

**CHAPTER - I**  
**INTRODUCTION**

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**1.1 Importance and growth :**

The importance of corporate form of business organisation in the overall economic development of a country is beyond criticism. Composition and method of operation of corporate bodies may vary from place to place under regulated economy of different countries but its role in the perspective of industrialisation and growth in multifarious directions in a country is hardly over emphasized.

Joint stock form of business organisation, better termed as corporate business sector has, at present, become a way of life and it plays a vital role for the allround development of a country. Specially, in India where there are various problems, such as unemployment, under employment, poverty, malnutrition, illiteracy, health and medical treatment, housing etc., the companies are expected to raise the national income and per-capita income and take the responsibility of proper distribution of national wealth amongst all the people of India by running the companies efficiently primarily with social and profit motive but with final object of bringing in social justice.

There are many persons, such as, Mr. Jayanta Sarker, Resident Editor, the 'Economic Times', Calcutta Office, and Mr. Swapan Kumar Mondal, Deputy Registrar of Companies, West Bengal Zone, Calcutta, who are of the opinion that 'growth of economy'

and 'social justice' can not be brought at a time. We are to make choice which one is to be realised first - 'social justice' or growth of economy. According to them, growth of economy must be given priority to social justice. Without the growth of wealth, distribution amongst the masses i.e. bringing social justice will mean only distribution of beggary. They argue that our economy is lacking in comparison with other industrial developed countries because we have been going for a long time to a wrong direction i.e., giving priorities to both 'growth' and 'social justice' at a time. Social justice can wait but the growth of economy can not be deferred.

But in a country like ours we can not deny the people the long-cherished social justice. What is the utility of the growth of the national income if the poor masses do not get a square meal a day? Poverty must be abolished. Provisions must be made within the framework of our constitution to find out ways and means to alleviate the pains of the people.

Corporate legislation and management of corporate sector impart the greatest influence on the economy of a country. Therefore, persons who control the management are expected to perform their duties and responsibilities by which the interest of the whole nation can be achieved. The management body of the Company has undoubtedly to look after the interest of the Company but at the same time it must not forget that the law has recognized the body as a statutory instrument for serving the public interest. This is vitally important.

At present, in India, almost all economic activities are directly or indirectly connected with or incidental to corporate form of business. In a recent statistics, it is seen that, of the total number of 96,470 companies at work in India as on March 31, 1984, 93,294 companies were in the non-Government sector and 970 were government companies. As early as 1956-57 i.e. soon after the coming of the Companies Act, into force in 1956, the number of government companies was only 74 but they rose by more than 13 times by 1983-84. On the other hand, during the same period, the number of non-Government Companies increased by only 3.2 times from 29,283 to 93,294. Of the Companies at work in India on March 31, 1984, there were 232 Companies with unlimited liabilities and companies limited by guarantees. There were 1598 Companies, registered under the Companies Act, which are actually associations not for profit. Foreign Companies as defined under the Section 591 of the Companies Act, 1956 numbered 326 on March 31, 1984.

The paid-up capital of 93,294 private sector Companies stood at Rs.5,514 crores, whereas the paid-up capital of 970 Government Companies stood at Rs.16,415 crores. The paid-up capital of Government Companies increased from Rs.73 crores in 1956-57 to Rs.16,415 crores in 1983-84 (nearly 226 times) while the paid-up capital of non-Government Companies increased from Rs.1,005 crores to Rs.5,514 crores during the same time (a rise of about 5½ times).

Besides, the companies registered under the Companies Act, 1956, there are branches of foreign companies as defined under section 591 of the Companies Act, 1956 operating in India. These Companies which stood at 551 in 1956-57 showed a gradual decline with coming into force of the Foreign Exchange Regulation Act, 1973 and at the end of 1983-84 stood at 326.<sup>1</sup>

According to the Sachar Committee Report, as March 31, 1977, there were over 58.04 lakhs of people employed by the non-Government Companies in Private Sector. Investment of five financial institutions in total paid-up capital of 388 Companies with a paid-up capital of Rs.1 crores or more, comes to a little above 18 per cent of the paid up capital.<sup>2</sup>

On that date number of Companies in Private Sector had been 46155 with total capital of Rs.2,769 crores. As per figure stated above on 31.12.1984, number of Companies has become more than double i.e. little over 102.15 per cent and rate of paid-up capital also rose little over 100 per cent. There is every possibility that number of workers also increased in the same proportion. There is also likelihood of the fact that the Government's shareholding/loan in the Private Sector Companies had increased at a higher rate.

Ours is the era of Corporation. At present, large scale business means business organised as a Company form. According

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1. The Economic Times, Calcutta, April 17, 1985.
  2. Report of the High-Powered Expert Committee on Companies & MTP Acts, August 1978, under the Chairmanship of Justice Rajinder Sachar, Para 12.3, P.98.

to Justice Rajinder Sachar, "Private Corporate Sector's contribution is 10 to 12 per cent of the total investment in the country while 40 per cent of the investment in the country is in public sector and nearly 50 per cent of the investment was in the household, small and cottage sector."<sup>3</sup> It is evident that total Corporate Sector's investment is (Public Sector together with Private Sector) about 60-62 per cent of the total national investment. Not only that, Corporate Sector supplies infrastructure raw materials, creates and helps to expand demand of the products of the household, small and cottage Sector. Company Management is expected to provide more employment which our country badly needs.

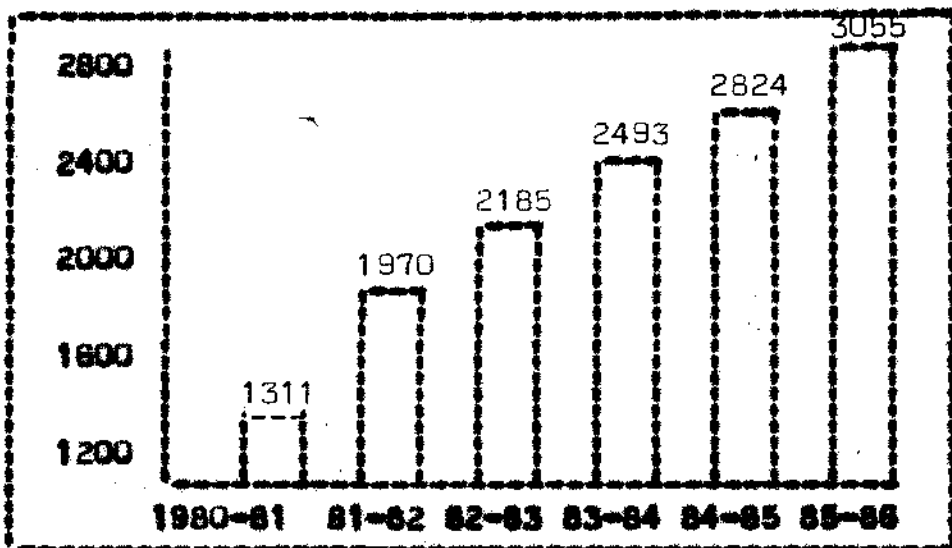
a) Importance of Companies as regards revenue earnings by the Government :

Companies and their nature of management is important from the point of view of tax-collection by the Government. The Union budget for 1985-86 has placed the yield from Corporate Tax at Rs.3,056 crores as against Rs.2,824 crores in 1984-85 (revised estimates), showing a rise of 8.2 per cent. Between 1983-84 and 1984-85, the yield from Corporate Tax has increased by 13.3 per cent.

