, several countries including Canada, Australia, New Zealand, Ceylon and Philippines have gone so far as not to prescribe any reserve requirements in the form of gold or foreign exchange against the issue of currency. Other countries have often had to change their reserve provisions. More and more, the trend has been *to* attach less importance to the mere mechanical safeguard of a reserve against note issue and to emphasise the

[Shri A. C. Guha.j over-all responsibility of Governments, through appropriale economic, fiscal and monetary policies, to maintain external and internal stability of the value of the currency. That will depend. on the one hand, on the country's ability to discharge its foreign financial obligations, and, on the other, on its success in achieving internal price and economic stability.

The unimportant role of a foreign reserve in the whole mechanism of control over Government's internal financial policies is also clear from the change that has taken place in the fiduciary system of note issue in the United Kingdom. Under the U.K.. system as it operated before the war, the statutory limit of note issue could be exceeded by an order of the Treasury, but if the excess over the statutory ceiling limit was continuously maintained for a period of two years, Parliamentary approval was necessary. That was the fiduciary system as it was commonly known and understood. This system has now been modified. At present an increase in the limit of note issue can be authorised by a Treasury Order, and Parliamentary approval is not necessary for the Treasury Order at any stage. Parliament may, however, pass a resolution annulling ihe Government Order. It is hardly necessary to add that no such resolution has ever been passed. In practice, therefore, the U.K. system is little different from leaving the note issue to be determined by the executive branch of Government in the light of the need for expansion from time to time, without reference to any reserve in gold or foreign securities. In several other countries since the war reserve provisions have been abolished or suspended.

The amendment in the Reserve Bank of India Act which is now proposed does not go as far as certain foreign countries have gone in this respect. We still propose to prescribe an absolute minimum of reserve both in foreign exchange and gold in order to avoid the possible psychological consequences of a complete removal of cover provisions. On a consideration of various alternatives and in the context of our conditions it is considered best to prescribe the minimum reserve in absolute terms both in gold and foreign securities. It is accordingly proposed to amend section 33(2) of the Act so that a reserve of Rs. 400 crores in foreign securities may be fixed. This is being done by clause 3 (a) of the present Bill.

Concurrently with amendment of sub-section (2) of section 33, subsection (4) of the said section prescribing the rate at which the gold held by the Reserve Bank is to be valued is also to be amended. At present the gold held by the Reserve Bank is valued at the rate of 8-47512 grains per rupee, i.e., at the rate of Rs. 21|3|10 per *tola.* It will be agreed that this price of gold is wholly unrealistic, as it bears no relation to the official international price of gold. The market price in India is, of course, much higher still, but the relevant price as a basis of revaluation is the international price to which the exchange rales of all currencies are linked. It is, therefore, now proposed to revalue the gold at the official parity of the Indian rupee agreed to by the International Monetary Fund, *i.e.,* at the rate of 2-88 grains of fine gold per rupee or Rs. 62/8/0 per *tola.* It will be wholly in order to make this change now as there is no prospect of a decline in the value of gold in any conceivable future. The change proposed will result in the value of the gold held by the Reserve Bank being raised from Rs. 40 crores to a little over Rs. 115 crores—to be exact Rs. 117 crores. It will be clear from what I have explained above that this change is only formal and is intended to reflect more accurately the value of our gold reserves in terms of the official parity of the Indian rupee. Simultaneously with the revaluation of the gold, the minimum limit for the holding of gold by the Reserve Bank is also being raised from Rs. 40 crores to Rs. 115 crores as in clause 3(a). This is in addition to the minimum holding of the foreign securities of Rs. 400 crores mentioned above. The total of gold and foreign securities to be held as a minimum would thus come to Rs. 515 crores. Clause 3 of the Bill deals with these amendments.

Section 37 of the Reserve Bank of India Act provides for suspension of assets requirements with regard to gold coin, gold bullion and foreign securities, subject to the payment of tax to the Government at prescribed rates, the minimum rate being fixed at 6 per cent per annum. It is desirable to have a provision for suspension of assets requirements to meet unforeseen contingencies. It is unnecessary, however, to have any provision now for penalty in the event of such suspension. The penalty clause was imposed when the Reserve Bank was not a nationalised Bank and when most of the shares were held by private shareholders. Now it is a wholly nationalised Bank. In these circumstances, the payment of tax is only of nominal significance as the entire surplus profit of the Bank, after usual provision for bad and doubtful debts, etc., is transferred to the Central Government. Last year the Reserve Bank contributed to the revenue of the Central Government about Rs. 20 crores. There is, therefore, hardly any necessity of putting a penalty clause for suspending this provision. So far as the public are concerned, the actual level of reserves will clearly indicate whether the suspension clause has come into operation.

Clause 4 of the Bill provides for the deletion of the existing provision regarding payment of tax to Government and puts a new provision to enable the Bank to suspend the assets requirements with the previous sanction of the Central Government for a period of six months in the first instance which may be extended from time to time for periods not exceeding three months at a time. The present section 37 enables suspension only for 30 days in the first instance, to be extended from time to time by periods not exceeding 15 days. The suspension will be subject to a maximum deficiency of foreign securities by Rs. 100 crores ; in other words, the holdings of foreign securities should in no event be less than Rs. 300 crores. Further, the suspension will not apply to gold coin and gold bullion, the minimum holdings of which should continue to be at Rs. 115 crores. So, the total effect of this provision would be that instead of Rs. 515 crores to be kept in reserve, the Reserve Bank may, in cases of emergency, reduce the reserve by only Rs. 100 crores and may maintain a reserve of Rs. 415 crores.

Now, I come to clause 5 intended to empower the Reserve Bank to vary the minimum reserves required to be maintained by scheduled h;inks. The centralisation of the cash reserves of Commercial banks in the Central Bank has been in vogue from the earliest times of central banking, though provision by statute tor the holding of minimum cash balances has become a common practice largely since the establishment of the U.S. Federal Reserve System in 1913. Broadly speaking, three reasons have been given for the maintenance of cash reserves with the Central Bank, namely: (1) to ensure the liquidity and solvency of individual banks and therefore of the banking system as a whole; (2) to provide the Central Bank with adequate resources for its operations as a banker's bank; and (3) to provide the Central Bank with an additional instrument of credit control. All these objectives are inter-related since an ultimate objective of credit control is to ensure the liquidity and solvency of the banking system as a whole. However, in the course of time the first two objectives have come to be regarded as much less important than the third one. The most important purpose of legal minimum reserve requirements is to endow the Central Bank with an additional instrument of credit control.

Credit control is among the most important functions of central banks, being the principal means by which a central bank fulfils the three objectives of policy: exchange stabilisation, price stabilisation and economic stabilisation. During the inter-war period and since the second World War emphasis has progressively shifted from external to internal stability, though the most common trend recently appears to be to achieve a reasonable combination of both. General credit control is, therefore, aimed at regulating the flow of bank credit and money supply with a view to keeping the economy on an even keel and avoiding large swings in the level of economic activity or the price level. It aims, in short, at maintaining financial stability even during a phase of economic development and growth. It embraces the most important aspects of central banking policy; and Central Banks are the monetary authority primarily responsible for the exercise of powers of general credit control.

As regards the methods of credit control, those which achieve general credit control are to be clearly distinguished from others which only bring about selective credit control, that is, control of credit for particular purposes. Both types of methods are important; and both types are found to exist and to be in use in India as in other countries also. The measure now proposed seeks to make an important addition to the general powers of credit control of the Reserve Bank by enabling

[Shri A. C. Guha.] it to vary the minimum reserve requirements of banks. Like other general instruments of credit control such as bank rate and open market operations the device of reserve requirements works through the regulation of the volume of credit and money supply in the economy. Experience of other countries has demonstrated that variable reserve requirements can be a potent means of controlling economic fluctuations or growth of booms and slumps if these are fed by changes in the total volume of credit. This is in several ways a more effective instrument than the traditional instruments of bank rate and open market operations though all of them can best be used in co-ordination. Prior to 1914 bank rate was the pri mary instrument for credit control and the London money market was in a very liquid state. Bank rate was not found effective enough. A new method, the open market operation, was then evolved. That also is now found to be not quite suitable for the purpose. The bank rate being the rate at which the Reserve Bank lends to commercial banks would not be a very effective means of preventing an increase in the resources of banks, if such an increase results from large-scale deficit financing. This is likely to put considerable independent or autonomous resources at the disposal of banks, which they could use for further credit creations. Similarly there are strict limits to what open market operations can achieve by way of squeezing the resources available to banks, since the willingness of banks to absorb securities in certain situations is limited.

