

[Mr. Chairman.]

that the Joint Committee of the Houses on the Bill to amend and codify certain parts of the law relating to minority and guardianship among Hindus be instructed to report on or before the 31st March 1955".

The motion was adopted.

THE INDIAN TARIFF (THIRD AMENDMENT) BILL, 1954—continued

MR. CHAIRMAN: We get back to the discussion on the Indian Tariff (Third Amendment) Bill, 1954. Mr. Kishen Chand.

SHRI R. P. N. SINHA (Bihar): Sir, may I make a submission? The Vice-President of India has invited us to an 'At Home' this afternoon at 4-15 P.M. I submit that the House should adjourn today at 4 P.M. to enable us to attend the function in time.

MR. CHAIRMAN: Provided you sit in the lunch hour and do not waste time.

SHRI T. D. PUSTAKE (Madhya Bharat): Sir, I suggest that the adjournment should be at 3-30 P.M.

MR. CHAIRMAN: I leave it to the Deputy Chairman. If you work hard during the lunch hour, you may be let off at 3-30 P.M.

[MR. DEPUTY CHAIRMAN in the Chair.]

SHRI KISHEN CHAND (Hyderabad): Mr. Deputy Chairman, I was drawing the attention of the Government to the items on which the protective duty is going to be discontinued. Then I come to the cases where the duty is going to be continued. Now, in that category I find items like soda ash, calcium chloride, titanium dioxide, alloy, tool and special steels, grinding wheels and segments thereof. These are the articles which are not used directly but are used by other industries in

the production of goods and the continuance of the duty on them must be looked at from the point of view whether it is or it is not increasing the cost of production of the article in which such goods are used and whether the industries which use these goods are getting some sort of protection or not. For example, let us take soda ash. This commodity is used in the production of glass and till two years back the producers of glass were allowed a rebate of the customs duty but it has been discontinued and, therefore, the glass industry is practically paying this additional import duty and the same thing may be said about the other articles. So, I would submit to the Government that in considering the continuation of protective duty, they should take good care to see that the industries which utilise these goods are not harmed.

In a whole long list, it is very difficult to single out items and to make any remarks about them but I submit as a principle that the Government of India should ask the Planning Commission to ascertain which industries can properly flourish in our country. It is a basic question and it is not right for our country to produce each and everything in our country and to become self-sufficient. The result will be that if we do not import anything and if we go on exporting, we are really making a present to other countries. After all, import-export is a two-way traffic. You import certain things and export certain things and the cost of the two items must balance each other. I think, in the production of any article, the basic idea should be whether the raw material or the technical skill is available more cheaply in our country than in the foreign (Country, and whether the employment factor is big enough to satisfy us that the industry should be developed in our country.

This continuous variation of tariff without an overall picture is going to very seriously affect our industry.

I am reminded of the case of a merchant who had no business to do. He had some *laddoos* and he went on transferring the *Zaddoos* from one basket to another and he used to eat up the crumbs that were left over. The result was that in a few days' time, with the transfer of the *laddoos* from the basket to another, nothing was left and all the *laddoos* were converted into crumbs and eaten up by the merchant. Similarly, in the case of protective duties which are sometimes converted into revenue duties due to the continuous variation in rates, extension of period and its withdrawal, the result is that no industry progresses continuously. There is no long and far-sighted policy of our Government in the matter of tariff. I submit that instead of bringing Tariff Amendment Bills four or five times a year and a Finance Bill in which the list of duties is varied from time to time, there should be only one policy which may continue for at least four or five years so that the industry knows that it will have a period of four or five years to develop.

Then, this difference between revenue duty and protective duty is an easy way of manipulation in the hands of the Government. When they want to continue a thing and when there is no justification for it under the garb of protective duty, they immediately call it a revenue duty and even when there is no need of revenue, that revenue duty is continued. So, I think that the Government should try to explain, whenever they transfer a protective duty to a revenue duty, the reasons for such transference and also the justification for continuing a duty when the duty is no longer required as a protective duty.

I have nothing very fundamental to say against these particular items because I do not know about each and every industry. All my criticism is based on a general principle and I do hope that the Government will

give due attention to all these points raised by me.

SHRI S. C. KARAYALAR (Tra-vancore-Cochin): Sir, in supporting this amendment, I wish to make a few general observations. This Bill seeks to give protection to one industry, to continue protection to some industries and to discontinue protection to some other industries. If you look at the note circulated by the Ministry of Commerce and Industry regarding the Indian Tariff (Third Amendment) Bill, 1954 before us, it will be seen that protection is given to some industries for one year at a time and in other cases for two years or three years. I cannot really understand the rationale behind the variation of the periods.

