

(b) if so, what are their recommendations; and

(c) if not, when they are expected to submit their report?

THE MINISTER IN THE MINISTRY OF HOME AFFAIRS (SHRI B. N. DATAR) : (a) to (c). Yes; the Report of the Commission has just been received and is under consideration.

12 NOON

#### REFERENCE TO FIRING IN AHMEDABAD

SHRI S. N. MAZUMDAR (West Bengal): Sir, I want to draw your attention to the serious news of the firing in Ahmedabad as a result of which five persons are reported to be dead and 55 injured. In view of the seriousness of these happenings, I hope you will kindly request the Government to supply the House with detailed information about this.

#### PAPER LAID ON THE TABLE

##### NOTIFICATION PUBLISHING THE REPRESENTATION OF THE PEOPLE (PREPARATION OF ELECTORAL ROLLS) RULES, 1956.

THE MINISTER FOR LAW AND MINORITY AFFAIRS (SHRI C. C. BISWAS) : Sir, I beg to lay on the Table under sub-section (3) of section 28 of the Representation of the People Act, 1950, a copy of the Ministry of Law Notification S.R.O. No. 1349, dated the 11th June 1956, publishing the Representation of the People (Preparation of Electoral Rolls) Rules, 1956. I Placed in Library. See No. S-259/56.]

THE RESERVE BANK OF INDIA  
AMENDMENT BILL, 1956—  
*continued*

*Clause 4—Substitution of new section for section 37*

SHRI B. C. GHOSE (West Bengal): Sir, I move:

"That at page 2, lines 1 to 12, for the existing clause 4, the following be substituted, namely:—

'4. Section 37 of the principal Act

MR. CHAIRMAN: The clause and the amendment are "before the House.

SHRI B. C. GHOSE: Sir, my amendment is for the deletion of section 37 of the principal Act. We could not convince the hon. Minister day before yesterday for the retention of a proportionate minimum reserve although on a lower ratio. His reasons, of course, did not carry conviction to us and I have not found any undeveloped country in the world which has not a proportionate reserve system. Now, with regard to this provision in the original Act, namely, section 37, we have to realise that it was related to a particular system. Its necessity, if I might say so, arises specially when we had a proportionate reserve system, particularly in relation to gold, and then there was a provision for the relaxation of that system in an emergency, but if the system itself is being done away with, the question of this relaxation becomes unnecessary. It was only when the law provided that there must be a certain ratio in gold and also in foreign exchange maintained, particularly in gold, if an emergency arose wherein, say, the balance of payments position became very adverse, that it was felt that there should be some provision for relaxation of that rule but under a penalty. Now, what we have provided in our law is that the gold portion should be fixed. This relaxation that has been provided for does not relate to the reserve that has to be maintained in gold. The gold proportion will remain at Rs. 115 crores. What is aimed at is that the foreign securities might be reduced from Rs. 400 to Rs. 300 crores. I maintain that there is no necessity for that. We have provided for a fixed minimum reserve and, therefore, the question of relaxation is not necessary.

In the second place the hon. Minister stated the other day while replying to the general debate to this effect: "Apprehensions have been expressed here that the Reserve Bank may go on issuing notes recklessly, but I think Members should know that here in India it is not on the initiative of the Reserve Bank that the note is issued but it is on the initiative of the Government of India that the note is issued." Sir, if it is not the Reserve Bank which issues notes but if they are issued on the initiative of the Government of India, what, I ask you, is the sense of this provision which says that the Bank may

[Shri B. C. Ghose.]

with the previous sanction of the Central Government lower the reserve, that means, issue more notes than the reserves would permit. It is the Government of India that issues the notes; the Reserve Bank merely follows the instructions of the Government of India. If, therefore, the Government of India is responsible—he was arguing that the Government of India was responsible—then nobody can question that, and Parliament's control can be exercised only through the control that it exercises over expenditure. Then on whom is this restriction being applied? Is the Government restricting itself? What then is the sense in having this provision? Therefore, I do not see any reason why this has been provided here nor do I think that in the experience of other Governments which have a system of minimum reserve, such relaxation has been provided for. Incidentally, as far as I could see, Japan does not seem to have a fixed minimum reserve. It has a maximum note issue; that was what I found in a book which was up to date till 1954. I do not know if it has changed its system since then. As I say, no country with a fixed minimum reserve system like ours has a provision like this to be applied in emergencies. Secondly, as I said, since the Government of India is responsible and since without the Government's permission no notes could be issued, there does not seem to be any sense in having a provision of this sort. Therefore, I submit that my amendment should be accepted.