Moreover, open market operation system does not work effectively in an undeveloped country; the necessary conditions do not exist there. By contrast, the instruments of variable reserve requirements is a relatively quick and efficacious means of general credit regulation. It is therefore now suggested that the Reserve Bank should be authorised to vary the percentage of their deposits which banks are required to keep with the Reserve Bank, from time to time. This is what is intended to be done by clause 5 of the Bill.

The provision for the maintenance of a minimum reserve in absolute terms against the note issue, I said, was intended to avoid any loss of confidence in the currency. In the ultimate analysis, however, confidence in currency depends on the ability of the Reserve Bank to regulate credit so as to control inflationary and deflationary tendencies. That is why it is proposed simultaneously to introduce this important amendment which will strengthen the Reserve Bank's ability to regulate the credit situation effectively through the institution of a system of flexible cash reserve requirements for scheduled banks. Already indications are that scheduled bank advances have expanded rapidly in recent months. This emphasises the need for granting additional powers to the Reserve Bank to check unhealthy credit extension which would feed inflationary pressures. Under Section 42 (I) of the Reserve Bank of India Act, scheduled banks are required to maintain with the Reserve Bank minimum cash reserves of 5 per cent, of their demand liabilities and 2 per cent, of their time liabilities. These percentages have remained unchanged all these years. This is the fixed minimum reserve ratio. It is now proposed to amend Section 42(1) of the Reserve Bank Act with consequential amendments to other sections to give power to the Reserve Bank to vary cash reserves required under that section, with in certain fixed limits. It is proposed that the range of minimum and maximum reserves may be fixed at 5 and 20 per cent, in respect of demand liabilities and 2 and 8 per cent, in respect of time liabilities by suitably amending the said section. The distinction between demand and time liabilities for reserve purposes is customary and convenient and may continue to be made.

The system of variable reserve requirements is an effective instrument which can be operated in a flexible manner. This system is a normal part of the machinery of credit control in a majority of countries which have the device of statutory reserves. The system of variable reserve requirements obtains in about 25 countries developed and undeveloped, including the U.S.A., Canada, West Germany, Netherlands, Sweden, Belgium, Mexico, Brazil, Peru, Ceylon Burma, Pakistan and New Zealand. This weapon of credit control has been used frequently in recent years.

To enable the flexible operation of the system of variable reserves, the Reserve Bank is also proposed to be vested with the power to require sche^ duled banks to maintain an additional balance computed with reference to the excess of demand and time liabilities over the level of such liabilities on a date to be specified by the Reserve Bank subject to the condition that the overall balance required to be maintained by a scheduled bank shall not be more than 20 per cent, of its demand liabilities and 8 per cent, of its time liabilities. That means that this special requisition from the Reserve Bank on the scheduled banks to keep some more funds will not exceed the over-all maximum fixed of .20 per cent, in the case of demand liabilities and 8 per cent, in the case of time liabilities. The position may be explained thus. In a certain period it may be found that the deposits of certain banks have increased abnormally, while those of other banks have increased very little. In such cases, it may be necessary to have this power for the Reserve Bank to ask the scheduled banks to maintain additional balances with the Reserve Bank. The use of this provision as an alternative to a general change in reserve ratios will give relief to banks which may not experience an increase in deposits. If increase in deposits is evenly distributed over banks, a change in the general ratio may be appropriate. If it is very unevenly distributed, the additional balances provision may be more suitable. The two powers together will provide a more elastic and flexible framework than either alone.

Much criticism of the proposed measures hinges on the assumption that the Reserve Bank might use the powers so as to cause serious dislocation or disturbance to the structure of credit. It is usual in other countries to use these powers gradually and with notice to the banking system. These are important operational details which will undoubtedly be borne in mind by the bank but which cannot conveniently be provided in the law itself without risk of necessitating frequent amendment.

Provision is also being made to enable the Reserve Bank to pay, at its discretion, interest at such rate or rates as may be determined by it from time to time, on the amount by which the minimum reserves required are in excess of 5 pei cent, of demand liabilities and 2 per cent, of time liabilities, payment of such interest being, however, conditional on the scheduled bank maintaining the minimum balance required of it. It is intended to pay special regard in fixing rates of interest to the position of the smaller banks whose costs in raising (fonrvsiu miaht also be higher. These amendments are being dealt with in clause 5 of the Bill. It may be asked why the rate of interest should not be a fixed rate mentioned in the Bill itself. But it is necessary that the provision regarding the payment of interest should be somewhat flexible. The rate would have obviously to depend upon the money market conditions which vary from time to time with the trends of bank earnings and the expenses incurred by banks in acquiring deposits, etc. It is not possible to provide for all circumstances in the Act and it is best to leave it to the discretion of the Reserve Bank of India which will consult the Government whenever necessary. It may be added that few countries which have variable reserve requirements provide for payment of interest. It is not the general practice elsewhere to pay any interest on such reserves. Variable reserve requirements is primarily an instrument of credit control which is normally administered with due regard to the profitability of banks in general and is not a means of borrowing from banks.

It is also proposed to amend subsection 2(b) of section 46(A) of the Act, with a view to removing a doubt regarding the scope of the sub-section. The present amendment is in the form of a clarification removing some apprehended lacuna in the language of the subsection. Section 46(A) enables the Reserve Bank to make loans and advances from the National Agricultural Credit Long Term (Operations) Fund. Such loans and advances include medium term loans to State Cooperative Banks for agricultural purposes as specified in sub-section 2(b) of section 46(A). From the point of view of the integrated programme for the development of rural credit and other rural economic activity, such as marketing and processing, it is necessary that small and medium cultivators should be active participants (as shareholders in co-operative societies and co-operative concerns connected with the marketing and processing of their own products. However, according to a strict interpretation of the term 'agricultural purposes' it may not be possible for the Reserve Bank under the present provisions to make advances to co-operative banks even in proved cases of necessity, to enable them to lend to small and medium cultivators for the purpose of purchasing shares in such societies and concerns. Clause 6 of the Bill deals with the amendment of

[Shri A. C. Guha.] section 46 (A) of the principal Act in order to remove the doubt and enable the Reserve Bank to make an advance for such purpose.

Oiher clauses in the Bill are consequential in naLure.

To conclude, the present Bill seeks to adapt the financial framework to ihc requirements of economic development under the second Five Year Plan. It provides, on the one hand, for the needed flexibility in note issued while maintaining an adequate and irreducible quantity of reserve in gold and foreign securities. On the other hand, it simultaneously endows the Reserve Bank with greater powers to deal with the consequences of deficit financing by restraining the creation of uncontrolled credit by the commercial banks. It is important that banks should not add significantly to the inflationary process by over-extension of credit. It is at the same time important to form a careful and continuous assessment of the current economic and price situation and adjust to some extent the pace and pattern of the development programme as well as fiscal policies accordingly. We should endeavour constantly to avoid the risk of serious inflation and to ensure a steady and orderly course of development. I he operation of powers under the Bill will, I expect, enable us to achieve this over-all objective.

Sir, I commend the Bill to the House.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the I.ok Sabha, be taken into consideration."

SHRI H. P. SAKSENA (Ultar Pradesh): May I, with your permission, enquire a thing which I could not understand? It is this that the hon. Minister told us that gold with the Reserve Bank will be revalued for foreign reserve purposes, and its rate will come to Rs. 62-8-0 per *tola.* Am I to understand from these remarks that gold in the market will be available, after this Bill is passed, at that rate? If il will not be available, then whv this dual treatment? For its own purposes, Government is going to revalue gold ;i! one rate, and it is going lo have it sold in the market for purposes of (he common man at another rate. What is the explanation for this ?

SHRI A. C. GUHA: I think, Sir, Mr. Saksena will be interested to know that the present price with respect to the Reserve Bank gold is Rs. 21-3-10 per *tola,* and that we are revaluing it at only Rs. 62-8-0, as recognised by the International Monetary Fund.

PROF. G. RANGA (Andhra): What is the market rale?

SHRI A. C. GUHA: The market rate is very much more.

SHRI B. C. GHOSE (West Bengal): Mr. Deputy Chairman, the two main provisions of this Bill are (1) amendment of section 33, and (2) amendment of section 42, one in relation to the cover against our note issue, and the other in relation to the function of our Central Bank as the controller of credit. I am sorry to say, Sir, that on a perusal of the provisions of the Bill, it appears that the thinking which has gone behind this Bill is, according *to* me, rather confused and sometimes contradictory.