During the five-year period of the sixth plan, the Corporation tax-yield has risen by more than 115 per cent from Rs.1,311 crores in 1980-81 to Rs.2,824 crores in 1984-85.

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3. Sachar Rajinder, Judge, Delhi High Court, New Delhi in his the Article "Corporate Laws; Effect on the Growth of Corporate Sector" - Chattered Secretary, January, 1981.

**FIGURE NO.1**

**DIAGRAM** showing increase in Corporate Tax Revenue from the financial year 1980-81 - 1985-86 in crores of Rupees.

Besides the Corporate Tax, other heads of revenue with a spurt of more than 100 per cent during the sixth plan period were customs duty (108.3 per cent) and other direct taxes (other than income-tax, corporate tax, hotel receipts tax and interest tax) - 117.7 per cent.

The overall gross tax revenue of the centre showed an increase of 79.8 per cent during the sixth plan period. It rose from Rs.1318 crores in 1980-81 to Rs.23,702 crores in 1984-85. The 1985-86 budget expects the gross tax revenue at Rs.25,945 crores.

The smaller rise in the expected Corporation tax-yield, during 1985-86, has obviously come out of the allowance of certain concessions, a cut of 5 per cent in the corporate tax-

rate and other modifications of the provisions under the Income Tax Act.

In spite of the laudable efforts of the Government in bringing down the effective tax-rate, Corporation Tax yield has been quite high, as compared with the other heads of revenue. In other words, there is an in-built growth in Corporation Tax yield arising out of the better performance of the corporate units in profit-generation. The Corporation Tax yield at Rs.3,055 crores for 1985-86 forms 12.0 per cent of the gross total revenue budgeted by the Government for that year.<sup>4</sup>

b) Importance of companies for the improvement of the agricultural sector in India :

The Corporate Sector directly or indirectly exerts great influence on the agricultural sector for its improvement and development. Industries relating to fertilizer, pesticides and power, agricultural implements, provision for protection of seeds and warehousing of agricultural commodities are generally organised in the Corporate Sector. Apart from it, private Corporate Sectors have shown their interests in direct involvement in agricultural production in comparatively underdeveloped areas. Indirectly, the Corporate Sectors create demand and expand market for agricultural goods not only for raw materials

4. The Economic Times, Calcutta, March 23, 1985.

required for industrial production but also for food, shelter and clothings. On the contrary, agriculture sector also plays most effective role for the improvement of Corporate Sector by creating demand; supplying raw materials, labour-force etc.

c) Importance of companies to overcome the foreign exchange crisis :

Importance of companies to overcome the foreign exchange crisis from which India has been suffering for a long time can hardly be overemphasized. A substantial portion of foreign exchange earnings is made by the Corporate Sector not only by exporting goods and technical services in different countries but also by alluring and encouraging non-resident Indians to invest in Indian Private Sector Companies. Government's initiative and encouragement in this regard is praiseworthy. Though discussion on these matters, as a whole, is not within the purview of our study, yet investment by non-resident Indians only has been discussed in some relevant chapter in our study.

d) Company-management and national interest :

The well-managed companies certainly will serve the national interest. Ninety per cent of the economic activities of a country is directly or indirectly dependent

upon the development of the company and its better management. In this respect, it is worth mentioning the statement made by Mr. M.A. Write, Chairman of the Board, Humble oil and Refining Company which is quoted below :

"If we want to preserve the principle of individual freedom and private initiative, we must devote an increasingly larger proportion of our time to meet the nation's social needs. The day has passed when our public responsibility can be met merely by offering sideline criticisms of the Government's efforts. In effect, we must move into the social welfare field and offer constructive alternatives to the Government's programmes. At the same time, we continue to encourage policies which will promote economic growth, still the greatest force in the fight against poverty."

The author speaking as an oilman said, "The petroleum and auto industries cannot be satisfied until the automobile is made virtually smokeless. This is an economically feasible goal and industry is working toward this end." But in this context he warned that if business did not move swiftly and effectively enough ..... tomorrow our action may be tightly controlled by Government regulations." And he added this double-edged idea, "If our efforts in this area are not made mandatory, not only will we be forced to take more costly and less efficient action, but we will also forfeit our claim to being a responsible segment of society."<sup>5</sup>

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5. Wright M.A. The Business of Business - Private Enterprise and Public Affairs, Rupe & Co., Calcutta, Allahabad, Bombay, Delhi - special edition, 1971 P.VIII.

In India also different companies in their Annual Report, have stated the social responsibilities they have undertaken in different fields of activities.

Potentialities for industrial growth :

India has got tremendous potential power for industrial development through proper management of companies.

The following lines will justify the potentialities of India as referred to in Kothari's 'Economic & Industrial Guide of India 1982-83.'

"India already hold the eighth place amongst the industrially advanced countries of the world in terms of volume of its industrial production while it is the third largest reservoir of scientific and technical man power and skilled labour force, next only to the U.S.A. and U.S.S.R. Though its continued and sustained planned efforts since 1951 the country has laid a strong and viable foundation which can enable the economy to make rapid strides. India's striking, economic achievements through planned development are lessons of great relevance to other backward economies of the third world."<sup>6</sup>

In fact, India has come out from the stagnant growth rate of 2.5 per cent, and during the year, 1984-85 the growth rate was 7 per cent. Mr. D.N. Patodia, President of the Federation of Indian Chambers of Commerce and Industries said in

6. Kothari's Economic and Industrial Guide of India, 1982-83 Kothari & Sons, Kothari Buildings, Madras.

Madras on 15th July, 1985 that the private sector could achieve an annual industrial growth rate of ten per cent provided it were able to reduce the estimated big resource gap of Rs.16,000 crores.<sup>7</sup>

He also advised the business communities to take full advantage of the liberalisation movement initiated by the present Government.

## 1.2 Origin of company form of business organisation :

"The 20th century, particularly after the First World War, can be called the new era of the Corporation. Industrial revolution brought about a great change in the way of life of human beings. It requires collective organisation of men and materials. To bring its human structure and physical plan into existence, to carry out its operations, to distribute its products, to meet the growing demand made on it in peace and war, proved wholly beyond the capacity of individual entrepreneurs."<sup>8</sup>

As the 20th century moved into the afternoon, two systems have emerged as vehicles of modern industrial economics. One is the socialist commissariate; its highest organisation, at present, is the Soviet Union. The other is the modern Corporation, highly developed especially in the United States (and also in West Germany and Japan).