SHRI KISHEN CHAND (Hyderabad) : Sir, during the general discussion I pointed out that slowly and gradually we were reducing the amount of reserves against note issue. The hon. Minister tried to assure the House that there was no danger of inflation and that the Government of India would take every precaution about it.

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA) : Sir, I never said that there was no danger of inflation; on the contrary I specifically stated that there was the risk of inflation and that had been clearly stated in the Second Five Year Plan. I read out passages from the Plan and it is not fair that something should be put in my mouth which I have not stated.

SHRI B. C. GHOSE: There is no danger of inflation and at the same time

there should be no restriction on the powers to issue notes. Our argument was that since there was the danger of inflation, the system of proportionate reserve should be maintained ; but that the hon. Minister did not accept.

SHRI KISHEN CHAND: The hon. Minister takes refuge behind the Plan. He says that the Planning Commission has stated some such thing. Unless the hon. Minister was sure that there was no danger of inflation he would not have come forward with this Bill by which the ratio was being reduced. Now, of course, there is going to be no ratio. There is going to be a fixed amount and that amount is going to be further reduced for a period of six months without any mention of emergency. In case of war or some such emergency one can understand but in normal times it is not advisable to have this power of reducing the amount of securities from Rs. 400 to Rs. 300 crores for a period of six months in the initial stage and then for three months at a time subsequently. Previously, there was a fixed ratio of 40 per cent and against that there was a provision for relaxation in times of emergency for a period of three months which could be extended by further periods of fifteen days at a time. Here you have done away with that fixed ratio of 40 per cent. The hon. Minister was not prepared to accept even a ratio of 25 per cent suggested by Dr. Kunzru and he has taken this figure of Rs. 400 crores irrespective of the fact that note circulation may go up to Rs. 2,000 crores or Rs. 3,000 crores. Supposing the note circulation goes up to Rs. 2,500 crores, assuming deficit financing of about Rs. 1,200 crores leading to additional note issue of about Rs. 1,000 crores—at present the note issue is Rs. 1,500 crores and another Rs. 1,000 crores would make it Rs. 2,500 crores—then against this note issue of Rs. 2,500 crores the total reserve will be, foreign securities Rs. 400 crores and gold Rs. 115 crores, which will be about 20 per cent. The hon. Minister wants to further reduce it and I think it is against all caution and I think it is not right to grant such arbitrary powers to the Central Government. Therefore, I strongly oppose this clause.

SHRI A. C. GUHA: Sir, I think the arguments have more or less been the same that were mentioned on the previous day. As I have stated, the fixed minimum reserve is to be kept not so

much for giving support to our currency but to give a sort of psychological support to our people and also to the foreign market. And that support we do not like to be utilised recklessly. Even if there is any necessity to run down the foreign exchange figure, that might be only for some specified period. Hon. Members will see in the Planning Commission's Report that it has been definitely mentioned that the foreign exchange has been really a source of anxiety for the planners and also the Government. The foreign exchange that has been estimated to be required for the plan, as it has been stated in the Report will mean a large increase in the inflow of resources from abroad. So, it may be necessary in some emergency to reduce the foreign exchange securities from Rs. 500 crores to Rs. 400 crores, but that must be for some specified period and that would be also known to the people from the Reserve Bank's reports and other things. And so I think this clause is very necessary.

Moreover the mover of the amendment has not been able to show how by the deletion of this clause any improvement would be effected. The most that he can say is that this is not necessary. To-day lie has gone to the other extreme. Day before yesterday he supported the amendment of Dr. Kunzru. There might have been some logic in that. But going to the other extreme, to do away with all reserve requirements, I think, is not quite logical and it will not improve the position as envisaged in the Bill.