Now, Sir, let us take into consideration the first provision, namely, amendment of section 33. The reason for the amendment of this section, as explained by the hon. Minister, is that the pre-i sent provision is too rigid, and that if we are to undertake the finances that would be necessary for the implementation of the Plan, we could not have maintained the reserve requirements as laid down in the Act today. Now, let us concede that point, to begin with. But does it necessarily follow that I he principle of minimum percentage reserve requirement should be given up altogether? Certain things are involved in the consideration of this question. Firstly, with regard to the credit of our currency, it is admitted on all hands that nothing should be done which might, in any way, impair the credit that the rupee today enjovs. It is also known that there are certain countries, particularly in the Middle East, which use the rupee as their currency, some countries both for internal and external purposes, and other countries onlv for external purposes. Under those circumstances, would it be advisable to give up the principle of a proportionate minimum reserve in gold and foreign exchange? I am prepared to concede that I cannot mvself come to anv definite decision on that question, because the Government must have more facts at their disposal to judge as to whether the present measure will not affect the standing of the rupee in the Middle-Eastern countries. The argument that the hon. Minister has advanced against the present provision does not necessarily prove that there should no proportionate minimum reserve requirement. It only proves that 40 per cent, is a very high figure. Now, Sir, if we were to bring it down, as Dr. Kunzru has suggested in his amendment which he will move, to 20 per cent, or 25 per cent, then the scope that it will allow us for the expansion of currency will not be limited, as the hon. Minister has tried to point out, to Rs. 165 crores or to Rs. 189 crores, but the currency could be expanded to about Rs. 2,500 crores, and I believe that the second Five Year Plan does not envisage an expansion of currency beyond that figure.

The question therefore arises whether we should not have today made a provision for a minimum reserve requirement in gold and foreign exchange of, say, 20 or 25 per cent, and waited until the completion of the second Five Year Plan—because that margin, I believe, would not have stood in the way of the Reserve Bank expanding the currency that may be required for financing the Plan—and reviewed the situation at the end of the second Five Year Plan period, rather than today straightway dispensing with that requirement. I should like to know the arguments which the Finance Minister has against the proposition that I have stated. I do not know what his arguments are but I would try to anticipate some of the arguments that he might put forward. He might state that it is not necessary for the credit of our currency to have any of these essential minimum reserve requirements as backing for our note issue. He might also cite in support the examples of many foreign countries which have given up this minimum reserve requirement of gold and foreign exchange against their currencies. I believe that in the other House he said that in* Great Britain they have been increasing the fiduciary issue from time to time. As a matter of fact, not only is that the position so far as Great Britain is concerned, but there is no minimum reserve requirement now. Formerly there used to be a fixed fiduciary issue and thereafter each currency note had to be backed by one hundred per cent, gold. Now, there is no limit to the fidu-

ciary issue. The limit is decided by j the Treasury in consultation with the Government, and nobody is saying that the pound does not enjoy the confidence of the world. If that is the hon. J Minister's position, then why this minimum reserve requirement ? Let him be logical and accept one position or the other. If you feel that there is no necessity to have any reserve requirement, then why are you providing for Rs. 515 crores'.'

SHRI A. C. GUHA: *I* said 'for psychological reasons'.

SHRI B. C. GHOSE : There is no question of psychology in this business. Money and currency are matters where there is no question of psychology. The people who deal with them, *viz.,* bankers, financiers, etc., are not moved by psychology. My friend, Mr. Bhupesh Gupta, may be moved by psychology and you may be moved by psychology, but people like my hon. friend, Mr. Himatsingka, are not moved by psychology or sentimentality. They will only see whether your currency has strength or not.

SHRI A. C. GUHA: He is not above psychology.

SHRI B. C. GHOSE: Maybe in other matters, but not in these matters. Do not delude yourself by thinking you can give psychological satisfaction to anybody by providing a reserve of this nature, because the question whether your currency has strength or not will depend upon whether financiers and businessmen have confidence in your currency. I have already said that the pound today enjoys the confidence of the world, but there is no reserve either in gold or foreign exchange against that currency. Now, if you feel, as it appears, that there is a certain doubt as to whether the rupee has attained that position, if that is your feeling, then provide for a certain minimum percentage of reserves in gold and foreign exchange, and therefore I should commend to the Government the acceptance in principle of the amendment moved by Dr. Kunzru. If you do not want to have 25 per cent., have 20. That will give you enough elbow room to see your second Plan through and then in 1960-61 you might review the position. You might then find that you would have to lower the reserve still further or you might find that that reserve is unnecessary. Then, do away with it at that time, but today if your argument is that the rupee enjoys sufficient credit, then there is no

[Shri B. C. Ghose] „reason for having these fixed reserves for our currency purposes. You are providing for Rs. 400 crores in foreign exchange and, by revaluation, Rs. 115 crores in gold, a total of Rs. 515 crores. This is an all-time measure. It may be that in fifteen or twenty years it may be just five or ten per cent. That does not make any sense. If you think that your currency enjoys sufficient confidence—on this matter I am prepared to accept the Government's position because I am not conversant with all the facts—then do away with these minimum reserves. The amazing part of it is that there is an amendment to section 37. "Provided that the amount of foreign securities so held shall not at any time be less than three hundred crores of rupees in value". That is to say that the foreign securities can be brought down from Rs. 400 crores to Rs. 300 crores with the previous sanction of the Central Government for periods not exceeding six months in the first instance, which may, with the like sanction, be extended from time to time by periods not exceeding three months at a time. What is the sense? Why don't you provide for Rs. 300 crores straightway? Why do you provide for Rs. 400 crores and then have another provision saying that the Reserve Bank, with the sanction of the Central Government, may bring it down to Rs. 300 crores? What are you aiming at? Also you have taken Uway the penal clause. The reason given by the hon. Minister and also in the Statement of Objects and Reasons is absolutely unsatisfactory. The penal clause was included not with a view to getting some profit for the Government if there was a contravention of the provision or if that provision had to be suspended. That was not the object. The object was to make it difficult for the Central Bank to expand its currency. Now, if you take away the penal clause, there is no question of any difficulty. Why clutter up your statute book with unnecessary measures? There is no sense, as I said, in making a provision for Rs. 400 crores and then saying that it could be reduced to Rs. 300 crores with the permission of the Central Government, because if you are reducing it, for what purpose are you doing it? It must be that it is required. If that is required, then you can straightway have it, because it appears that you do not envisage to go down below the figure of Rs. 300 crores. So, on this question of the first part of the Bill, my points are as follows:

If the Government have any doubts in their mind that the increasing confidence which the rupee has been enjoying in the world near about us—that means the Middle East—may be shaken and therefore there is a necessity for providing some form of reserves as against our currency needs, then by all means you should accept the principle of Dr. Kunzru's amendment. If that is not your contention, then there is no sense in having these minimum reserves, and as is the position today in the U.K., you do not require any minimum reserve. If it is for your balance of payment purposes—that argument is sometimes given—what is the sense of that argument? The minimum reserves which are held as reserves against your currency notes will not be available for your balance of payments purposes? That is held against our currency. Only if you have reserves in excess of the minimum, only then you can utilise them for balance of payments purposes. So, you cannot bring forward that argument of our balance of payments position to support your case for providing a minimum reserve. In Great Britain, for example, reserves are not held as against currency needs. They have separated it. They keep their foreign exchange reserves in a foreign exchange equalisation account. You can also keep it with the Reserve Bank. As I said, these reserves which are intended to be used for our currency needs, cannot be utilised for balance of payments purposes. Now I come to the second important provision with regard to the regulation of credit. I accept in principle what is being done here. A variable reserve ratio is in force today in many countries and that is necessary with a view to arming the Central Bank with powers to control credit, and that is necessary because,—not that the open market operation policies have become ineffective even in countries where they had been effective.—but because of the fact that when the deposits with the commercial banks increase very much, then you do not have sufficient securities in certain cases to absorb the expanded resources of the commercial banks. With a view therefore to make open market operation policy successful, you have to mop up the expanded resources of commercial banks in the first instance by a provision of this nature, namely, variable reserve ratio, so that when you undertake open market operations, those operations may be successful but in our country as the hon. Minister stated, the money market is not so organised. The open market policy therefore is not so effective. Therefore with a view to meet a situation where the commercial banks' resources will increase as a result of deficit financing that will be undertaken for the implementation of the Five Year Plan, some such power was necessary. But the question arises whether the power in this form is sufficient. Now what I want to bring to your notice is a provision in our Banking Companies Act where it is stated that the minimum reserve requirements will be included in the provision there made for the maintenance of certain percentage of assets as liquid assets. Under Section 24 of the Banking Companies Act, banks have to maintain in cash gold or unencumbered approved securities, an amount not less than 20 per cent, of the total of its time and demand liabilities. In computing this amount, balances maintained by scheduled banks under sub-section (1) of Section 42 shall be deemed to be cash maintained. What I want the hon. Minister to visualize is a situation like this, that supposing you have at one particular moment increased the reserve ratio which commercial banks will have to maintain, say to 20 per cent, because there has been a very unusual expansion in commercial banking resources, now wiil that hamper the power of the commercial banks to extend credit? It may not because what the commercial banks would do under that situation is, if they were holding securities, under Section 24, they would sell those securities and thereby expand their cash resources and expand the credit that they might undertake. What I mean to say is this that even though you increase the reserve ratio to 20 per cent, that may be nullified by commercial banks by selling the securities that they maintain under Section 24 of the Banking Companies' Act and you therefore will not be able to control the credit-creating power of the commercial banks because to the extent that you increase your reserve in cash, to that extent they may diminish their security portfolio under Section 24 of the Banking Companies Act. With a view to remedy or to meet that situation, in many countries there is a provision for subsidiary reserves in addition to the variable cash reserves. There is a provision for the maintenance of certain reserves as cash, then if necessary the Central Bank also directs the commercial banks to maintain subsidiary reserves in other kinds of assets like securities, bills and so forth, so that the commercial banks may not substitute one kind of assets by another in so far as the requirement of maintaining liquid assets is concerned. I would therefore like the hon. Minister to apply his mind to this particular matter and see whether he should not have a provision for making commercial banks maintain subsidiary reserves in addition to the variable cash reserves. The hon. Minister had referred to qualitative control in addition to quantitative control which is sought to be achieved by such measures as bank rate policy, open market operations or variable reserve ratios. But qualitative control is already possible under the Banking Companies Act, namely Section 21 of the Banking Companies Act which gives the Reserve Bank power to control advances by banking companies. 1 do not therefore see any difficulty for a qualitative control of credit that may be created by commercial banks under Section 21 of the Banking Companies' Act.