Henry Maine in his half-forgotten classic, 'Ancient Law',

7. The Economic Times, Calcutta, July 16, 1985.

8. Berle in the Corporation in Modern Society quoted from S.C. Sen : The New Frontiers of Company Law, Eastern Law House, 54, Ganesh Chandra Avenue, Calcutta 700 013, 1st. Edn., 1971, P-2.

seems to have made the best judgment, guess and myth though it may be, about the origin of the Corporation in the Roman Republic. He observes that it arose in the frequent occasion of the crisis when father of a family died and the family with its sons, daughters, adopted children and slaves, had to be recognised in order to perpetuate the property and the civil functions of the members of the family. In this context the fiction of 'legal persons' had raised its fearsome head.<sup>9</sup>

The similar idea of worshipping Hindu deities representing human beings furnishes the legal identity of juristic personality. While delivering the judgment in the famous case *Rambrahma Chatterjee V : Kedar Nath Banerjee* (1922) 36, C.L.J. 478, 483, Mukherjee J. states "we need not describe here in detail the normal type of continued worship of a consecrated image - the sweeping of the temple, the process of swearing, the removal of the precious day's offerings of flowers, the presentation of fresh flowers, the respectful oblation of rice with flowers and water, and other like practices. It is sufficient to state that the deity is, in short, conceived as a living being and is treated in the same way as the master of the house would be treated by his humble servants. The daily routine of life is gone through with minute accuracy; the vivified image is regarded with the necessities and luxuries of life in due succession, even to the changing of clothes the offering of cooked and uncooked food, and the retirement to rest."<sup>10</sup>

9. Scott Buchanan's :  
The Corporation and the Republic quoted from S.C. Sen :  
The New Frontier of Company Law, Eastern Law House,  
Calcutta-13, 1st. Edn. 1971, P-10.

10. *Pranath Nath Mullick V. Pradyumna Kumar Mullick*,  
52, Indian Appeals, PP 250-251.

Mr. S.C. Sen draws inference from discussing the fact that "Tendency of associates is a part of human nature. The natural development is growth of institutionalism. A number of human beings driven by a common interest or a common faith formed groups and out of these group-associations started institutionalism, the ancestor of Corporations. The oldest associations known had been formed under a belief in God or a power. The christian Church as an association of men became the mystical body or the Corporation of Christ. This was one of the earlier institutions known in Corporations. Perpetual association and a belief in a common faith led to a state where the manyness of the members and the oneness of the association were merged."<sup>11</sup>

### 1.3 The Constitution of India And Company Management :

The Constitution of India in its Preamble has enshrined socialism as one of its objectives. The Directive Principles of State Policy, envisage to secure to all persons justice- social, economic and political. Various corporate laws have been formulated, amended and brought upto-date in pursuance of this obligation.

Corporate laws are absolutely essential for the proper growth of the economic system on the right line. The company is an artificial person created by the law of the society. In a democracy, the state represents the society and the economy

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11. Sen S.C., The New Frontiers of Company Law, Eastern Law House, Calcutta, 1st Edn. 1971, P-10

and Corporation is an artificial person created by the State. Normally, in case of natural person, all personal rights end with death. On the death of natural person, the heirs succeed to the estate and the estate duty is payable on each successive death. As against this, the society or state creates a legal person with perpetual succession. A sort of immortality is conferred on it subject to winding-up. The artificial persons do not pay estate duty. While a private individual has to pay his liabilities out of his entire estates. In the case of Corporations, state limits its liabilities to the extent of share-holding. An artificial person created by the state is the child of the state and state creates its child for the greatest good of the greatest number. It must be created only in the public interest and not otherwise.

#### 1.4 Income Distribution And Company Management :

While discussing the growth of corporate sector, one must remember that a mere increase in the G.N.P. is not necessarily an indication of happiness and welfare of the nation. In 1978 there were a minimum of 20 million unemployed and this number is being enhanced per year, at least, by five millions. If our country is to be claimed to be a democratic republic with socialism at its objectives, it stands to reason that it can not have vast and immeasurable gaps amongst different segments of population.

Justice Rajinder Sachar describes the real position of uneven distribution of wealth and poverty in his article, "Corporate Laws : Effect on the growth of corporate sector" which is as follows : "In the urban cities 1 per cent wealthiest control 20 per cent of the total urban wealth and 4 per cent of the top, control 41 per cent of the urban wealth, 20 per cent of the top, control 53 per cent of disposable income,"<sup>12</sup>

According to the central statistical organisation, the per capita national income from agriculture at 1970-71-prices stagnated at the same figure as it was in 1950-51. The poor people in India (309 millions in 1977-78) have been counted as those who did not even have Rs.2.15 to spend per capita per day in the rural areas and Rs.2.50 in the urban areas in the prices of 1977-78. The all India figure showing the difference between the richest and the poorest in the rural areas is 164.2 times while in Andhra and Karnataka it goes to 195 times and 200 times. The type of poverty and misery found in our country has hardly a few parallel. "Such colossal disparities in the standard of living of millions of the people scoff at the democratic pretensions and the often reputed commitment to setting up an egalitarian society. To the extent that the corporate sector modulates policies in full realisation that above all it must play a constructive role in removal of poverty, it would have justified its rational."<sup>12A</sup>

Professor Gunnar Myrdal, the Swedish economist and Mr.

12. Sachar Justice Rajinder : Article - Corporate Laws Effect on the growth of corporate sector : Chartered Secretary Vol x i No.1 January 1981, P-7.

12A. Ibid, P-7.

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Macromere have given stress on the removal of injustice. If it is neglected in the plea of economic growth, it will be a direct denial of the benefits of development.

Mahatma Gandhi also during the freedom-struggle promised that the first priority for an independent India must be the removal of the poverty. He said "We may not be deceived by the wealth to be seen in the cities of India - it comes from the blood of the poorest - I know village economics. I tell you that the pressure from the top crushes those at the bottom. All that is necessary is to get off their backs. The present distress is undoubtedly insufferable. Pauperism must go."<sup>13</sup>

Should we forget the warning of the Father of the Nation and provisions of the constitutions (Articles 38, 39, 40-43 and 43A) ?

In fact the adoption by parliament of 'the socialistic pattern of society' as the objective of our social and economic policy in December, 1954 followed directly these directive insertion of the constitution of Article 43A which states, "The state shall take steps by suitable legislation of workers in the management of undertakings, establishments or other organisations engaged in any industry."<sup>14</sup>

In the draft of different five-year-plans, the same principle of social justice, equality, and provisions for

13. **Social Justice Rajinder : Article - Corporate Laws Effect on the growth of corporate sector ; Chartered Secretary Vol XI No.1 January 1981 PP 36-37.**

14. **The Constitution of India, Article 43A**

adequate means of livelihood are stated. The corporate sector, for its bright image and rational outlook must continuously remember it and plan its strategy accordingly.

