

May I respectfully submit to you, Sir, that I can only prepare myself for possible supplementaries that I can anticipate in my imagination as flowing from a particular question. I hope my hon. friend will be a little more tender towards me.

SHRI M. VALIULLA: It is stated that in PEPSU in some villages courts are being held by the Communists and that they have set up Panchayats.

DR. K. N. KATJU: That is right.

MR. CHAIRMAN: That question must be directed to the other side.

SHRI M. VALIULLA: Who pays for these operations?

DR. K. N. KATJU: That has nothing to do with the Central Reserve Police. It is a matter for the State authorities to see that the laws are properly observed and that no groups or organisations function contrary to the law or exercise independent authority which ought to be curbed.

EXTENSION OF INDIAN ARMS ACT AND RULES TO STATES

•123. SHRI M. VALIULLA: Will the Minister for HOME AFFAIRS be pleased to state:

(a) the name of the States to which the rules under the Indian Arms Act were extended in the year 1952-53; and

(b) the reasons for the extension?

THE DEPUTY MINISTER FOR HOME AFFAIRS (SHRI B. N. DATAR) : (a) All Part B States (except Jammu and Kashmir).

(b) With the extension of the Indian Arms Act to Part B States with effect from the 1st April 1951 the Act came to apply to the whole of India. It was, therefore, considered necessary to extend the Rules made under the said Act also to those States so as to have a uniform arms law throughout India.

SHRI M. VALIULLA: In view of the extension of these rules, has a census-of the arms been taken?

SHRI B. N. DATAR: That question is under consideration.

SHRI M. VALIULLA: That is not yet taken?

SHRI B. N. DATAR: No.

NOTE CANCELLATION SECTIONS OPENED BY THE RESERVE BANK OF INDIA

•124. SHRI M. VALIULLA: Will the Minister for FINANCE be pleased to state how many note cancellation sections have been opened by the Reserve Bank of India till now and at which places?

THE DEPUTY MINISTER FOR FINANCE (SHRI A. C. GUHA) : A statement is laid on the Table giving the requisite information. [See Appendix V, Annexure No. 34.]

SHRI M. VALIULLA: What is the function of the Cancellation Department, Sir?

SHRI A. C. GUHA: To cancel the soiled notes. Notes get soiled in course of handling.

SHRI M. VALIULLA: Is it necessary to have more than half a dozen branches for cancelling these notes?

SHRI A. C. GUHA: Unless there had been necessity, these branches would not have been opened.

SHRI M. VALIULLA: What is the connection between the opening of a full branch and the closing of the Cancellation Department?

SHRI A. C. GUHA: A full branch means altogether a separate thing. It does banking operations. Only cancellation of the soiled notes is done here.

SHRI M. VALIULLA: Here it is stated that at Bangalore and Amritsar consequent on the opening of a full Branch the Cancellation Sections were

closed. If a full Branch is opened at a centre why should the Cancellation Section be closed there?

SHRI A. C. GUHA: Because the main Branch also does the cancellation work. Where there is no main Branch and where there is necessity for cancellation of notes, a Cancellation Section is opened.

SHRI M. VALIULLA: What is the value of the notes destroyed every year?

SHRI A. C. GUHA: For that I would like to have notice.

SHRI GOVINDA REDDY: Is the Government satisfied that all these Branches have full work?

SHRI A. C. GUHA: The first condition for opening a new Cancellation Office is to ascertain that there will be work for at least a major portion of the year.

KHWAJA INAIT ULLAH: What is the annual expenditure incurred on cancelling these notes?

SHRI A. C. GUHA: I would like to have notice for that.

**GOVERNMENT GUARANTEES TO
SCHEDULED BANKS FOR THE
DEVELOPMENT OF AGRICULTURAL
INDUSTRY**

*125. SHRI GOVINDA REDDY: Will the Minister for FINANCE be pleased to state:

(a) whether Government have given any guarantees to the Scheduled Banks and Co-operative Banks to encourage them to finance agricultural industry; and

(b) if so, the particulars of such guarantees?

THE DEPUTY MINISTER FOR FINANCE (SHRI A. C. GUHA) : (a) Yes, Sir, in a certain number of cases.

(b) A note giving briefly the information required is placed on the Table of the House.