SHRI B. C. GHOSE: There is one question which I would like to ask. How has the Government come to the figure of Rs. 400 crores that should be maintained as the minimum requirement and not Rs. 300 crores?

SHRI A. C. GUHA: If it is put at Rs. 300 crores, then he might ask how did we come to that figure? That is the estimate we have been able to make.

MR. CHAIRMAN: The question is:

"That at page 2, lines 1 to 12, for the existing clause 4, the following be substituted, namely:—

'4. Section 37 of the principal Act shall be omitted'."

The motion was negatived.

MR. CHAIRMAN: The question is:

"That clause 4 stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

#### *Clause 5—Amendment of section 42*

SHRI B. C. GHOSE: Sir, I move:

"That at page 3, lines 22 to 24, for the words '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' the words 'the Bank shall pay to the scheduled bank interests at a rate calculated at one per cent, less than the prevailing Bank rate' be substituted."

MR. CHAIRMAN: The clause and the amendment are new before the House.

SHRI B. C. GHOSE: I am under a difficulty for this reason that the hon. Minister at the time of his general reply did not refer to this point, as it should have been done. So, I would like to hear from him first the objection that he has to accepting my proposal and then I shall speak, because this was the point I made at the time of the general discussion, but he did not give any reply to this point.

MR. CHAIRMAN: He will now give it, if you make a speech again.

SHRI B. C. GHOSE: I do not know. I was entitled to know his reasons so that I could give my reasons against his.

MR. CHAIRMAN: You had better give the reasons. Then he will answer.

SHRI B. C. GHOSE: As you see, Sir, is giving reasons any good in this House now? Will reason carry anything?

MR. CHAIRMAN: He suffers from a defeatist mood.

SHRI B. C. GHOSE: Yes, Sir, I do, against the votes.

MR. CHAIRMAN: Please go ahead.

SHRI B. C. GHOSE: Day before yesterday there was not one speaker excepting my friend, Mr. Saksena, who supported the hon. Minister, but all the votes went in his favour.

SHRI H. P. SAKSENA (Uttar Pradesh) : I never supported anybody.

SHRI B. C. GHOSE: I am sorry.

SHRI H. P. SAKSENA: At any rate, in the Reserve Bank debate there was no point for me to support the sponsor of the amendment. I simply admired his ingenuity in converting our assets in gold reserve from Rs. 40 crores to Rs. 115 crores. That is all.

SHRI B. C. GHOSE: This clause is in regard to strengthening the powers of the Reserve Bank of India with a view to controlling the activities of commercial banks. There were certain points I raised in this connection to which, unfortunately, the hon. Minister did not give any reply. I raised the question of adequacy and I raised that because I said that I had a feeling that in view of section 24 in the Banking Companies Act, any increase in the reserve ratio that might be asked for might to a certain extent be nullified by decreasing the securities or other assets kept by the commercial banks for purposes of section 24. I would also request the hon. Minister to consider a provision in the Ceylon Act where a reserve ratio is asked for not only against the deposits but deposits plus unutilised overdrafts. As loans make deposits, unutilised overdrafts at any particular moment of time have also the power of increasing the deposits in the near future. Therefore, the provision in the Ceylon Act under which the reserves are asked for not only against deposits but also deposits plus unutilised overdrafts is a provision which requires examination.