As the impact of the corporate sector on the economy of a country is stupendous and as its involvement is overwhelming, it cannot be allowed to go alone. The new outlook of the structure of management must be sought for in order to fulfill the aspiration of the nation, the utilization of manpower and natural resources of the country in a desirable way and finally for upholding the public interest.

Sachar Committee recommended for a considerable relief to companies having paid-up capital of Rs.5 lakh or less. But big companies having thousands of crores of rupees as paid up capital and with millions of employees as workers they must be under the regulation and control of the State.

#### 1.5 Indian Companies Act with Amendments and Relevant Acts:

To keep parity with the changing social and economic needs of the country like India the Indian Companies Act has undergone changes for a number of times since its first introduction in 1850 in the name of 'Joint Stock Companies Act, 1850.' But company management is answerable for its activities to different parties, creditors, customers, employees, shareholders and society at large. There are other relevant Acts

like securities contracts (Regulation) Act, 1956, MRTP Act, 1969 and also other regulations and guidelines like Foreign Exchange Regulation Act, 1973, Industries (Development and Regulation) Act, 1951, Guidelines of the Reserve Bank of India and different financial institutions, own directives and also Company's own policies towards lending are all meant for safeguarding the interest of different parties. Therefore, all these Acts and Regulations are also to be considered to highlight how far the objectives are fulfilled.

The continuous controversy over investment by non-resident Indians in the Indian Corporate Sector vis-a-vis the role of the financial institutions in the Company Management, the arbitrary decision of the existing management for non-registration of transfer of shares, problem of workers' participation in management, the decision of the Bombay High Court in *Suresh Pal Escot/DCM* case, sickness of the industry which amounts to 80,000 as on 31.12.83, separation of the relationship between shareholders and management in one hand and management and control on the other, question of concentration of economic power and accountability and professionalisation of Company Management need further indepth study.

Inspite of amendments of Companies Act and other relevant Acts for a number of times in India the present form of Company Management is not a full proof to keep track with the diversified

interests of different parties and to fulfill the clear objectives of nation-building considering its social responsibility. That is why a number of committees, commissions and study groups have often been formed to suggest means and measures to create congenial relationship between Company Management and shareholders and other parties and their contributions as partners for social uplift.

There are different case laws decided by the Supreme Court and different High Courts mostly to the relationship between company management and shareholders, creditors and different regulatory bodies. From all these, inference can be drawn that there exist in dimension some loopholes in the functioning of Company Management and its composition.

#### 1.6 Objectives of the study :

- a) whether the amendments and different changes in the Companies Act, since 1950 have been in conformity with the objectives laid down leading to such enactments;
- b) the existing ways and means of safeguarding the interest of parties associated with the companies, in the light of existing practices in different countries like the USA, the USSR, West Germany, Japan etc. In our socialistic pattern of society there is every likelihood that the socialist form

of management of the state-owned enterprises of the USSR and China exerted great influence on the management pattern and practices in this country. Therefore, the system of management of State-enterprises of those countries is also to be discussed;

- c) the existing norms of 'democratization' when there is dispersal of shareholdings, negligence on the part of the shareholders and lack of knowledge in the laws and affairs of the Company and to analyse whether it is possible to establish democratization of shareholders by providing enactment or amendment in this regard;
- d) the need for greater professionalisation in Company Management to get rid of mutual suspicion between management and ownership, company and Government; and
- e) to suggest an ideal form of Company-Management which will create healthy relationship among all the parties concerned, which will play a greater role in nation-building, in social and economic spheres and which will invite lesser number of litigations and assure least wastage of time and money leading to rational form of Company Management. But it should be remembered that the society is always a dynamic one and to suit the needs of changing society, no format should be taken as an ideal one for ever.

## 1.7 The Scope of Study :

'Corporate Management' bears two meanings - one is broader which covers all management functions in a corporate business enterprise such as production, marketing, finance, material and personnel management and all corporate planning and execution according to planning. In other words, it relates to the total process of management of a corporate enterprise. In a narrower sense it is concerned with the structure of the top management in a company with the persons manning it and covers such technical aspects as the functions and role of the board of directors, its relationship with the shareholders and with the chief executive, the rights and responsibilities of the shareholders and the various legal or institutional forms to express them. In doing so, it also enters into the more general issues of the relationship between society and corporate business and latter's responsibility towards the former and in its most visible symbol, the Government.<sup>15</sup>

It is in this second sense we have understood corporate management. This is our first limitation.

Managing Agency is the first institutional form of Company Management in India. For the period 1810 to 1970 it dominated the scene of company management in India and eclipsed the institution of board of directors. The domination by the managing agency

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15. Sengupta Dr. N.K., Changing Pattern of Corporate Management; Vikas Publishing House Pvt. Ltd., New Delhi, 2nd Revised Edn. 1983, P-1.

was gradually declining after independence. In the earlier part of the history of company management the main theme constitutes the managing agents. Detailed discussion has been made on the origin and background of the class of people who comprise director of large scale companies, their entrepreneurial attitude, promotional role, family or group from which traditional business classes appear, their role to accommodate the new circumstances appear and finally the growth of professional management. We have also tried to highlight the other correlated forms of management, such as, secretaries and treasurers, manager and managing director etc. After abolition of managing agency and secretaries and treasurers from the soil of India on and from 3rd April, 1970, the only alternative forms remains is the management by board of directors. Our study of 75 companies reveals that 25 companies are managed by the board with 1 managing director-cum-chairman (33.3%), 17 companies by the board of directors without any managing director/manager/whole-time director (22.7%), 19 companies by the board with managing director including executive director/directors/more than one managing director (25.3%), 2 companies are managed by board with managing director including whole time director (2.7%), 12 companies are managed by two-tier board (16%).

Two tier management of company is a new out-look of the history of company management in India. This tendency is visible

from the Annual Reports (1983-84) of the following companies :

- 1) Associated Cement Companies Limited;
- 2) Mahindra & Mahindra Limited;
- 3) The Bombay Dyeing And Manufacturing Company Limited;
- 4) Ashok Leyland Limited;
- 5) Tata Iron & Steel Company Limited.

The board of directors of Associated Cement Companies (ACC) announced at Bombay on the 17th July 1985 that the company will not have a managing director, but will be managed by the board acting through the executive committee of the board of directors.

A press release, issued by the Company in the evening issue, says that Mr. T.V. Balan, whole-time director, and Mr. A.L. Kapur who has been appointed as a whole-time director on the board will share the day-to-day responsibilities for running the organisation under the direct supervision of the executive committee of the board of directors.<sup>16</sup>

Out of 300, industrial giants in the private sector ranked according to net sales in 1983-84 published in a special issue of Business Standard reveals that 285 companies (95%) are managed by the board with managing director/chief executive/executive director/president.<sup>17</sup>

It is expected that new style of management i.e. two-tier

16. The Economic Times - Calcutta, July 18, 1985.

17. Business Standard, Calcutta - 300 Corporate Giants. A special study Table A, June 28, 1985, PP 25-35.

system is going to be popular day by day and it will go on increasing in a number as a process of historical evolution.