There is one other point with regard to the position of commercial banks from whom a higher reserve may be demanded under certain circumstances. Apart from the question, as the hon. Minister has rightly pointed out, that different banks may have different experiences in the matter of gaining deposits in a period of boom and therefore rightly the Reserve Bank has been given power to treat different banks " differently so that a bank which has not gained in deposit during such a period, may not be adversely affected if a general rule to increase the reserve ratio was made but whatever may be the bank concerned, the deposit is a costly affair in the sense that interest has to be paid thereon. Therefore if a higher reserve ratio is required, that would mean that the commercial banks' expenses would increase because while it will have to pay interest on the deposits that it will be getting, those deposits would, to a certain extent, be immobilized by the raising of the reserve ratio. It is true that in the Bill there is a provision for the payment of interest but I could not follow the hon. Minister's logic in not laying down as to what the interest rate would be. He said that it would depend upon market conditions, upon market rates of interest, upon advances and all that. That is true.

SHRI A. C. GUHA: Also on the cost of getting the deposits.

SHRI B. C. GHOSE: That depends on market conditions.

SHRI A. C. GUHA: It may vary from time to time.

SHRI B. C. GHOSE: But is it the hon. Minister's contention in the first place that under this provision the Reserve Bank may allow different rates of interest to different banks?

SHRI A. C. GUHA: The language in the Bill is 'rate or rates of interest'.

SHRI B. C. GHOSE: Then do I understand that the Reserve Bank may pay different rates of interest to different banks, and at the same time ask from those banks the same variable reserve ratio? I want the non. Minister to make it clear. Supposing there are two banks which have the same experience in the increase of deposits but the two banks are attracting deposits at different rates and one is paying a higher rate than the other but they have increased the deposits by the same ratio, is it the hon. Minister's contention that the Reserve Bank would pay different rates of interest to the two banks because they have been attracting deposits at different rates? Because it it does, then it at once initiates a competition between the banks to increase deposit rates with a view to getting deposits so that they may get a higher rate on the higher reserve ratios that the Reserve Bank may demand.

{Interruptions.)

SHRI A. C. GUHA: By this remark the hon. friend justifies that we have not put any definite figure of the rate of interest. In such cases some banks may also have to be penalised for giving higher rates of interest for getting higher deposits.

SHRI B. C. GHOSE: It is my considered opinion—the hon. Minister may not agree—that the Reserve Bank should not have any power here to make any differentiation as between banks in the payment of interest. That would create a very bad situation in the market. What 1 say is that if the rate of interest would depend on market conditions the market conditions would also influence the Reserve Bank rate. So my sugge'stion is that whatever the interest that may be paid, it should have relation to the Reserve Bank rate. You may say that it should be 1 per cent, less than the Bank rate or 2 per cent, less than the bank rate but on the amount that you pay interest, there should be a uniform rate of interest. I don't think it would be desir able to pay different rates of interest to different banks.........

SHRI C. P. PARIKH (Bombay) : Jt is not envisaged anywhere.

4 P.M.

SHRI B. C. GHOSE: It is in (IB). The hon. Member does not read the Bill.

SHRI C. P. PARIKH: Different rates of interest?

SHRI B. C. GHOSE: Yes, this is what the hon. Minister has said. You don't hear what the Minister says, nor do you read the Bill. What can I do?

Therefore, Sir, I would request the hon. Minister to give serious thought to this matter. I have proposed an amendment and he may accept that amendment of mine or something on the lines of that amendment. It will not be desirable, I repeat, to invest the Reserve Bank with the power to make discrimination as between one bank and another in the matter of the payment of interest.

This is practically all that I have to say. I believe the hon. Minister will give attention to the question that I have raised. In regard to the cover against note-issue, either accept one proposition or the other. And in the matter of investing the Reserve Bank with powers to control credit, I feel the powers that are proposed to be given to it, particularly in the context of Section 24 of the Banking Companies Act may not be adequate to achieve the results that the hon. Minister has in view.

SHRI C. P. PARIKH: Sir, first of all, let me say that this Bill is a welcome one, because it tries to control the activities of the scheduled banks and it also tries to control investments in our country. As we all know, we are embarking on vast commitments totalling about Rs. 6,000 crores and due to these undertakings there may be inflationary tendencies, inflationary movements not only in foodgrains and ckrth, but also in other commodities. Loans and advances of banks will play a material part in all these matters. Therefore, it is but proper that we should regulate the holding of sterling balances, foreign securities and bullion. In the issue department, the Government has fixed a limit of Rs. 400 crores of foreign securities, Rs. 115 crores of gold and bullion. But I submit that that limit does not bear any proportion to the note issue and therefore, I feel that Parliament must be very well and fully informed about the tendencies of inflationary movements in the country. I think it will not be advisable for iion. Members of Parliament to give this kind of a blank cheque to the Government to issue notes with these small balances. On this basis, the notes issued may come to Rs. 3,000 crores while the gold, bullion and foreign securities come to only Rs. 515 crores. 1 think the Government should have laid down a proportion of about 30 per cent. Then Members of Parliament and the whole country could watch the inflationary tendencies. We should not allow these tendencies to grow unless and until the standard of living in the country had correspondingly risen. But of that we do not see any possibility, at least not to the extent that we desire. So, this kind of limitation is not desirable. On the other hand, there must be some proportion and Government can come year after year to vary the proportion if necessary. In this respect they can ascertain the proportion of the assets as regards the holding of foreign securities, gold and bullion. If we give this kind of a blank cheque to the Government, then the Administration which is undertaking deficit financing may indulge in it to such a degree that the country may not be able to sustain it. Instead of coming back to this point later and then criticising the Administration, it is better to lay down a certain ratio even now. Initially it may be fixed at 30 per cent, for the first year. If we find that there is no inflation, we may go to 25 per cent, and then to 20 per cent, year by year. This could be done by a small amendment which could be passed in a few minutes, after watching the inflationary movements. Therefore, I strongly plead with the Finance Minister that it is necessary to have a provision laying down the proportion or fixing the percentage at a reasonable degree in order that Parliament may watch the position from time to time. When we are spending such largo amounts on undertakings which by their very nature may not be immediately productive, inflationary tendencies are likely to increase which we may not be able to control. Or maybe, the international situation might worsen landing us in difficulties. If our index figure which has already gone up during the last three or four months goes up still further, then in a short time, we will have to cry halt or find out resources which may be conducive to the development of the country in the desired direction. That is the main ground on which I ask the Finance Minister to have a proportion laid down in the Bill a reasonable percentage. Then Parliament will be agreeable to deficit financing of not Rs. 1,200 crores, but even Rs. 2,000 crores, if it could be borne by the average man. That is the principal thing when considering the proportion of balances and the assets.