Now, the particular amendment that I moved has the following arguments in its favour and most of the arguments are the same as I stated when I spoke on the general discussion. Firstly, we have to realise that the commercial banks incur expenditure in obtaining deposits. I was estimated, that, if you ask from the commercial banks the highest proportion of reserves that have been provided for under the Bill, then they will probably have to maintain about Rs. 81 crores more as reserves on a deposit figure of about Rs. 1,100 crores, which is about the present deposit figure of commercial banks, taking demand and time liabilities both into account. Now, if they have to pay about one or two per cent on these deposits, their cost would be about Rs. 8 to 16 lakhs. Unless they get something from the Reserve Bank for the

demand made for higher reserves, their profit and loss position would be seriously affected. It is desirable therefore, that some interest should be paid on the higher deposits that the Reserve Bank may ask for from the commercial banks. In this Bill there is a provision for the payment of interest, but there is no definite provision as to what that rate of interest would be or whether that will be a uniform rate of interest. Now, I say that that is not very desirable from the point of view of the commercial banks, because they will be kept in suspense. Firstly, there should be no discrimination as between one bank and another. Whatever may be the way in which commercial banks attract deposits, after they have obtained the deposits, the central bank or the Reserve Bank should treat them in a uniform manner. That is the first point. Secondly, the commercial banks should also know as to the highest rate of interest that the Reserve Bank would pay them in regard to these extra deposits that might be asked for because that will have at least this effect that the commercial banks would know the limit up to which they might go in the payment of interest in attracting deposits. Now, that is left absolutely vague, because the Reserve Bank may pay any interest, but if it is now stated that the Reserve Bank will not pay more than, say one per cent or two per cent less than the bank rate, then the commercial banks will know as to how they have to conduct themselves in attracting deposits. If that is not done, after having attracted deposits—may be at a higher rate—they may find themselves in great difficulty, because the Reserve Bank of India may not be agreeable to pay more than a nominal rate of interest. I feel, therefore, Sir, that it is extremely necessary that a definite indication should be given as to the rate of interest that the Reserve Bank would like to pay when asking for higher deposits. If they do not say anything as to the particular rate of interest, they might at least give an indication as to the maximum rate of interest, instead of leaving it absolutely vague as has been done now in this Bill.

SHRI KISHEN CHAND: Mr. Chairman, Sir, I stand to oppose the whole of clause 5. As I pointed out, the hon. Minister did not give any reasons why he wants to increase the percentage of deposits from the scheduled banks into the Reserve Bank. You know, Sir, the

scheduled banks have got to attract deposits, and on account of competition they have to pay a fair rate of interest. The number of hours have been restricted, the bank employees are getting better amenities, and the net result is that the scheduled banks are able to make their present profits by charging more from the general public. They are charging for the maintenance of the current account a fairly high amount from each client. Similarly, they are rendering other facilities on payment of fees. After all, the scheduled banks get money from the public and they earn their profits by lending it to the public. If larger amounts are to be deposited with the Reserve Bank on which scheduled banks get small interest, naturally from the remaining amount which is at their disposal they must get a higher amount of interest. The result will be that the smaller amount that is left with the scheduled banks after keeping these deposits with the Reserve Bank will be lent out at high rates. The entire industrial and commercial community will be the sufferer, because the smaller amount has to earn that much profit. Therefore, Sir, as we are really going in for the industrialisation of our country, it is very essential that the scheduled banks should be allowed some concession. As a matter of fact the percentage of 2 and 5 which they have to deposit in the Reserve Bank should have been further reduced, but instead of reducing it, it has been increased. Sir, I feel that at one time these Central Banks required only a nominal amount from the scheduled banks, but slowly and gradually the tendency is to go on increasing the deposit. One explanation may be that now the Reserve Bank is under the control of I.C.S. officers. At one time the Bank of England and other apex banks had people from the commercial community, people who were experienced in stock exchanges and share brokers' markets. But now the tendency is that they should all be I.C.S. officers, and their tendency is to be conservative. If the Reserve Bank has got plenty of deposits taken from the scheduled banks and the Reserve Bank in spite of its huge expenditure, earns something from Government securities, so that it can show a big profit, the Central Government feels very happy. The Reserve Bank is making a profit of nearly Rs. 10 crores, and it is being contributed to the general funds: but what is its effect on the commercial community? Do we find that the scheduled banks are rendering as good a