Top management of a company, whose duties encompass the management of managers, has a crucial part to play in this direction right from the beginning of employment of Managers/Managing Director possessing motivational attitude. Success of the top management depends on and starts with knowledge and therefore, it must aim at creating a thirst for knowledge amongst their managers/managing director or executives. Knowledge when put to practice invariably brings about confidence and this leads to success, thereby putting greater efforts to work harder for perfection. A desire for greater knowledge along with success drives him on and on.

Executives should have the attitude of entrepreneurship, who should constantly search in their environment the opportunity which they can exploit. The resources are land, labour, capital and organisation to work with and such scarce resources must be utilised with greater caution to expand their business and activities to avoid any calamity due to bad management.

The second limitation of our study is that we have tried to highlight the affairs of top management of the private sector companies and therefore, the subject-matter of our analysis is based on the working of the organised private sector companies in the light of the experience of the successful management techniques

followed by different countries for management of their own enterprises. In our study, it will reveal that techniques and methods of management of companies adopted by different countries are exerting their influence on the Indian method of company management. As for example, we can say that two-tier system of West Germany, professionalization of company management of the USA, whole-life employment policy of Japan, the executive like manager/managing director system of Great Britain and above all, the socialistic management of the state-owned enterprises of the USSR and China - all these techniques and styles have embellished our form of company management.

There are also some peculiar characteristics of private sector company management culture in India. Dr. R.K. Hazari, in his article, 'Management : Hereditary and professional', states, "One of the business groups in India is having a system of financial control, which probably is one of the finest systems of control anywhere in the world."<sup>18</sup> Mr. Ashok Mehta observes in his article that most Indian organisations have shown a remarkable insensibility to the attitudes and values of their people - which roots to this attitude lie in the joint family system, wherein there is precisely the equation between the individual and the system.<sup>19</sup>

The most important feature of the Indian system of private sector corporate management - specially the large ones

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18. Hazari Dr. R.K. Article : Management : 'Hereditary and Professional' published in Chartered Secretary, VOL. NS, June, 1980.
19. Mehta Ashok Article 'Value erosion and managerial alienation in Indian Organisations' Business India January 14 to 27, 1985.

which constitute groups enjoy a lot of power, has become the root of problem of management. During the first and second decades of independence, the Government concentrated on industrial growth. During this period, the private sector companies did excellent job for the industrialisation of the country, of course, by receiving financial and other helps from the Government. This caused concentration of wealth in few hands, accumulation of black or unaccounted money, inequality of income and disparity between have's and have-not's. Naturally, the new course where a democratic Government wedded to socio-economic reform of the society had to take stock of the actual and potential politico-economic power which the private sector has come to acquire and think of appropriate steps to keep it under control. But the course of the flow of a river can not be turned just opposite direction by statute. As a result of the strict control, though claimed by the Government, has improved economy but in actual practice, it neither proved satisfactory to the businessmen nor brought the social justice to the ordinary people of India. On the contrary, it causes uneconomic growth of economy which is not viable and capable of standing in world competition. On the other side, problems relating to concentration of economic power and accountability have increased.

In order to solve the problem of restraint, present Government has taken the initiative to liberalize policies and to reduce cumbersome procedures. It has sought to give a new

direction to economic policy via liberalisation of imports and industrial licensing, relaxation of MRTP restrictions by increasing ceiling from Rs.20 crores to Rs.100 crores, relaxation of corporate tax rate from 55 per cent to 50 per cent, import of technology, invitation of multinational companies to establish business in India in the specific field of sophisticated export oriented goods, imports of technical know-how, encouragement of non-resident Indians for investment in Indian industries, concession of custom and excise duties in certain cases, formulating new textile policy and all making suitable provisions for sick industries. Moreover, priority so far given on public sector has been thrust upon the private sector.

While inaugurating a workshop on 'high-cost of economy' at New Delhi, on July 18th, 1985 the Union Minister for Industry and Company Affairs, Mr. Veerendra Patil urged the industry to respond to the moves made by the Government. The minister maintained that the Government on its part had brought about major changes in the import policy, electronics policy, industrial policy and allied areas. Therefore, the 'ball is now on the court of the industry and you have to respond positively by raising production, improving productivity and bringing about cost reduction and quality improvement.' This, the Minister averred, would indicate the Government's faith in the strength and dynamism of the Indian industry. Otherwise, it would not only lose the sympathy of the people but also the moral right

to approach the Government. Speaking on the occasion, Mr. S.K. Birla, complimented the Government on the policy-measures taken recently. It was imperative to capitalise for the rapid expansion of the economy so that the benefits reached the weakest sections of society, he said.

In our view, under the present structure of management, problems would not be solved as the board of directors of the company is powerless and acts like dolls at the hands of the visible or invisible powerful groups or individuals possessing substantial stake. Members of the board remain in power so long they serve the interest of the groups or individuals holding power.

The structure of the top management must be changed in order to make it a rational, result-oriented and effective, to maintain industrial peace, to solve problems of economic power and accountability, to establish greater amount of professionalisation and to provide the boards of directors with representation from major financial institutions and banks which invest a substantial part of finance amounting Rs.12,195 crores as on March, 1983<sup>20</sup>, representation of Government mainly for upholding the public interest and of workers as promised by the constitution of India.

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20. The Economic Times, Calcutta, October 2, 1984.

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**COMPONENT - WISE  
 ASSISTANCE DISBURSED  
 BY FINANCIAL INSTITUTIONS**

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**END OF MARCH 1983, RS. CRORES**  
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FOREIGN CURRENCY LOANS(8.2%)	EQUITY & PREFER- ENCE (4.8%)	DEBEN- TURE (3.1%)  GUARAN- TEES (0.3%)
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**The cumulative assistance to the  
 Companies.**

The cumulative assistance dis-  
 burged by all financial institu-  
 tions upto the end of March, 1983  
 amounted Rs.12,195 crores. More  
 than four-fifth of the total  
 assistance was in the form of  
 rupee loans. Foreign currency  
 loans amounted to Rs.995 crores  
 only. The balance amount were  
 disbursed against shares, deben-  
 tures and guarantees.

ET Research Bureau.

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**TOTAL RS.12,195 CRORES**  
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In order to understand the amount of investment made by the public financial institutions, two quotations are worth mentioning. These are as follows :

"A recent compilation of the top 542 private sector companies ranked according to their net assets shows that the aggregate net assets of these companies which should account for the bulk of the entire private sector amounts to Rs.14,780 crores.<sup>21</sup>

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 21. Commerce, Bombay, March 20, 1982.