Secondly, as regards the deposits by the scheduled banks, they are raised from 5 to 20 per cent, for long-term liabilities and from 2 to 8 per cent, for short-term liabilities. I think this ratio and this increased demand of deposit is a little too high. Our scheduled banks are now under the control of the Reserve Bank. The Indian Banking Act and the Reserve Bank Act are operating very favourably for the control of the scheduled banks. These scheduled banks have to send in their statements every now and then to the Reserve Bank. They are open to inspection. Even their bill discounting systems are controlled by the Reserve Bank. In fact, the scheduled banks are almost seminationalised, in the matter of their administration. We have no reason to fear that the Reserve Bank will not be able to control these scheduled banks in the manner they are being controlled now. That being so, I do not see any reason to ask the scheduled banks to deposit more, because thereby their capacity to make advances will be reduced. If we examine the accounts of the scheduled banks we will find that they advance loans to the extent of about 60 per cent, of their deposits. There are many banks in other countries which are judiciously operating their loans and advances to the extent of about 80 per cent. o*f their deposits. I know the Reserve Bank is also controlling the scheduled banks and at present it is exercising proper control over them.

Only this morning it was said that the advances on rice had gone up by about 100 per cent. I think it was not

[Shri C. P. Parikh] the fault of the scheduled banks; it was the fault of the Reserve Bank in not controlling those advances in time. The Reserve Bank is receiving statements every now and then and it could have foreseen that the advances had gone up by about 100 per cent, and the Bank could have easily controlled it. There is no use corning in after the mischief is done because restriction and control can be only by operating these provisions. If the Reserve Bank exercises control as it is judiciously exercising it at present, there is no need to ask for this increase in deposits with the Reserve Bank. The Indian banks are in a very very strong position if we look at the capital and at the reserves available. There is increased activity and I think we should be proud because we are replacing foreign banks in the country and the sound position of the Indian banks is on account of the various control measures which the Reserve Bank has adopted. There is no dispute as regards the control measures being favourable to the scheduled banks but asking for greater deposits is taking away the aid that is being given to the country. The scheduled banks are not advancing more than 60 per cent. or»65 per cent, even in the busy season. Therefore, this 35 per cent, is there. When the Reserve Bank gets these statements from month to month, from week to week, I do not see any justification for this increase of deposits.

SHRI H. P. SAKSENA: In one breath the hon. Member is applauding the working of the Reserve Bank and in another is condemning it by saying that it has not been vigilant enough to check the activities of the scheduled banks. I am unable to follow this.

SHRI C. P. PARIKH: My hon. friend has not followed my remarks because he is not a banker or a borrower or even a depositor. That is very clear.

SHRI H. P. SAKSENA: I have some intellect at least.

SHRI C. P. PARIKH: I quite concede that. I found fault with the Reserve Bank in only one respect. The.Reserve Bank kept quiet till the advances on rice increased by 100 per cent. It is getting statements every week and every month and the moment the advances increased by 20 per cent, or 30 per cent, or 50 per cent., it ought to have put down stricter control. I was pointing out these things. With regard to the other point about the maintenance of deposit by the scheduled banks, that is a different point. I do not deny that the ratio may not be raised from 2 to 4 and from 5 to 10. Let me explain the position. First of all, these deposits are maintained by the scheduled banks with the Reserve Bank and now Government wants to take power to increase those deposits four-fold. My only suggestion is that it should be increased twice, *i.e.,* instead of 2 it may be 4 and instead of 5, it may be 10 on the Long-term liabilities. This is the proper way of controlling banks and it is no use asking these banks to deposit more. Such a step will have an unnerving effect. There is another provision which says that we may also require them deposit a much greater amount. Of course, it is only in emergencies. The scheduled banks trust the Reserve Bank and they know that this demand will not be made but this clause is unnerving. The scheduled banks that are operating are our own banks and they are always co-operating with the Reserve Bank. So, this clause is not necessary. Even then, an assurance from the Finance Ministry is required that this clause will not be used in throttling the activities of the scheduled banks because banking in our country is at a very very low ebb ; we want the banking of our country to expand ten or fifteen times in order that we can approach the credit side of the country to the extent that is desired. We cannot do this unless greater freedom is given to the banks. We must also see that the loans and advances are increased correspondingly to the deposits. That is the main thing. By this credit would be available to large number of persons to whom advances are at present denied. I would request the Reserve Bank to see that those who are willing to offer assets to the scheduled banks are not denied credit. Of course the Industrial Finance Coporation is there as also the State Finance Corporations but then advances which cannot be got through the scheduled banks should be available in rhore generous measure through our institutions. The main thing is that credit should be expanded in our country.

Mr. Ghose raised the point about rates. I cannot understand the implications of this. If it is in contemplation of the Finance Ministry that different rates will be charged for loans paid out on the same day to different banks—1 do not think that may be so but if it is so— then I think we should be given the reasons for such an act, as to why there should be different rates of interest charged for loans given out on the same day to different banks. Of course, this is a legal matter but I want an assurance from the Minister. It must be made clear that the scheduled banks will not be treated differently in that respect and that for loans given out on the same day or in a particular week to to the different scheduled banks the same rate of interest will be charged. Mr. Ghose is also right in saying that whenever interest is to be given to the scheduled banks, the rate which should be applicable should be the rate at which the Reserve Bank borrows because when we are demanding excess deposits, it is but natural that the Reserve Bank should pay for such deposits at the rate at which it is borrowing. If such a provision cannot be inserted in the Bill, an assurance can be given by the Minister in order that banking may develop in the country to the degree that is desired.

With these words, I support the Bill.

श्री नवाब सिंह चौहान : (उत्तर प्रदेश): श्रीमन्, इस बिल के बारे में तो मैं कुछ नहीं कहना चाहूंगा, लेकिन एक बात मैं माननीय वित्त मंत्री जी के सामने ला देना चाहता हूं जो कि सार्वजनिक दृष्टि से बहुत ही आवश्यकीय है। यह कानून बनने जा रहा है और पंचवर्षीय योजना के सम्बन्ध में यह आवश्यक होगा कि आपको और ज्यादा पेपर करेंसी ईशू करनी पड़ेगी। इसलिए इससे सम्बन्धित एक और बात की ओर मैं आपका ध्यान दिलाना चाहता हूं।

बात यह है कि इस वक्त जो कागज के नोट हैं उनमें बहुत से जाली नोट चल रहे हैं। यही नहीं, जो आपके छोटे छोटे क्वायंस हैं उनमें भी बहुत से जाली चल रहे हैं। यदि एक रुपये की चेंज ली जायेगी तो उसमें कम से कम चार आने के खराब क्वायंस मिल जायेंगे। तो जहां यह आवश्यक है कि आपका गोल्ड रिजर्व बढ़े क्योंकि वह जनता का विश्वास पाने के लिये हुआ करता है वहां यह भी आवश्यक है कि जो आपकी पेपर करेंसी या मैटलिक करेंसी हो उसमें जनता का विश्वास हो। जनता का विश्वास तभी होगा जब कि आप कड़े तरीके से ऐसे नोट और क्वायंस चलित करने पर विचार करेंगे जिनकी नकल करना बहुत ही कठिन हो या इस तरीके से निगरानी करेंगे कि जाली नोट या क्वायंस का बनना कम से कम हो जाय।

जहां तक पेपर करेंसी का ताल्लुक है उसके साथ इस वक्त देश के अन्दर एक तरीके से खिलवाड़ किया जा रहा है। जो गवर्नमेंट के नोट हैं उन्हीं की तरह के दूसरे ऐसे नोट चलाये जा रहे हैं जिनसे कि बच्चे खेलते हैं और जो कि एक, एक पैसे में बिकते हैं। मैं उनके नमूने माननीय वित्त मंत्री के सामने रखना चाहता हूं। यह १०० रुपये के नोट की तरह है जो कि एक पैसे का एक मिल जायगा। यह पांच रुपये का नोट है और यह ो रुपये का नोट है। इससे छोटे छोटे नोट मेरे पास नहीं हैं। यह एक बड़ी खतरनाक बात है। कोई ज्यादा मूल्य नहीं है। मूल्यवान चीज़ है सरकार की साख किन्तु जब इस तरह के नोट जनता के पास पहुंचेंगे तब आपकी पेपर करेंसी का मान और सम्मान जनता की निगाह में कम हो जायेगा। इस तरह के खिलवाड़ को माननीय वित्त मंत्री जी को फौरन रोकना चाहिये वरना इससे एक बड़ा खतरा पैदा हो सकता है। इसके जरिये से ग़रीब आदमियों को चीट भी किया जा रहा है। मैं अपने यहां की एक मिसाल बताता हूं। एक शख्स एक मेले में बैल बेचने के लिये गया। वह बैल ६० रुपये में बिका। खरीदने वाले ने इसी तरह का एक सौ रुपये का नोट दे दिया। इसमें कोई खास फर्क तो दिखाई नहीं पड़ता है, क़रीब क़रीब उसी साइज़ का है हालांकि इसमें कुछ परिवर्तन किये गये हैं जैसे कि १०० की जगह १५०० लिख दिया है या ५ की जगह ५०१ लिख दिया है, हिन्दी के हिस्से हैं अंग्रेजी की बजाय लेकिन गांव वाले तो पढ़े हुए नहीं हैं, वे इसको सौ रुपये का नोट समझ लेते हैं। बहुत सी जगह ऐसी गड़बड़ी हुई है, तो उस शख्सने जिसने बैल लिया उसने बेचने वाले से कहा कि ये लो, सौ रुपये का नोट और मुझको दस रुपये वापिस कर दो। उस आदमी ने जवाब दिया कि मेरे पास दस रुपये नहीं हैं, मैं अभी इस नोट को भुनाकर रुपये लाता हूं। उस नोट को देखकर उसे कुछ शुबहा भी हुआ और वह दूसरों को दिखलाने के लिए गया। इस बीच में जिस आदमी ने बैल खरीदा था, वह भाग गया। तो इस तरह की घटनाएं देश के अन्दर बहुत जगहों में हो रही हैं। मेरे खयाल में जो लोग सीधे जनता से सम्पर्क रखने वाले हैं वे जानते होंगे कि यह चीज़ हर शहर में बिक रही है, मेरे शहर में बिक रही है, दिल्ली में बिक रही है। ये जो नोट मैंने दिखलाये हैं ये दिल्ली से प्राप्त किये हैं। जगह जगह