service to the industrial and commercial community as they were rendering before? The general complaint is that the scheduled banks are not able to render such service on account of the regulations imposed on them by the Reserve Bank regarding these percentages of deposits. Therefore, Sir, I think that the hon. Minister must give, in detail, his justification for raising these rates. Unless he can give some justification for the raising of the rates, it will be supposed that the reason is that the Reserve Bank is short of funds and it wants money from the scheduled banks. No such argument has been advanced by the hon. Minister. He simply comes forward with this Bill, raising the percentage of 2 and 5 arbitrarily to 8 and 20. It is exactly four times the previous percentage. I cannot see any reason for such a jump like that. If at all, they could have been raised to 3 and about 7-1/2 but to suddenly increase the limit by four times requires one more jump of four times to make it almost cent per cent, which will mean that the Reserve Bank should have the entire funds of all the scheduled banks. It is now 20 per cent, of the demand liabilities, and as it has been raised from 5 to 20, it may be raised from 20 to 80.

Therefore, I strongly oppose this clause. I think there is no justification for the inclusion of this clause in the Bill.

SHRI S. C. KARAYALAR (Travancore-Cochin): Sir, Mr. Kishen Chand in the course of his speech said that the rates of the balances to be kept by the scheduled banks with the Reserve Bank had been raised from 5 per cent, of their demand liabilities and 2 per cent of their time liabilities to 20 per cent and 8 per cent respectively, and he complained that the Minister had not given any cogent reasons for proposing to raise the rates. Sir, personally, I feel that the reasons have been given in the Statement of Objects and Reasons. The primary idea behind the proposal to raise these rates seems to be to control the capacity of the banks to create fresh credit when the note issue is raised. Naturally, such a situation would create a volume of fresh credit and the banks would raise the amount of credit. It is only to control the creation of fresh credit by banks and to check any inflationary tendency that may arise that these rates are proposed to be raised. These rates will be raised by notification in the Government Gazette, and the

[Shri S. C. Karayalar.] rates may not be raised exactly to 20 per cent and 8 per cent, but they may go up to these rates. The question is whether the banks will be in a position to meet the fresh obligations that would be imposed upon them by the proviso to section 42. Sir, as it is, some of the scheduled banks, at least in South India are unable to meet their existing liabilities of keeping the daily balances of 5 per cent and 2 per cent. Suppose the rates are raised to 20 per cent of the demand liabilities and 8 per cent of the time liabilities, several banks will be unable to meet their fresh obligation, and they will have to go out of existence or they will have to become non-scheduled banks. That will be a very serious situation not only for the banks but for also the clients. The whole idea seems to be that an inflationary trend would be created by fresh note issue and deficit financing and by the creation of fresh credit, and all that would arise out of the situation created by the requirements of the Second Five Year Plan. That assumes that the inflationary trend that will be developing in the country will be uniform throughout the country. That assumption, I say, Sir, is not correct. Even during the First Five Year Plan period the inflationary trend was not uniform throughout the country. In South India, for instance, the trend was not so marked as in North India, so that if you assume that the inflationary trend will be uniform throughout the country it will not be realistic. This point must be very clearly understood by the Minister and proper safeguards must be provided by the Ministry to see that this new provision in section 42 does not create conditions of stress and strain upon the capacity of the banks, particularly in the South. That is a point which I want the Minister to remember, and provision must be made to meet such a contingency. Otherwise, it may create very severe strain upon the scheduled banks, particularly in the South, and upon the economy. This is the point which I, particularly, wanted to emphasise.

With these observations I support the clause.

SHRI A. C. GUHA: Sir, my difficulty is that hon. Members like Shri Kishen Chand do not care to read the Bill or the speech I made the previous day and then impute something. He has said that I have not said anything as to the necessity of demanding this additional

increase. I think I have said quite a lot on this in my speech while introducing the Bill. Only one passage I need quote: "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, the general provision of 20 per cent and 8 per cent cannot be applied uniformly to all the banks, but this special provision of demanding a special reserve on the ratio of the deposits that might have been received by a bank in a particular period would serve the purpose of the Reserve Bank to control credit expansion; and at the same time it would not operate uniformly for all the banks. The banks which might have got more deposits within a particular period will have to pay a higher amount, and the banks whose deposits in that particular period have not increased considerably will have to pay only a nominal amount.