SHRI KISHEN CHAND: There is no rationale.

SHRI S. C. KARAYALAR: I am coming to that. I wish to suggest very seriously that if protection is to be given to any industry, particularly for the first time, the period of protection should be at least two years in the first instance, if not three years. My reasons for this suggestion are, in the first place, that when protection is given to any industry, it is on the basis of the recommendations of the Tariff Commission. Now, for instance, suppose protection is given to an industry from the 1st January 1955 for one year for the first time. The industry itself will not be able to know its real position and it will not be able to feel its way. It must be in a position to feel its way. The object of giving protection is to enable the industry concerned to plan for its future production, to find out the possibilities of marketing its product and also to build itself up to meet the domestic demand as it grows. Unless the industry concerned is able to stimulate the domestic demand, in which case it will have to step up its production, it will not be able to establish itself. So, from

[Shri S. C. Karayalar.] this point of view the industry ought to be given sufficient time to stabilise itself.

From another point of view, if the protection given to an industry is to be continued or to be discontinued, the Tariff Commission will have to sit again and report on the real position of the industry concerned and will have to start its enquiry within a period of, say, six months after the protection was first given. That seems to me rather very curious because the industry itself will not be able to know exactly what its position in regard to protection is. I illustrate my point with regard to one of the industries which are listed in this note. Take for instance the titanium dioxide industry. This industry started production in the year 1951. It is a new industry and it consumes the essential raw materials available in the country, but it was not able to make much progress from 1951 to 1953. It was because it was not able to make any headway, the Tariff Commission recommended protection to it from the end of 1953 or the beginning of 1954 after making due enquiry. Now the industry is given protection only for one year i.e., to the end of this year. The Tariff Commission has got to make an enquiry once again. The industry does not know exactly what its real position in the country is. This is a very peculiar kind of industry. It has got to face competition from huge producers in the world market, namely, Du Pont and the British Titan Products, whose production is of the order of a lakh of tons; one, at least produces one lakh tons of titanium dioxide whereas the titanium dioxide industry established in India is able to produce only, or rather the capacity is only, about 1,800 tons and the moment it was given protection it started making more—to the order of 535 tons for the first six months—so that the annual production has now been stepped up by about 1,000 tons. So it is in a position to stabilise

itself if given sufficient protection and opportunity. If the industry does not know exactly what its future is going to be, it cannot make any plans either in regard to production or marketing or in regard to the possibilities of stimulating the demand for the product. So, I suggest that when protection is given to any industry for the first time, it must be at least for a period of three years so that it may know exactly whether it can stimulate demand and whether it can produce sufficient quantity to meet the local demand. Otherwise, the industry will not be able to stabilise itself. Sir, there is another point of view also. It is seen from the note supplied to us that in the case of several industries protection has been given altogether for a period of say 4 or 5 or 6 years, not at one stretch but in instalments. The effect of giving protection to an industry in instalments, say, for 3 years is not the same as the cumulative effect of protection given to an industry for a continuous period of 3 years. If it is given for, say, 3 years at a stretch, it will be able to make its programme for the future regarding production, etc. So, I seriously suggest that though as a matter of fact in the case of several industries protection has been given for a long period, in instalments the protection ought to be given in the first instance at least for a period of 3 years. Otherwise, as in the case of this titanium dioxide industry it will not be able, I am sure,—I know something of this industry, being located in Travancore—to meet competition from outside and it will not be able to stand on its own feet if it is given protection only for 1 year. So, I suggest very seriously that protection given to any industry, ought to be in the first instance at least for a period of 3 years.

Now coming to this note circulated, I find that in the case of the calcium chloride industry it is proposed to continue the protection to this industry but I find these observations

mad*, by the Chairman of the Tariff Commission. "The present difficulty of the calcium chloride industry seems to arise mainly for lack of sufficient demand for this product. Protection can be of little assistance to this industry under such circumstances and the future prospects and stability of the industry would depend largely on the measures which the industry would adopt to stimulate the demand by improving the quality of its product and reducing the cost of its production."

I find it difficult to reconcile the proposal to continue the protection with the statement of the Chairman of the Tariff Commission. I should like to have some clarification from the hon. Minister on this point.