[श्री नवाबसिंह चौहान]

बच्चे इस प्रकार के नोटों से खेलते हैं। मैं यहां पर इस सम्बन्ध में और अधिक कहना नहीं चाहता। यह काम विशेषज्ञ लोगों का है कि इस गैरकानूनी चीज पर गौर करें और उसको रोकें। इस वक्त बहुत जरूरी है कि माननीय मंत्री जी आर्डिनेंस के ज़रिये कानून बनायें और तमाम प्रेसों पर पाबन्दी लगा दें कि ऐसी चीजों को न छापा जाये और इसको रखना जुर्म करार दिया जाय।

मुझे सिर्फ इतना ही इस बिल के सिलसिले में कहना था, और कोई विशेष बात नहीं कहनी है।

SHRI KISHEN CHAND (.Hyderabad) : Mr. Deputy Chairman, this is a \ery important Bill and is making some important changes and I would like to draw your attention to them.

Well, Sir, the very first thing is that the Reserve Bank of India gets deposits from scheduled banks apart from Government deposits. It has got deposits from the scheduled banks, and so it has got lots of funds. The question arises how should it invest these funds. So far, according to the previous Act, there was a minimum percentage which had to be kept in the shape of gold and as the British Government thought that the foreign securities, the sterling securities, were equivalent to gold, they had prescribed that so much was to be kept in the shape of gold, coin or bullion, and the remaining part was to be kept in the shape of foreign securities, sterling securities, and only a small part, only 45 per cent, could be kept in the shape of Government of India's securities. Now naturally the first question that arises before us, when it is our own national Government, is what part of it should be kept in the shape of gold, what part of it in the shape of foreign securities and what part in the shape of Indian Government securities or Treasury Bills, as they are sometimes called. I submit, Sir, that the hon. Minister has introduced in this Bill just an arbitrary figure—I do not know how he arrived at the figure—of Rs. 115 crores to be kept in the shape of gold coins or gold bullion that is, of the total amount of assets the amount of gold coin or gold bullion will not be less than Rs. 115 crores, and the amount of foreign securities shall not be, at any time, less than Rs. 400 crores. As has been very ably pointed out, this has no relationship with the total amount of the deposits in the Reserve Bank.

SHRI B. C. GHOSE: This is not deposits. - This is against the currency notes.

SHRI KISHEN CHAND: This is for currency notes or the next one is for currency notes.

SHRI B. C. GHOSE: This has no relation to the Reserve Bank deposits.

SHRI KISHEN CHAND: The total assets of the Reserve Bank have got two sections.

SHRI B. C. GHOSE : This is the Issue Department ; this is currency notes.

SHRI KISHEN CHAND: This is for the total investment of the Reserve Bunk. The Issue Department is separate from it ? I may be wrong, but I thought the Reserve Bank had got two distinct departments. The Banking Department has got to keep a certain part of its assets in the shape of gold and foreign securities.

SHRI B. C. GHOSE : No. no.

SHRI KISHEN CHAND: Some part of it it has got to keep in the shape of internal securities. Then there is a second thing. The two things............

SHRI B. C. GHOSE : This relates only to the Issue Department. You may ask the Minister.

SHRI KISHEN CHAND: I would like to know from the hon. Minister whether this refers only to the Issue Department, not to the Banking Department.

SHRI B. C. GHOSE: There is no restriction for the Banking Department.

SHRI A. C. GUHA: The Banking Department has got its own separate foreign exchange. It is not in the figure that we have put in here.

SHRI KISHEN CHAND: I am very glad that I have been corrected. I was under a misapprehension and I am thankful to the hon. Minister and Mr. Ghose for correcting me.

SHRI A. C. GUHA : In the Banking Department our foreign securities would be now about Rs. 48 crores or something like that, SHRI KISHEN CHAND: Formerly, in the Reserve Bank, when it was started, there were restrictions, as I will show by producing references. In other countries also, for instance, in the Bank of England there is the banking section and there is the issue of currency notes i section. For the banking section, there is some sort of restriction about their I investment.

SHRI B. C. GHOSE : Not in all countries. Some countries have ; some don't have.

SHRI KISHEN CHAND: So in our country also I thought that the Reserve Bank had such restrictions, anyhow that matter has ended now.

Now, if this refers to the Issue Department, here also there is no reference to the total currency that is issued. At present the total currency issue is about Rs. 17,00 crores, but ....

SHRI B. C. GHOSE: About Rs. 15,00 crores.

SHRI A. C. GUHA : Rs. 14,85 crores.

SHRI KISHEN CHAND: So about Rs. 15,00 crores is the paper currency, but supposing it goes lip to say Rs. 20,00 crores will it be a certain percentage or just the minimum will remain?

SHRI A. C. GUHA : This minimum will remain.

SHRI KISHEN CHAND: So I submit, Sir, that as suggested by Dr. Kunzru and by other hon. Members, there should be an amendment that there should be a fixed percentage. It should be at least 40 per cent; we must keep at least 40 per cent.

PROF. HUMAYUN KABIR (West Bengal): That is the existing law.

SHRI KISHEN CHAND: It should not be reduced below 40 per cent., 40 per cent, of Rs. 15,00 crores, that is, Rs. 600 crores, which is the present figure.

PROF. HUMAYUN KABIR : In other words you are opposing the introduction of the Bill.

SHRI KISHEN CHAND: Well, 40 per cent, may be reduced to 33 per 5—6 R. S./56. cent, but we must keep a sate margin. On the other hand, if we go on reducing it, the result will be that our credit in the sterling market may go down, and if our credit in the sterling market goes down, it is quite possible that we may not be able to get foreign aid to the same extent in the shape of loans from the World Bank and various other institutions, and it is also quite possible, as has been pointed out, in the near eastern countries where our credit is very high, it may go down, and therefore we should be on the safe side. If it is 40 per cent, now, the reduction should not be more than 5 per cent, and we should stick to the figure of at least 35 per cent, for keeping.........

SHRI A. DHARAM DAS (Uttar Pradesh): In that case how could wfi meet deficit financing to the extent of Rs. 12,00 crores?

SHRI KISHEN CHAND: Well, Sir, that would become a debate by itself. When we come to that debate, other methods will be suggested as to how we can cover the deficit financing. Now we are discussing the Reserve Bank that the Issue Department should be very safe and they should not issue notes without a sound backing. Well, there are other methods to meet deficit financing. Supposing we really want deficit financing, we can encourage people to deposit their gold. Other methods have been suggested. Various people have suggested that there is plenty of gold in our country, both black market money as well as white money, and if proper efforts are made and if really that gold is brought out of its hiding place, I think we can have plenty of gold, and with more gold in our Reserve Bank we can really increase the issue by the Banking Department. Because we are trying to argue the other way, because we want an increase in the currency notes because we want to have more notes printed, we start with the wrong argument of reducing the foreign securities. This is a wrong way of arguing. We should really say we stick to the percentage. Let it be 35 per cent, or even 30 per cent, we stick to the percentage and if we want more notes to be printed we will think out ways and means of how to increase the gold deposits of our Bank, how to increase our foreign securities. Supposing there is a greater drive for our export market, our balance of payment position becomes more favourable and our

[Shri Kishen Chand.] foreign securities increase. Then we can issue more notes, but to argue that because we want to print more notes we must reduce the percentage, well, it seems to me, will defeat the purpose. If we print more notes, the result will be its value will go down in the foreign markets. You know, Sir, at the end of the First World War Germany started printing notes. At one time the rate of exchange was 15 marks to a pound but with printing of notes it went up to a million marks to a pound and even more than that. So once you start printing notes, well, there is no limit. We have fixed a minimum holding of Rs. 400 crores in foreign securities and Rs. 115 crores in gold and then we go on printing notes. Supposing we print notes worth Rs. 3,000 crores and circulate them in the market, the result will be that it will lead to heavy inflation. Therefore our basis should be that 35 per cent, must be the absolute minimum. We may reduce 40 per cent, to 35 per cent, but we should not go down below that.