SHRI P. D. HIMATSINGKA (West Bengal): Sir, can't the same object be achieved by the use of section 21 of the Banking Companies Act, which gives power to the Reserve Bank to direct when and how much they have to advance, and when not to advance?

SHRI A. C. GUHA: I will come to that later on.

Then, Sir, he has imputed something else also and he has said that the Reserve Bank may be short of money and then it may demand anything from the scheduled banks. There also, Sir, he has ignored to read the provision in the clause. These special and general reserves-together would not exceed the maximum of 20 per cent, and 8 per cent for time and demand liabilities. So, that maximum is there, whether it is by way of general reserves or special reserves. So, it is not that the Reserve Bank, just in a state of bankruptcy, would ask the scheduled banks to deposit larger and larger amounts.

Then, Sir, reference was made by my friend, Shri Himatsingka, to section 21 of the Banking Companies Act. Shri Ghose also mentioned it. I think, to that also I gave some reply the other day. It is not proper that the Reserve Bank should interfere, so to say, in the normal or day-to-day working of the banks.

SHRI B. C. GHOSE: It is doing.

SHRI A. C. GUHA: It may be doing when necessary, but it wants to keep that interference to the minimum.

SHRI B. C. GHOSE: What is the minimum?

SHRI A. C. GUHA: As far as possible these advances should generally be left to the discretion of the banks, but whenever there is any particular tendency to give advances which should not be given, the Reserve Bank has to interfere —just at present the Reserve Bank has been doing. That is a qualitative control which was referred to by Mr. Ghose the other day. But the provision in this Bill empowers the Reserve Bank to have a general control over all the scheduled banks, so that they may not expand their credit unduly or abnormally.

Then, Sir, as regards the rate of interest, I think Shri Ghose will be able to realise the true position, if the same rate is given to some big banks of Bombay and to some small banks. I do not want to mention the banks in Travancore-Cochin, because he may not be well-acquainted with those banks. But I am sure he is quite well acquainted with the banks of his own State. Does he mean to say that the banks of Calcutta or of Travancore-Cochin can afford to have the same rate of interest as the bigger banks have?

SHRI B. C. GHOSE: Is there any difference made in the .....

SHRI A. C. GUHA: Sir, I do not like to have this running commentary.

SHRI B. C. GHOSE: It is not a running commentary. I think I must clarify the position, Sir.

MR. CHAIRMAN: After he has finished.

SHRI A. C. GUHA: Then, Sir, it is never the intention of the Reserve Bank or of the Government that there should be any discrimination from bank to bank. Whatever discrimination would be made, that would be made on the basis of the category of banks. Hon. Members know that banks have been divided into several categories, and if different rates are given, that would be on the basis of different categories of banks, and certainly not on the basis of the individual banks. I find that the criticism in this House is rather just in the opposite way from the criticism in the other House. The demand in the other House has been that there should be discrimination in favour of small

3—9 R. S./56

banks even in respect of the reserve ratio. As for the rates of interest, surely they were quite happy that different rates would be applicable. Sir, I am afraid I cannot accept the amendment of Shri Ghose, and I hope he will withdraw his amendment.

SHRI B. C. GHOSE: Sir, on a point of clarification. It is very difficult to deal with the argument of the hon. Minister because he changes his ground very often. I should like to ask him whether the Reserve Bank charges different rates for different banks. Does the Reserve Bank charge a higher rate for the Central Bank of India and a smaller rate for the small banks? If the hon. Minister's argument is at all sound then he should make a provision so that the Reserve Bank may charge different rates for different categories of banks, when they borrow money from the Reserve Bank.

SHRI A. C. GUHA: That may be so when the Reserve Bank borrows for its own necessity. But it is keeping a reserve for the economic stability of the country, and the Reserve Bank will be paying some interest for this purpose, which is not at all necessary. So, there is no similarity between the two positions.

MR. CHAIRMAN: The question is:

"That at page 3, lines 22 to 24, for the words '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', the words 'the Bank shall pay to the scheduled bank interest at a rate calculated at one per cent, less than the prevailing Bank rate', be substituted."