Then, with regard to the iron or steel baling hoops industry it appears that the number of existing units which are engaged in the industry is 4, but if you look at page 6 of the note circulated, in paragraph 2, it appears that there seems to be only one unit, that is J. K. Iron and Steel Company. They have been asked to conform to certain conditions for the continuance of the protection and they have complied with them. It seems, by implication that there is only one unit engaged in this. I do not know what is meant by 4 units operating. I would like to have some clarification as to what other units are functioning under this category.

Finally, I should again seriously suggest that the period of protection to be given to an industry for the first time should be at least 3 years and when it is proposed to continue protection it should be for a period of at least 2 years.

With these observations, Sir, I support the motion.

SHRI S. N. MAZUMDAR (West Bengal):
Mr. Deputy Chairman, this is only an amending Bill and the

time is also very short. So I cannot take up all the industries separately but I shall confine myself to a few observations. Last year also in this House by about this time we discussed another Tariff (Amendment) Bill. In connection with that I made certain observations as well as suggestions for the Government, but I do not find that any attention has been paid to these suggestions. My suggestions were to this effect that when any Bill for granting protection or discontinuing protection to an industry was brought, we should be supplied with certain information under three categories. The first information was whether the protection granted to an industry had been used only by the indigenous industry or advantage of the protection had been taken by foreign capital entrenched in that industry, because, Sir, I submit that the main purpose of granting protection to certain industries is to develop our national industries, but if it is found that taking advantage of the protection foreign capital goes into those fields where the industry is not highly developed or it does not involve a huge outlay of capital or huge outlay of machinery.—if foreign capital goes there and due to competition our indigenous industries which really stand in need of protection are pushed to the wall—the protection becomes a farce, a travesty of protection. My second category of suggestions was that when protection was granted to an industry, it should be seen how far that industry was progressing properly and also how far it was taking steps to lighten the burden on the consumers. Thirdly, when we are granting protection to certain industries we have the right to demand of that industry that it should give a fair deal to its own labour. I suggest that when notes are circulated to us in connection with a Tariff Amending Bill we should be supplied that information on these various counts, particularly these three.

Lastly, I would like to make another point in connection with the

[Shri S. N. Mazumdar] soda ash industry. The question of this industry was discussed thoroughly on the floor of the House last year. The fact is that I gave certain suggestions and also drew the attention of the House to certain peculiar features connected with this industry. The domestic production is still far less than the actual domestic demand; that is true and that is why import of soda ash is being allowed. But it was complained that licences for importing soda ash were given to the Imperial Chemical Industries which has a factory of its own producing soda ash. Secondly, Imperial Chemical Industries is a world monopoly and serious allegations were made against that concern not by us only but by those Indian gentlemen who are engaged in the soda ash industry that that concern taking advantage of its monopolistic position was manoeuvring the price of that commodity in such a manner as to put the Indian indigenous industry in very serious difficulties. The only ground or criterion on which the licence was given to Imperial Chemical Industries for importing soda ash was that for a number of years it was the greatest importer. But if while granting protection to a national industry we look at things in such a mechanical and superficial way, it defeats the very purpose for which Parliament is enacting this piece of legislation. About these things, I have no information as to what is the present position, whether these suggestions were considered, whether the matter was looked into, whether any investigation was undertaken and if so with what result. On these matters we have not been supplied with any information. Therefore, I agree to some extent with my hon. friend Mr. Kishen Chand that we are confronted with some tariff amending Bills in instalments. These Bills are presented before us as necessity arises, but while they come to us we do not have the total picture before us. Whatever information is given is of

a very general nature and superficial and it does not really help us to understand the real position as regards those points which I have made out.

DR. SHRIMATI SEETA PARMA-NAND (Madhya Pradesh): Mr. Deputy Chairman, as time is short, I should like to confine myself only to two or three observations.

First and foremost, in addition to certain information being given to Members who are interested in the subject, it is necessary, when the Export Advisory Council meets twice a year, that invitation should be given to such Members to attend these meetings. The Government itself will benefit by the Members listening to the view points put by those people who are in the trade. I had made this observation with regard to Education Advisory Boards, and every other body, that Members of both Houses should be informed about the meetings of such bodies and they should be allowed to attend them as spectators. They will not take part in the proceedings but there could be nothing lost— if anything everything would be gained— as far as both the Government and the Members are concerned by the Members being allowed to attend their meetings.