Then I come to the next point. There was a further facility that this ratio could be further reduced for a period of one month at a time and then extended by periods of 15 days. Now the Government says that this ratio could be further reduced for a period •of six months and then they can go on asking Parliament probably for further periods of three months at a time during which period they can keep even a lower amount in the Issue Department. The result of all this will be that our notes will have no security and no backing and there is a grave danger of inflation.

Then I come to another question. Here I really want to point out to the Government that at present all scheduled banks are expected to keep 20 per cent, of their time liabilities and demand liabilities.—ftime liabilities are fixed deposits while demand liabilities are current and savings bank deposits -—in the shape of cash or approval securities, that is, Government of India securities or with the Reserve Bank of India. And the remaining 80 per cent, they can invest. You know, Sir, the banks after all get their money from the public in the shape of deposits and current accounts. Slowly and gradually as a result of the imposition of these various restrictions the general public is suffering. They are suffering in two ways. Whenever they want to put their deposits in any bank, the return offered to them is very low. The rate of interest on fixed deposits is very low. When they go to the bank as borrowers, the rates they have to pay are very high and the securities that they are asked to offer are even higher. That means it is after all the public who is paying for all this luxury of having these special laws of the Reserve Bank. And now the hon. Minister wants to impose further restrictions. The result will be that instead of keeping a small amount, with the Reserve Bank, they will have to keep larger amounts.. The scheduled banks will have to keep larger amounts with the Reserve Bank. If they had invested in the Government of India securities probably they would get 3i to 4 per cent. But they must keep with the Reserve Bank, up to 2 per cent, and 5 per cent, of time and demand liabilities, on which it does not allow any interest but on the excess it is now going to allow some interest. Well, there is some confusion about the interpretation of (IB). As I read it, I think that it means that the rate of interest allowed by the Reserve Bank will be constant. From bank to bank it will not vary but it may vary from time to time. There is a great deal of difference between these two views. It must depend upon market conditions. If the market has got surplus money, the Reserve Bank will reduce the rate of interest. If the market is short of money, the Reserve Bank may increase the rate of interest. If you give an interpretation of (IB) as I interpret it, it seems to be a non-discriminating interpretation. According to me—I suppose the hon. Minister has somehow wrongly interpreted it or I have misunderstood him—the bank may pay to the scheduled bank interest at such rate or rates as may be determined by the bank from time to time. Does it mean that the Reserve Bank will pay to scheduled bank. A some rate and to scheduled bank B some other rate? If it means that, then there is discrimination. It should not be there. It should be one uniform rate applicable to all the banks. But if it means variation from time to time, then naturally it depends upon the money market. Our bank rate is being kept more or less steady. In other countries frequent variations have been made in the rate, but the Reserve Bank is keeping it almost steady. If you link it with the Reserve Bank, certain quick fluctuations of the market will not be reflected, as the Reserve Bank rate will not change. The net result will be that even when there is plenty of money in the market, when the scheduled banks have got plenty of money, the Reserve Bank will have to pay the same rate. Now the bank rate is 3i per cent. If you say it should be one per cent, less than the bank rate, the Reserve Bank will have to pay to all scheduled banks at the rate of 2i per cent, for all deposits kept with it, whether the market conditions justify it or not. So I want to add here that the Bank may pay to the scheduled banks interest at such rate or rates, common to all banks as the market conditions demand. I mean the rate should not vary from one bank to another.

I beg to submit that the Reserve Bank is unnecessarily increasing the amount to be kept with it by the scheduled banks. If the scheduled banks keep larger amounts of money with the Reserve Bank, naturally they will have less amount of money to be lent to the borrowing public. The result will be that our banks will not be fulfilling the functions that banks are performing in other countries. If you see the growth of Germany after the world war you will come to know of the important role of banks there. In 1945 Germany was crushed; its industrial condition was much worse than that of India. Some of the big plants were removed from Germany and taken over to other countries. Many of them had been destroyed by bombs. But during the last ten years Germany has not only regained its pre-war industrial strength but it has now doubled its pre-war industrial strength. They have rebuilt all the factories and reconstructed all the houses. Germany is not richer than India in the matter of raw material resources. We have also been independent since 1947 : it is our own Government now. And during these last nine years our progress is not even one-third of the progress of Germany. What is the secret of Germany's progress ? The Government has not only adopted bolder plans but the banks in Germany have also played a bolder role. No bank in India will advance—of course certain industrial corporations are cropping up for financing industries—money to industrial concerns. Because of the continuous interference by the Reserve Bank our banks do not do any such thing. The small group of people who are controlling the destiny of the banking world in India think lhat if you go on increasing the liquidity of the banks, that is the ideal. If that is the ideal, the banks will have to keep the entire money invested in Government securities. But that is not banking. It does not help the cause of industries, or help the cause of business and trade in our country. If this policy continues the result will be that other countries will go ahead industrially and our country will remain backward. We have not made much progress. Therefore, I submit that this additional clause is absolutely unnecessary. The only fear of the hon. Minister may be that these extra surplus funds would be employed by the bank in lending to certain persons who may be speculating in the grain market, who may be hoarding these things and creating shortages. Well, for that the Reserve Bank has got ample powers, or the Government should come forward and say straightforwardly that if the scheduled banks lend money to such parties as are indulging in anti-national activities, who arc indulging in activities of hoarding, ihey would be banned. But this indirect method of taking greater deposits from the scheduled banks into the Reserve Bank and thereby curtailing the surplus funds with the scheduled banks, will not help. And. Sir, you know the regulations that are being imposed day to day by the Reserve Bank on the scheduled banks. The result is that the scheduled banks are almost inactive in really advancing the industrial development of our country. It is a few managing agents who have got their own money or who have got reputation with the commercial banks, the scheduled banks, that can get some money. Otherwise, the new industries cannot be started, the existing ones cannot develop until and unless the banking policy of the Reserve Bank changes, becomes more liberal, more alive to the growing needs of our country. The policy of the miser, the hoarder, or the person who thinks that simply storing up money in the scheduled banks is the be all and end all of their function, will not meet the purpose. Therefore, I would humbly submit to the hon. Minister to completely delete this clause which is going to impose the condition 6f up to twenty per cent. Any amount up to twenty per cent, the Reserve Bank might ask the scheduled banks to keep. Of course the Reserve Bank will only ask for this percentage on the excess amount of deposits on the date of notification, but slowly and gradually it will result in I this percentage on the full amount. The

[Shri Kishen Chand.]

penalties that have been imposed are so serious that no bank will take risk and all scheduled banks will keep larger part of their funds either in the Reserve Bank or invest in the Government of India securities. Then, I suppose, there is no further need of having any banking companies at all.

I agree with the amendment that '"tor agricultural purposes" shall be omitted. If the Reserve Bank finds that there is any investment of the scheduled banks which is utilised for the hoarding of agricultural commodities, it should put a restriction. To that I will have no objection because in deficit financing, when we are going in for deficit financing and when we are creating money, it is very essential that the basic commodities—foodgrains, cloth, etc.—should not be hoarded. If these things are hoarded, it will lead to inflation. Restriction may be imposed but there should be no demand for extra balances to be kept with the Reserve Bank.