Note

From time to time, limited schemes of Government guarantee or of Government assistance have been prepared and operated, so far in respect of tea and cotton. In addition, the Governments of some of the States have guaranteed the advances made by the Reserve Bank under section 17(4) (a) of the Reserve Bank of India Act to the State (Apex) Co-operative Bank in their area for financing seasonal agricultural operations or marketing of crops.

The particulars of the two cases are as under: —

So far as tea is concerned the Government undertook to meet, to a specified extent, the deficits, if any, of scheduled banks and State co-operative banks which agreed to continue to provide normal finance for their tea garden constituents for the 1953-54 season. The guarantee is limited to 20 per cent. ■ of the repayments made by the gardens in their hypothecation accounts with . banks for the 1952-53 season in the I case of gardens situated in Cachar, Darjeeling, Dooars, Terai and Tripura, and 15 per cent, of the repayments in the case of gardens situated in other areas. As for cotton the Government of India have guaranteed to purchase from scheduled banks at specified prices American or East African Cotton subject to certain conditions, in i order to enable scheduled banks to i afford adequate facilities for the financing of imported American and East African cotton.

SHRI GOVINDA REDDY: May I know if the Rural Banking Enquiry I Committee has made any recommendations in this regard? ,

SHRI A. C. GUHA: The Rural Bank-|ing Enquiry Committee's Report has been before the House for some years and its content must have been known to the hon. Member. The Rural Banking Enquiry Committee has made certain recommendations for expanding the work of the Reserve Bank on the agricultural credit side.

SHRI GOVINDA REDDY: In pursuance of the recommendations made by that Committee have the Reserve Bank guaranteed any advances made for the development of rural industries and agricultural products?

SHRI A. C. GUHA: Yes, Sir. In certain cases where the co-operative system is not well developed, the Reserve Bank on the guarantee of the State Government has advanced money to some Co-operative Banks for seasonal agricultural operations.

SHRI K. S. HEGDE: May I bring it to the notice of the hon. Member that the Reserve Bank has appointed a committee to go into this matter?

SHRI A. C. GUHA: I think I myself said in this House during the last session that an enquiry was going on. It is expected that the report of that Enquiry Committee will be available soon.

SHRI K. S. HEGDE: Are we to take it that the Report has not yet been submitted?

SHRI A. C. GUHA: I think, not yet.

SHRI M. VALIULLA: What is the rate of interest that is charged?

SHRI A. C. GUHA: The Reserve Bank charges 1½ per cent, which is 2 per cent, below the usual Bank rate.

SHRI M. VALIULLA: Is Government aware that the co-operative societies are charging 10, 15 and 20 per cent, from agriculturists?

SHRI A. C. GUHA: The position is this. The co-operatives get only a fraction of their required money from the Reserve Bank. They get money at higher rates from other sources also. Money is being given by the Reserve Bank mainly to two or three States where the co-operative system is well developed and in those States the rate charged by the co-operatives from the primary tenants is, I think, round about 6½ per cent, to 7½ per cent.

SHRI M. VALIULLA: Does not the Government feel that there is a vast difference between 1½ per cent, and 6½ per cent, and 7½ per cent.?

SHRI A. C. GUHA: There may be, Sir. But it should also be realised that the Reserve Bank can give a loan only to the apex bank. Then, from the apex bank, it goes to the Central Bank, the District Bank, etc. So, there are four or five tiers in-between the Reserve Bank and the loanee tenants.

SHRI RAJAGOPAL NAIDU: Sir, is it a fact that the guarantee of the Reserve Bank is limited only to the granting of short-term loans and not medium-term loans?

SHRI A. C. GUHA: I think, Sir, there is a time limit. I am not quite sure, but I think it is 18 months or something like that.

SHRI D. NARAYAN: What are the different rates of interest in different States charged by the co-operative societies?

SHRI A. C. GUHA: In some cases it is 6½ per cent., but generally, it varies from State to State, and I think in some States it rises up to 15 or 20 per cent.

SHRI D. NARAYAN: Which are the States that are charging 15 to 20 per cent.?

SHRI A. C. GUHA: I am stating from memory; I think in Rajasthan and Hyderabad it is about 20 per cent. But I should say that there co-operatives are hardly organised.

SHRI D. NARAYAN: What is the rate in the Bombay State?

SHRI A. C. GUHA: I think it is 6½ per cent, or so.

SHRI RAJAGOPAL NAIDU: May I know the reason why the Reserve Bank is not giving any guarantee for the granting of medium-term loans and long-term loans? Why is it giving guarantee only for short-term loans?