Secondly, though this may not be exactly the occasion to deal with it, I want to put to the hon. Minister this point. Tariff is an important part of the general trade policy and trade is the rock foundation of the prosperity of the country and it is on that result of prosperity that all our activities including education and everything become pertinent. I want to make two remarks here which will perhaps give the Government some idea of what the Members think with regard to their tariff policy. Firstly, I would like to point out that in case of indigenous industries, particularly small-scale industries, usually the consumers have a sort of bias in

in favour of foreign articles. It is the duty of the Government to see that small-scale industries are established. The Planning Commission has said several times that as capital is fighting shy of coming forward to establish small-scale industries, the Government should not only encourage these industries but should itself start some industries, run them for a little while and then hand them over to private capital or private industrialists. When it has not been possible for the Government to do it, as has been seen during the course of last two years, for many reasons;— for want of technical know-how, for want of adequate capital and for want of perhaps the requisite skill for running such industries in a profitable manner irrespective of the technical know-how—when the Government has not been able to do what it had wanted to do in the light of Planning Commission's pronouncement on the industrial policy; it should at least be the duty of the Government to see that protection is given to certain industries established in the country to such an extent not only by limiting the import quota for a certain period or a certain percentage for some period but by actually banning imports altogether.

I would take the case of Primus stoves or even bicycles. So many bicycles are being imported. I want to deal with the question of bicycles from another point of view and so I would not mix it up. Let us take any thing, lamps, sewing machines etc. So many things are being manufactured here but I know myself if I were to require any of these articles I would at my own convenience purchase a foreign made article in that belief—and that is consumer bias—that even though it is more expensive I would get a return for my money for a longer time than would be the case with an indigenous article. In other countries this kind of consumer bias has been prevented effectively by not allowing any im-

ports at all of such articles. I can understand Government's difficulty in this matter—the difficulty of protecting the consumers' interests by not allowing a short supply in these articles to be created. That could be met by the Government itself being an importer of these articles or by fixing the prices of these articles. Otherwise, it is not possible for our industries to come up even if they go on competing for a long time with foreign articles. The difference between the price of Indian bicycles and that of bicycles that are imported is very large; the price of imported bicycles is about Rs. 100 more than that of the locally produced bicycles. These things would not happen if foreign bicycles are not allowed to be imported.

MR. DEPUTY CHAIRMAN: We are not concerned with bicycles now.

DR. SHRIMATI SEETA PARMA-NAND: I am just dealing with these two points. If bicycles or other articles are allowed to be imported it should be seen that they are available to the consumer at the proper price, otherwise the Government can get the profit that is available in between.

Now, I come to artificial silk, which is mentioned here—item No. 6. As the Tariff Commission is making the enquiry, the present protection should be continued but I would also like to say that it should be Government's comprehensive policy—and this is what I am trying to point out that the industrial policy is so linked up with the tariff policy—to see that indigenous industries like our silk or other industries like our cotton fabrics, particularly khadi and hand-loom, do not suffer. So, I feel that to give protection to this industry which has been able—recently we tried to export a lot of artificial silk goods to other countries—to take care of itself is not quite right. I do not think it is right in one breath to give subsidy to khadi because we have to

[Dr. Shrimati Seeta Parmanand.] increase employment and in another breath take every step which counter acts it. We should not encourage an industry which is an infant industry in India at the cost of an industry which has always been an indigenous industry. It is not right to give protection to the artificial silk industry at the cost of the silk industry. I feel it is a contradictory policy. In other countries, for instance in Germany etc. I have seen in 1936 and 1937, what is done there is to link up one or two industries with the same plant. These artificial silk industry people could have been asked to divert their resources or machinery to some other use. By making slight changes they could have done that. They had declared to go on strike when duty was imposed last time. I think it would have been in the interests of the country as a whole to have allowed them to go on strike and to let them go out of existence. So far as artificial silk is concerned, they can divert their resources to some other industry; otherwise, I feel, that becomes a contradictory policy—in one breath to give subsidy to one industry for increasing employment and in another breath to give protection to an industry which is actually a rival of that industry.

Sir, there is not much time, but I hope that the Government will see while giving protection to industries—whatever the industry may be it is not enough merely to see that that policy continues for 3 years—that that industry, if it is to establish itself fighting the consumer bias, must not have to face foreign articles and it is necessary to ban altogether import of similar articles from other countries. It is not a question of limited protection by way of import duty or by way of any other concession, but it is necessary to see that the consumer bias is fought and this" is what is exactly done in other countries. In Italy for instance it would not be possible to get some medicines even though.....