SHRI P. D. HIMATSINGKA (West Bengal): Sir, I welcome the principles of the Reserve Bank of India (Amendment) Bill. The question about the ratio of the reserves and so on has been ably dealt with by several hon. Members and the hon. Finance Minister has also explained the reasons why Government has thought it fit to do away with the minimum reserves. While we are discussing this Bill I want to invite the attention of the hon. Minister to a certain position that has been created in the country. When the Reserve Bank of India Act was passed, you will remember, there were zonal or Local Boards in different areas. At least four zones were mentioned—eastern, southern, central and western zones. This Act was framed on the lines of the then Imperial Bank of India Act so that local interests, trade and economic interests and the interest of co-operative and other banks in that particular area could be served by the Local Boards. These Local Boards were to have such power as would be delegated to them by the Central Board. Gradually it so happened that the Central Board did not delegate practically any power to the Local Boards. And ultimately the Local Boards themselves felt that their existence was not necessary. You will find that in the Bill as it was introduced in the Lok Sabha there was a provision that the Local Boards be abolished. Fortunately that provision has not been agreed to and it has been deleted. But what 1 want to say is that these Local Boards should be given greater powers so that they can deal with all questions arising in the different zones and that everything may. not have to be referred to the head office. You will also remember, Sir, that the Reserve Bank previously had its office in the eastern zone, at Calcutta, for six months and for six months in Bombay. Now, they hardly have anything to do in Calcutta. The whole of the staff and everything so far as the head office is concerned have been permanently located in Bombay. The same thing is there as regards the State Bank, the late Imperial Bank of India. There also we had local boards and they used to function in different zones. But now gradually all the powers have gone to the head office which is now permanently located at Bombay. The insurance companies have all been nationalised and you know that recently the Government has decided that the head office of the Insurance Corporation shall be located in Bombay. Let Bombay have all these things, but I see no reason why the other zones, the Madras zone, the eastern zone (Calcutta) should be deprived of the facilities of at least local offices which can deal with all important questions arising in those areas which will be in their interests. After all the Local Boards will be in the know of the special requirements, the special difficulties and the special circumstances of those areas and they should have ample powers to deal with those questions. 1 would beg of the hon. Minister to take that question into consideration and do something so that this unfortunate position that has gradually come into existence may be removed, the grievances of the zones may be removed. It is absolutely necessary that the special problems that arise in these different zones may be dealt with by the Local Boards and that can only be done if these Local Boards are given ample powers. Now that the Reserve Bank has been nationalised, Government has the power to nominate directors. They can nominate such persons in whom they have confidence, who will be in a position to deal with matters as they arise. And, therefore, there is no reason why they should not utilise these Local Boards to a larger and larger extent so that the pressure at the head office may also be lessened.

Another thing is that the Reserve Bank —as those who have had occasion to know its working know—is still working in the old fashion, of trying to put spokes in the wheel of things being djne. They should be asked to change their attitude and to look at things from the angle that Government wants to expand industries and different activities in the country and they should not take up an attitude that this cannot be done, that cannot be done, and so on. You will find, Sir, that the Industrial Finance Corporation and the State Finance Corporations generally take the advice of the Reserve Bank in all matters of advances and the other dealings that they have got to do in the course of their activities. I can say from personal experience, Sir, that the advice that they get is generally such that the conditions cannot be fulfilled. I know of a certain instance where a mill which had borrowed money from the Industrial Finance Corporation of Delhi—a certain amount of money, Rs. 10 lakhs— could not repay. The Finance Corporation took possession. Another party, a very solvent party who was approved of by the Finance Corporation agreed to work it out on the terms which had been agreed to, on payment of a certain annual amount. The party was approved, the terms were agreed to, and the securities as they were continued to be in the possession of the Finance Corporation. Still the new party was also asked to give a personal guarantee and also a bank guarantee. When the Bank agreed to give the guarantee the bank was asked to deposit the amount of the guarantee. Is it not absurd that the original security was continued, a new party who was an approved and a very respectable party was approved by the Finance Corporation, their Directors gave a personal guarantee, the bank agreed to give the guarantee, and still the bank was asked to deposit the amount of the guarantee.. The bank said 'no'. Then ultimately the Reserve Bank agreed to advise that they could accept the guarantee of the bank. In such matters they must change their attitude and they must fall in line with the times so that the objects that the Government has in view and the country has in view of pushing forward the various schemes may be helped.

With these remarks, I support the principles of the Bill.

SHRI SHRIYANS PRASAD JAIN (Bombay): This Bill, Sir, is an important one and is rather of sweeping character. So far as the principle and objectives are concerned, I am fully in agreement with them. But so far as the details are concerned I will give my remarks.

The Bill provides for among other things three important changes. (1) The Bill provides for a minimum holding of Rs. 400 crores in foreign securities and Rs. 115 crores in gold in the Issue Department of the Government of India. (2) The revaluation of gold at the rate agreed by the International Monetary Fund. (3) Strengthening of the machinery of the Reserve Bank of India to control credit.

These three modifications are considered necessary by the Government for accommodating the requirements of the Plan.

Sir, as you know, we are envisaging, in the second Five Year Plan deficit financing to the tune of Rs. 1200 crores, and it is being said that it will not be possible for the bank under the present Act to fulfil that requirement without abolition of the ratio. Under the present Act deficit financing either to the tune of Rs.. 165 crores or Rs. 189 crores will be possible and it will come in the way of the second Five Year Plan, and therefore it is being suggested in this Bill that the reserve link may altogether be abolished. According to me this abolition of the ratio is open to several dangers, which I categorise as follows: (1) It gives lasting powers to the Reserve Bank. (2) In the hands of weak authorities undue expansion of currency may lead to inflation and its concomitant adverse repercussion on costs, prices, wages, and standard of living. Therefore, according to me, the entire abolition of the reserve link is not necessary, and what is necessary is a reduction. If, as has been suggested by the hon. Dr. Kunzru, the reserve ratio may be reduced from 40 per cent to 25 per cent. I would have welcomed it. Secondly, Sir. I also feel that instead of having the power in the hands of the Reserve Bank for all times to come, it would have been much better that the power should have been limited to some number of years say four or five years so that Parliament should be in a position to review the position from time to time and come to the conclusion whether a further expansion of the currency is necessary. The members could discuss and could come to a decision as to what is in the best

[Shri Shriyans Prasad Jain.]

interests of the country, whether such powers should be then vested in the Reserve Bank. Therefore, Sir, I would suggest that the reserve link should not altogether be abolished but should be reduced, and it would be much better if it is reduced gradually instead of 40 per cent, we should reduce it to 30 per cent, or 25 per cent, in which case we would be able to know what are the repercussions in the country. As a matter of fact we do not need all the deficit financing in the first year of the second plan. Therefore, it is not necessary to have the powers from the very inception, and there would have been no difficulty for the Government to come before Parliament from year to year" to review the position and to ask its permission to modify it in the light of experience gained.

As regards the next point about the credit control, at present scheduled banks are required to deposit with the Reserve Bank 5 per cent, of their demand liability and 2 per cent, of their time liability. Under the present powers the Bank can raise the limit up to 20 per cent, of the demand liability and 8 per cent, of the time liability. This change is intended to help the Reserve Bank to check the creation of bank credit which is likely to result from deficit financing to the tune of Rs. 1200 crores. My objection to this is that the Bank has already power to check bank credit by means of changing the bank rate, market operations and directives to banks regarding loans, advances, etc. If the Reserve Bank exercises the power which it has already got, I do not think there is any necessity for the change which has been contemplated in this Bill. Sir, Government feel that the change is necessary because by deficit financing more money will come into the scheduled banks, and therefore they want to mop up the extra money, so that inflationary trends may not be much visible in the market. I welcome the measure so far as objectives are concerned, but at the same time I feel that this might cripple industrial and commercial activities. I would like to have an assurance from the Government that this power which the Government want for the Reserve Bank would only be exercised when it is absolutely necessary, and that this 20 per cent, or 8 per cent, increase in the deposits may not be asked from the scheduled banks particularly in the busy season. It is true, Sir, that this is optional and that the Reserve Bank can only ask this extra money from the scheduled banks when they issue a notification. But the power is there and therefore it is very necessary to see whether this power should be given in a restrictive form or in the form which has been envisaged in the Bill. I would have suggested that the limit be increased at the option of the Reserve Bank only by 10 per cent, on the Demand liability and 4 per cent, on the time liability. I would rather suggest in case of necessity to check inflation or any such emergency, the mopping up of the extra money by issuing treasury bills, rather than compulsory deposit, and it should be obligatory for the banks to purchase those bills if they have got the extra money provided the Reserve Bank is willing to accept them at the prevailing rate of interest. It has not been clarified what the rate of interest is payable by the Reserve Bank to the scheduled banks on this extra fund, I think it would be better that there should be no discrimination between bank and bank in the matter of interest. Otherwise it will lead to a sort of competition and to undesirable practices. Therewill be a tendency to pay more and more interest, and it will lead to competition, and the objective which the Reserve Bank has got in view will be defeated. Therefore, my humble suggestion to the hon. Minister is that he should not resort to any practice which may lead the scheduled banks to enter into any competition. There should not be any discrimination between bank and bank and there should be only one uniform rate which should be allowed to all the scheduled banks. With these remarks, Sir, I support the Bill.

MR. DEPUTY CHAIRMAN : The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at five of the clock till 11 of the clock on Tuesday the 7th August 1956.

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