"As on 31st March, 1984, the total paid-up capital of 93,294 private sector companies stood at Rs.5514 crores, whereas the paid-up capital of 970 Government Companies stood at Rs.16415 crores.<sup>22</sup>

The above mentioned figures show what a colossal amount of public money has been invested in the private companies by the financial institutions. This is a peculiar feature of the scene of the private sector companies in India. As all of these financial institutions are owned by the Government, it has become a moral obligation on the part of the Government to nominate a number of directors to the board in which public money from these institutions has been invested and to look-after and guide for its proper utilisation. This experiment has proved successful in company management in other developed countries of the world. Two-tier board with consequential effect of the emergence of the workers' participation and professionalisation seems to be the process of evolution of the company management in India. These trends are bound to get more pronounced and have paved the way towards the system of Multiple Two-Tier board.

#### Multiple Two-Tier Board :

Of the Two-Tier Board, the first board will be named as Policy Board consisting of proportionate representatives of directors on the basis of shares held by individuals, banks and

22. Op.cit, April 17, 1985.

financial institutions. Besides these, there will be one or two representatives of the Government depending on the largeness/capital investment or public interest. One third of the number of members of the Policy Board will be represented by workers' representatives. Bank will also nominate representative/representatives as a trustee of small holders of equity stake. From amongst the representatives of Government/Bank and Financial Institutions Chairman of the Policy Board will be selected. The managing director will be selected from amongst the individual shareholders (the representative of major shareholding by an individual or group/groups will be selected managing director). The managing director being ex-officio member of the executive board would be the President of the Executive Board and act as a link between the two boards. Policy Board will formulate policy and supervision of the actual implementation of those policies will be made by the Executive Board.

The Executive Board will consist of the professional employees, possibly, in-charge of or departmental heads including the managing director. Their duties would be to implement and translate into practice of those policies formulated by the Policy Board. The difficulties in the way of actual working or hurdles they face or their expertise opinion are to be communicated through the managing director or by inviting them to the meeting as special invitee or by written communication as assigned to them.

This system can be applied with profit both in public and private enterprises. Mr. S.L.N. Sinha while forwarding the book *Corporate Management and Accountability* by Dr. L.C. Gupta states, "In the running of public sector units the assistance of private entrepreneurs should be mobilised. What is standing in the way of this being done is a lot of suspicion on the part of the Government regarding the bonafides of the private entrepreneurs. There are a lot of able and honest entrepreneurs who are ready to make their services available to the Government on an honest basis. As regards the regulation of the private sector, the trouble in the country is not lack of legislative authority but unwillingness and incapacity to administer the laws. But the private sector must reform itself in a spirit of enlightened self interest. A sense of trusteeship should prevail in private sector management, which must also make profits on the basis of efficiency, rather monopolistic and unfair practices. There is ample evidence to prove that private benefit and public good can be harmonised."<sup>23</sup>

We sincerely believe that Multiple Two-Tier Board form of management will be able to solve many problems such as economic power and accountability, hurdles in the way of implementation of new economic policy, better utilisation of man power and natural resources and elimination of sickness in industries "which amounts to 80,000 units as on 31.12.83"<sup>24</sup> promote greater productivity and ensure better motivation.

23. Sinha S.L.N. Director, Institute for Financial Management and Research, Kothari Road, Madras 39, while forwarding book, *Corporate Management and Accountability towards Joint Sector* by Dr. L.C. Gupta. The Macmillan Company India Ltd. 1st Edn. 1974, P.IV.

24. The Economic Times, Calcutta, October 2, 1984.

The main objection to this new format may be that homogeneity of the board may not be maintained for taking decision which is too vital for any economic enterprise. Our view is that the chairman with his skill, personality, education, sincerity and efficiency can bring in homogeneity at boards' meetings. On the plea of homogeneity, the members of the board should not be made rubber stamp.

Secondly, it may be argued against this system that there is a danger of the Government representatives waiting to consult, at every stage, the numerous departmental officials and the Ministers, thereby delaying decisions. Ultimately, either Government representative or the private entrepreneur will have to be entrusted with the decision making authority. In the new scheme of board, there will be representatives of different components which constitute a company. Therefore, it will continue to be a going concern for serving reciprocal interests. The fact is that the company goes on in normal time as a running concern without any difficulty. The problem arises during the time of crisis. In our view this crisis can be overcome by the combined strength of the board. Financial difficulties can be easily solved by the initiative taken by the bankers' representatives, industrial unrest can be solved with the sincere efforts by the workers' representatives.

Business community may consider it as back-door nationalisation. Against this argument, it can be said that any democratic

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Government would not allow an enterprise unbridled to go on recklessly wherein so much public money, so many workers, and above all, public interest are involved. On the contrary, power and prestige depend upon honest performance of entrusted work performed by an individual. An honest entrepreneur must accept this challenge and adapt himself to the new situation and exert his full energy, efficiency, skill and sincerity for the better performance of the enterprise in which he is involved. An example, collaboration of Goenka group with the Government of West Bengal in Haldia Petro-Chemical Complex in joint sector enterprise will encourage other businessmen to come forward in the similar joint sector project and ultimately welcome Multiple Two-Tier Board system of management.

The socialists may argue that under 'Multiple-Two-Tier Board system' private sector businessmen or group in substantial shareholding will run the company and their illegal activities might be approved by the inefficient representatives of the Government or financial institutions.

Nationalisation of all companies is the best solution, no doubt. But under the present condition it is neither possible nor feasible. We are to remember that there is no dearth of talents in India who want to act honestly and sincerely. Government must select such efficient, honest and experienced professionals as nominees.

### 1.8 Methodology :

The study is mainly based on theoretical approach showing the evolution in company management and different problems attached thereto. Such theoretical approach has been duly analysed on the basis of empirical evidence supported by different case laws, existing relevant statutes so as to verify different hypotheses evolved from theoretical studies. Over and above the analysis based on a number of specific companies' reports, field study has also been made to suggest some concrete steps to reorganise the present pattern of company management. Therefore, we can say that the methodology adopted in the present study is both theoretical and empirical or in other words, it can be said that it is an admixture of both theoretical and empirical approach.

### 1.9. Present literature and limitations :

We have gone through all the available literatures dealing with the system of management of business enterprises both of capitalist and socialist countries, for upkeeping ourself of recent developments in this respect.

We are referring here some of the contemporary books published after 1950 which supplied us sufficient materials for our study.

Short findings of the available literatures are given below :

1. Dr. N.K. Sengupta  
 Changing Pattern of Corporate Management,  
 Second Edition 1983  
 Vikas Publishing House Pvt. Ltd.,  
 20/4, Industrial Area,  
 Sahibabad - 201010.

This book scans the development of corporate management in the large scale private sector in both organisational and entrepreneurial aspects since the Companies Act, 1913 and more specifically since independence.

2. S.K. Chakraborty, edited  
 Board of Directors in India  
 Their statics & dynamics,  
 Edn. December, 1983  
 All India Management Association,  
 Management House,  
 14, Institutional Area,  
 Lodi Road,  
 New Delhi - 110003.

This book is a compendium of contribution covering practically every aspect of Board Room, practices in the Indian context. The contributors, who include eminent management experts, top executives of leading enterprises, prominent industrialists and distinguished academicians have dealt with a wide range of issues that bear on the effective working of Board of Directors in the Public and Private Sectors.