MR. DEPUTY CHAIRMAN: You are now repeating the argument.

DR. SHRIMATI SEETA PARMA-NAND: I am giving examples. It will be found that even when they were not masters of their own economy to some extent for certain reasons, they would totally ban other articles, even superior to their own, in order to promote their own interests.

SHRI RAJENDRA PRATAP SINHA (Bihar): Sir, I want to say a few words.

MR. DEPUTY CHAIRMAN: We have no time. We have to close this by 12-58—all stages. Yes, Mr. Kanungo.

THE DEPUTY MINISTER FOR COMMERCE AND INDUSTRY (SHRI N. KANUNGO): Sir, the scope of the Bill, as explained earlier, is very limited and I am glad that by and large it has been supported by all sections of the House. The more important part of the Bill is the de-protection of the three industries and protection of one other industry. No comments have been made about these four industries and, therefore, I take it that the whole House supports the setion of the Government in this behalf. The third part of the Bill is the continuing of protection for one year more to ten industries and quite a number of things have been said about giving an extension for one year. The extension of one year is just inevitable simply because the Tariff Commission owing to pressure of business has not been able to conduct the necessary enquiries in regard to these industries whose period of protection, according to Parliament's sanction, expires by the end of this year, that means in another two weeks. In the other House I had the privilege to explain that this back-log of the work of the Tariff Commission is being gradually reduced from year to year and we hope that in a very short time there will not be any back-log. Therefore, the objection which has been made by

some of the Members in the present debate that the industries should know when they are going to be de-protected or when they are going to have protection and for how long, will not arise after a little while.

Regarding the other general points which have been made, I think it is hardly the place in this debate to reply, but I may say generally that Parliament in its wisdom has decided that the question of protective tariff or otherwise shall be considered by Government and Parliament only on the advice of a competent body, that is, the Tariff Commission, and the Tariff Commission in their reports usually indicate for what period initially protection has got to be continued. Now, sometimes they do it for two years, three years, or for four years. It all depends upon the particular case to which they apply their mind. Now, to give an omnibus protection of five years for all types of industries and for all types of organisations will not be proper. The time-limit, in one sense, is good, because during the period—even if it is three years or two years—the Commission watches what progress has been made. There have been instances where in spite of protection, industries have not been able to build themselves up for various reasons—for lack of organisation, for lack of competent management, for lack of knowledge, etc. Therefore, I would suggest that we in the House should take the advice of the Commission who are a specialised body and who go into the question and advise accordingly.

Regarding the broader problem, about which a lady Member just now spoke, of totally banning the import of certain items or not protecting a particular industry, these are all problems which the House will take into consideration when those proposals come before it. For example, artificial silk—when the Tariff Commission's Report is available, it will be placed before the Members of this House and when the Government comes forward

with proposals for de-protection or protection to that industry, then will be the opportunity for the House to discuss the merits of the problem. This is hardly the time to discuss such matters. The limited purpose is, where we have to continue, we can continue the tariff for one year.

Now, a remark was made that Government comes several times with amended proposals like this. It comes simply because as soon as the Tariff Commission's report is available and is placed before the House, after consideration by Government, they are duty bound to come with their proposals to the House. Though the Government has now come before the House to give protection for one year or two years for these ten industries, it is quite possible that in another four months, the Tariff Commission would have completed some of their enquiries and the Government would have taken their decisions. To get the ratification of such decisions, Government will have to come to the House. And I certainly believe that at least in the case of the majority of these ten industries, the proposal for protection for a longer period would come long before the one year's time expires, and possibly in six months. Last year also the Government had come forward with this proposal as soon as the matter had been dealt with by the Tariff Commission.

Sir, there have been many valuable suggestions regarding the broad policy, but as the Bill deals with a limited purpose, I do not think I should go into them. I move, therefore, that the Bill be taken into consideration.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill further to amend the Indian Tariff Act, 1934, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: Now we take up the clause by clause consideration.

Clause 2 was added to the Bill.

Clause 1, the Title and the Enacting Formula were added to the Bill.

SHRI N. KANUNGO: Sir, I move: "That the Bill be returned."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be returned."

SHRI RAJENDRA PRATAP SINHA: Sir, I would like to draw the attention of the hon. Minister to the fact that the Customs Tariff Schedules were drawn up long before in the year 1922, and these classifications are more or less out-of-date now, and it is high time now that the Government should go into this question of the reclassification of the tariff items. Sir, if you look into the various reports submitted by the Tariff Commission itself, you will find that they face very many difficulties with regard to the classifications at the present moment. Therefore, I would urge that the Government should take up this matter of reclassification of the tariff items. The final judgment as to the usefulness or otherwise of tariff protection lies in the extent to which it benefits a particular industry or the overall industrial structure in general.