The motion was negatived.

MR. CHAIRMAN: The question is:

"That clause 5 stand part of the Bill".

The motion was adopted.

Clause 5 was added to the Bill.

Clauses 6 and 7 were added to the Bill. Clause 1, the Title and the Enacting

Formula were added to the Bill.

SHRI A. C. GUHA: Sir, I move:

"That the Bill be passed".

[Shri A. C. Guha.]

Sir, I do not know whether hon. Members will be pleased to make any comments. If they want to make any comments, I would like to reserve my reply.

MR. CHAIRMAN: Any comments?

SHRI H. N. KUNZRU (Uttar Pradesh): It is no use making any comments.

MR. CHAIRMAN: The question is: "That the Bill be passed."

The motion was adopted.

### **THE INDUSTRIAL DISPUTES (AMENDMENT AND MISCELLANEOUS PROVISIONS; BILL 1956**

THE DEPUTY MINISTER FOR LABOUR  
(SHRI ABID ALI) : Sir, I beg to move:

"That the Bill further to amend the Industrial Disputes Act, 1947 and the Industrial Employment (Standing Orders) Act, 1946 and to repeal the Industrial Disputes (Appellate Tribunal) Act, 1950, as passed by the Lok Sabha, be taken into consideration."

[MR. DEPUTY CHAIRMAN in the Chair.]

Mr. Deputy Chairman, Sir, this Bill has a somewhat long history behind it. I do not, however, propose to inflict on the House a detailed account of the proposals embodied in the Bill. I shall content myself with a very brief outline of the position.

The origin of these proposals lies in the Labour Relations Bill of 1950, which was introduced in Parliament during the Budget Session of that year and was referred to a Select Committee. The Select Committee's report was presented to Parliament, but the Bill could not be proceeded with and it lapsed on the dissolution of the Provisional Parliament. Meanwhile, a large number of comments, criticisms and suggestions were received, some even of a fundamental nature directed against the basic principles of the Bill. One serious objection was that the Bill had become too complicated and cumbersome and that its provisions, far from leading to a speedy settlement of disputes, were apt to clog the 'machinery of settlement, and to lend themselves to prolonged

litigation. It was considered necessary, therefore, to consult afresh public opinion on all aspects of industrial relations. A detailed questionnaire on the subject was, therefore, issued and the replies received were discussed in various conferences during 1952 and subsequently. Serious doubts were expressed about the advisability of embarking on an elaborate and comprehensive legislative measure, as was proposed then. Government also felt that there was substance behind these doubts and that the time was not ripe for the enactment of such legislation. It was felt that with such modifications as had been found necessary in the light of past experience this piece of legislation could be worked for smoother industrial relations. It was, therefore, decided not to proceed with the proposals for comprehensive legislation and to confine ourselves to essential amendments to the Act. The Bill before the House incorporates these proposals.

Dealing with the provisions of the Bill, I may invite attention first to the abolition of the Labour Appellate Tribunal. As the House is aware, the Appellate Tribunal came into being in 1950. The purpose behind the Tribunal was to ensure a certain degree of co-ordination in the awards of the various tribunals and to build up a more or less authoritative body of well-founded principles and opinions on industrial law and practice which would serve as a guide to the original tribunals. While this objective has to some extent been realised, certain defects of a fundamental nature have been experienced. One of these is the delay in obtaining decisions in appeals. Appeals from one party or the other on the decisions of the original tribunal became more or less the rule. Now, the delay in reaching decisions in industrial disputes is a matter of vital importance to the workers. Moreover, considering that the decisions of the tribunals are ordinarily valid only for a period of one year, the time taken to arrive at them was disproportionately long. The demand for the abolition of the Tribunal has been almost unanimous from the workers' side. Government felt that the demand was justified. It has accordingly been decided to abolish the Appellate Tribunal. But at the same time it is necessary to provide an alternative machinery which would ensure that decisions of the original tribunal which will no longer be liable to appeal, are well-considered