3. Dr. Nabagopal Das, Ph.D. (Econ.)  
 Lond. I.C.S.,  
 Industrial Enterprise,  
 Second Edn. 1966,  
 Orient Longmans.

This book published in 1938, contains comments on the momentous developments of subsequent years including a

detailed analysis of the new Indian Companies Act which was supposed to come into operation at approximately the date of publication of this second edition (1955).

4. National Council of Applied Economic Research, New Delhi, The Managing Agency System, Edn. 1958, Asia Publishing House, published by P.S. Jaysingh, Bombay.

This book reviewed of the Managing Agency system and its working and prospects of its future.

5. S.C. Sen, The New Frontiers of Company Law Edn. 1971 Eastern Law House, Calcutta.

The book focuses the attention of Corporation Lawyers to the modern developments in Corporation. Due to the fundamental changes that take place in recent time, the English Company Law is no longer the only source, the impact of modern Corporation in the U.S.A., West Germany etc. and the new accounting methods in the U.S.S.R. have set into motion for reaching changes in the conventional approach to company jurisprudence.

6. R.K. Hazari, The structure of the Corporate Private Sector, A study of Concentration, ownership and control Edn. 1967, Asia Publishing House, Bombay.

This Book is a study of twenty business groups which represent a cross-section of the corporate private sector

in India, describes the nature and extent of their control over industry, finance and trade, and examines their participation in share capital, directly as well as through investing companies and nominees.

7. Peter F. Drucker,  
The Practice of Management Edn. 1989  
Heinemann : London.

This book attempts to guide men in major management position enabling them to examine their own work and performance, to diagnose their weaknesses and to improve their own effectiveness as well as the results of the enterprise they are responsible for. It provides a vision of what management is and concrete guidance in the knowledge, performance and discipline.

8. Arabinda Ray,  
The Manager,  
Beyond the Organisation 1st Edn. 1980  
The Macmillan Company of India Ltd., Bombay.

This book deals with the important matter that the possibility of success for an Indian lies in an intelligent appreciation of his living environment and in his adaptation to that particular ethos and not by setting examples from the west which are irrelevant in Indian context.

9. Arabinda Ray  
The Indian Manager in Search of a Style,  
Edn. 1970,  
The Macmillan Co.,  
Bombay.

This book renders guidance to the manager for the adoption

of new changes that took place in India and these have given them opportunity to take managerial profession which had never arose in Indian history.

10. **Brajraj Mohanty**  
**Management Control systems,**  
 1st. Edn. 1980,  
 Macmillan Co., Bombay.

This book contributes to the cause of good management in India through detailed study of the various aspects of management planning and control systems recently designed by top specialist consultants in a very large technology based on Indian organisation and provides realistic options and guide lines for a systematic implementor.

11. **Brecht E.F.L.**  
**Managing For Revival**  
 a plan of action towards effective  
 management through marketing  
 1st published 1972  
 Published by Management Publication Limited  
 for the British Institute of  
 Management London.

It is a simple and urgent message to boards of directors and heads of firms, in the context of the serious plight of the nation's economy and suggests the ways and means of remedying this plight on the basis of determining economic viability.

12. **Honour T.F. and Main varing R.M.**  
**Business and sociology** Edn. 1982  
 Groom Helm : London & Canberra.

This book provides the business studies with a board understanding of the sociological theories and concepts relating

to the business world by bringing together the best of organisation theory, industrial relations theory and industrial sociology in common cause rather than factions disputes.

13. John Blagden  
Management Information Retrieval, Edn. 1980,  
M.P.L. Publication London,

It provides 'information explosion' in management subject. It also includes a classical key to the main alphabetical sequence, a treasures of industries, and a list of management education terms.

14. Roger Falk  
The Business of Management Art and Craft,  
4th Edn. 1973 Published by Management  
Publications Limited for the British  
Institute of Management, London.

This book deals in greater depth with Britains situation and states that the aim of full employment had produced a national commitment to, and pre-occupation with, a declared objectives which gives a keen edge to the management problem and which makes the British situation the more challenging. Enlightened leadership in management can play a decisive part in solving the problem of human survival.

15. Dr. L.C. Gupta,  
Corporate Management and Accountability,  
A Joint Sector, Edn. 1974, Macmillan,  
Published on behalf of Institute for  
Financial Management and Research,  
Madras.

The author in this book developed the idea of joint sector movement in India. The basic idea underlying the concept is a combination of joint ownership, joint control and professional management for greater accountability and checking economic power of the big business houses. Our recommendation of Multiple Two-Tier Board is the extension of the idea of Dr. L.C. Gupta.

Apart from these references are also made of some important books in which the authors deal with the subject matters of company management.

Short findings of the available literatures are given below :

1. J.W. Humble  
Improving Management Performance  
Edn. 1969, 1970.

It contains a dynamic approach to Management by objectives, describing an integrated approach to management development and company planning which increase profitability.

2. Roger Mace,  
Management Information and the Computers,  
1st. Edn. 1974.

Accountancy Age Book, published by Haymarket Publishing Ltd., London.

In this book author describes his appreciation of the interrelationships between management techniques and computer technology.

3. **A. Ramaiys**  
**Guide to the Companies Act,**  
**10th Edn. 1984,**  
**Wadhwa and Company Pvt. Ltd.,**  
**Nagpur.**

It is a legal classic of our times. Most authoritative and dependable. It is a leading commentary company law and effectively meets the problems of company law and management.

4. **Samuel Eilon,**  
**Aspect of Management Edn. 1977,**  
**Pergamon Text Book,**  
**Pergamon Press,**  
**London.**

This book contains realistic approach in form of articles on different aspects of management.

5. **Peter F. Drucker,**  
**Management in Turbulent Times,**  
**Edn. 1980,**  
**Heinemann,**  
**London.**

This book contains subject matter on the functions of the management in turbulent times which are really important tasks.

6. **Johnson Bruch, Edited,**  
**The attack on Corporate America,**  
**Edn. 1978.**

Articles of different authors regarding social responsibility of business.

7. **M.A. Wright,**  
**The Business of Business,**  
**Private Enterprise and Public Affairs, Edn. 1967,**  
**Mc Graw - Hill Inc. Rupe & Co.,**  
**Calcutta.**

Taking a positive view of the business-man's role in public affairs, the author offers constructive suggestions for business participation in areas now almost exclusively the province of Government activity.

8. Eli Goldston,  
Morton C. Herbert and Ryland G. Neal Edited,  
New American Business Corporation,  
2nd Edn. 1972,  
The MIT Press, Massachusetts,  
Institute of Technology Cambridge.

It contains of the answer of the question what business is and the great issues of modern society.

9. Oscar Tivis Nelson (Jr.)  
The Best of Peter Drucker on Management,  
Heinemann : London.

It contains the methods as to how to use this book and definition of key terms.