Sir, the time at my disposal is very short. But I will try to place only one or two items for your consideration, items like the calcium chloride and the iron or steel machine screws. You will find that the production of these items has been going down and the prices have also remained high. As a matter of fact, the prices had been going up in some of the cases. And the full capacity for the production of these items is not being utilised. I was looking to another report giving a review of the work from October 1953 to September 1954. They' have mentioned it that the prices of these

materials have gone up and the production of certain items have gone down. But they have not given the reason why the prices are going up and why the production is falling. A short note should have been given in their report, giving the causes for the rise in prices and the fall in production. The Government should also take steps to see that the prices keep on steadily falling. We would be interested to find the reason why the prices are not coming down, and we are very particular, that the parity between the agricultural products and the industrial products should be kept. And when the prices are falling in the agricultural and other sectors of our economy, we should see that the prices of the protected items also fall. And if they do not fall, the Government should come forward with some explanation as to why they do not fall. Similarly, we find that the production also is falling. The Government should explain to us in a note as to why the production of the protected items is falling. This is my submission.

SHRI N. KANUNGO: Sir, all the points raised are of a general nature and, as a matter of fact, they are the functions of the Tariff Commission, and they always apply their mind to these things. Therefore, I do not have to say anything particular.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

STATEMENT RE REPORT ON RURAL CREDIT SURVEY

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA): With your permission, Sir, I should like to make some announcement.

The Government of India have been informed about the proposals con-

tained in the Report of the Committee of Direction appointed by the Reserve Bank to conduct an All-India Rural Credit Survey. The Report has been published by the Bank and a summary of the recommendations will appear in the Press tomorrow.

One of the recommendations is that there should be established a "State Bank of India", into which should be fitted, by amalgamation, the Imperial Bank of India and certain other banks which are already in various degrees associated with State Governments. The recommendation envisages the creation of "one strong and integrated commercial banking institution" with the major part of the share capital of the institution being held by the Government of India and the Reserve Bank together. The principal object of the proposal is the setting up of an effective machinery of branches spread over the whole country in order that remittance facilities and along with them rural banking facilities may be vastly increased and in that process, the development of commercial, and particularly co-operative, banking more vigorously and extensively fostered throughout the country. An essential feature of the scheme is that there should be no interference of the State in the day-to-day operation of the State Bank and no lowering of the standards of sound banking.

While the Government of India accept in principle the recommendation eventually to bring about the establishment of an integrated commercial banking institution covering the whole country with effective control vested in the State, the details of both the manner and the phasing of so important a measure of reform have obviously to be examined with great care and deliberation. These will in due course be carefully examined by the Government after the receipt of the views of the Board of the Reserve Bank. Meanwhile, the question of assumption of effective State control on the Imperial Bank of India has been long before Government. The first step towards the setting up of

such an institution, whether or not 'eventually the integration of all the other State-associated Banks takes place in the precise manner suggested by the Committee, will obviously consist in the assumption of such control over the Imperial Bank of India and Government have, therefore, decided in principle to take this first step. The details of the necessary arrangements in this behalf will be settled after consideration of the matter by the Central Board of the Reserve Bank.

In this connection, it is recalled that on the 2nd February 1948, in reply to a short notice question in Parliament, Shri Shanmukham Chetty, Finance Minister at the time, announced that Government accepted the policy of nationalising the Imperial Bank of India and as regards the basis on which compensation would have to be paid stated that Government proposed to adopt a basis for the acquisition of share capital of the Imperial Bank of India similar to that adopted in the case of the Reserve Bank of India. He added that the period for which the average of the market value of the shares was to be taken would be determined at the time of nationalising the Bank.

The Government of India desire to reaffirm the assurance that in pursuance of the present decision if it becomes necessary for Government to provide for the acquisition of shares of the Imperial Bank or any of the other State-associated Banks or for the exchange of their existing shares with the new shares in a State banking institution, the values of the shares thus exchanged or bought will, for the purpose of replacement or compensation, be determined on the basis of the market values of the existing shares during a specified period preceding the publication of the Report. Government have also decided that where shares are acquired and compensation becomes payable, an amount upto the first Rs. 10,000 of