10. John Kenneth Galbraith,  
The New Industrial State,  
3rd Edn. Revised (1978),  
Houghton Mifflin Company,  
Boston.

In the book, author describes that in the entrepreneurial enterprise power rests with those who makes decisions. In the mature enterprise this power has passed inevitably and irrevocally, from the individual to group.

11. Nadar Ralph and J. Mark Green edited  
Corporate Power in America,  
1st. Edn. 1973.

This book contains different articles on corporate enterprises in U.S.A.

12. S.K. Roy,  
**Cooperation Image in India,**  
 Edn. 1974,  
 Published by K.R. Seshagiri Rao for Shriram Centre  
 for industrial relations and human resources,  
 New Delhi - 5.

This study was undertaken by Shriram Centre for industrial relations and human resources in collaboration with all India Management Association.

13. Prchalid Kumar Basu,  
**Public Enterprises,**  
 1st published, 1982,  
 Allied Publishers Pvt. Ltd.,  
 New Delhi.

It contains policy, performance and professionalisation of public enterprises.

14. T. Thomas,  
**Managing A Business in India,** 1st Edn. 1981,  
 Allied Publishers Pvt. Ltd.,  
 New Delhi.

This book contains the fact that a distinct trend in the net work of Government controls in India has been made despite the intentions and pronouncements to the contrary for liberalisation.

15. Justice Rajinder Sachar,  
**Chairman of High-Powered Expert Committee**  
**Report of the Committee on Companies and**  
**MRTA Acts, August, 1978,**  
 Ministry of Law, Justice and  
 Company affairs,  
 Government of India,  
 New Delhi.

It contains matters which are necessary to consider and report on what changes are necessary in the Companies Act,

1956, and the Monopolies and Restrictive Trade Practices Act, 1969.

16. Alfred D. Chandler (Jr.)  
The Visible Hand the Managerial Revolution in American Business, Edn. 1977, the Belknap Press of Harvard University Massachusetts and London.

This book contains a chronological study of Managerial capitalism.

17. L. John Paluszak,  
Will The Corporation Survive ?  
10th Edn.  
Reston Publishing Co., Inc.,  
A Prentice-Hall Co.,  
Reston, Virginia.

This book contains a research work conducted by Management Centre (MC) Europe, in late 1974 regarding Corporate Social Responsibility of British Companies and Companies head quarters in the European Economic Community (EEC).

18. Dr. N.K. Sengupta and A. Dasgupta  
1st Edn. 1976,  
Government and Business in India,  
Allied Book Agency,  
Calcutta.

In this book, authors described the relationship between the Government and the Business under the present context of the regulated economy.

19. D.P. Kherkshad, Madan  
1st Edn. 1971  
Management of Corporation,  
Progressive Corporation Pvt. Ltd.,  
Bombay - 1.

This book contains a comparative study of development of Company Management of different countries in the world and

recommendations have been made for the development of the management of the Indian Companies.

20. A. Yetimov  
Soviet Industry 1st Edn. 1968  
Progressive Publishing  
Moscow.

The author in this book gives a general idea about the most important features and particularities of Soviet Industry.

21. F. William Glueck,  
Business Policy and Strategic Management,  
3rd Edn. 1982  
Mc - Graw - Hill.

This book designed to meet the needs of students of business policy and strategic management.

We have tried to keep ourselves in touch with the findings of various research bureaus, like that of the Business Standard and The Economic Times, Calcutta, valuable articles, statistics and information obtained from daily papers dealing with economic matters, monthly magazines, magazines issued by the professional institutions. We sent letters requesting one hundred companies listed on the basis of assets. The letter contains questionnaires and request to send their annual reports for two years 1982-83 and 1983-84. We received 26 replies and answers of the questionnaires put to them. We have compiled from these annual reports. Considering the inadequacy as regards the number of companies who have sent their Annual Reports, we have collected Annual Reports of 49 Companies from different sources at random. Kothari's

Economic and Industrial Guide of India (1982-83) rendered us immense help in this regard. We personally met members of the board and Chief Executives of different Companies situated at Calcutta and collected valuable information. We have also collected different case laws decided by the different courts relating to the management of companies. Thus, our research study is based on both fundamental and applied approach. Some reference in the form of case studies have also been given in relevant places to substantiate the subject matter of our study.

#### 1.10 Research Gap :

Many authors in their books and articles have pointed out the loopholes of the present form of Company Management in India and also have suggested measures in some cases to improve the process of the Company Management. These sporadic studies are far off the needed goal and have touched the fringe of the problem only. We have tried to deal with the subject in the canvas of broader perspectives in terms of its social relevance. In our thesis we have dealt with almost all kinds of lacunae in Company Management which exist even to-day. An honest attempt has also been made to discuss the multifarious factors in Indian Company Management in the canvas of the world situation so as to develop an ideal model of company management to safeguard our national interest. By discussing the history of Company Management which renders great lessons for the future and by going through in detail the Annual Reports of 75 Companies with their subsidiaries

it has become possible to understand the trend of management pattern of the Companies in India. In other words, we have tried to analyse both macro and micro aspects of company management as against sectional view of the process itself.

#### 1.11 Source of Data :

The work has been completed consulting the available authentic literature on the subject, different Government reports, relevant publications from professional journals and newspapers, different guidelines on the company affairs issued by the Reserve Bank of India and Company Law Board and Ministry of Finance, Industry and Company Affairs from time to time and different relevant case laws decided by learned judges in Supreme Court and different High Courts. Statistical data have also been collected and compiled taking valuable information from the Annual Reports (1982-83 and 1983-84) of 75 Companies including subsidiary Companies if they have got any. We have also tried to review the reports of different committees, commissions and study groups as required for our study.

#### 1.12 The Plan of the Study :

The study has been divided into 8 chapters:

CHAPTER I comprises 'introduction' dealing with importance and growth of companies, its origin, Indian Constitution and its effect on company management, distribution of income, amendments and relevant Acts, etc.

**CHAPTER II** deals, in detail, with the history of Company Law and Management, and structure of management pattern under the Indian Companies Act, 1956.

**CHAPTER III** deals with some of the recent problems of company management which require immediate solution such as problem of economic power and accountability, problem for non-registration of shares by the existing management, problem of the sickness of industries, problem of divorce relationship between company management and shareholders in one hand and management and control on the other, problem of the workers' participation in management and problem of establishment of professionalisation in Company Management.

**CHAPTER IV** comprises - Constitution of India - its impact on economic policy and legislation vis-a-vis company management.

**CHAPTER V** deals with the features of the Company Management of different developed countries of the world such as Japan, the U.S.A., France and West Germany. It also includes nature of management practiced in state-owned industrial enterprises of socialist countries such as the U.S.S.R. and China and the influence of such systems of management on the Company Management of India.

**CHAPTER VI** highlights the concept of the 'Joint-Sector' as prevalent in India, defects of the system, suggestions for further improvement of the existing joint-sector ideas and

**Introduction of Multiple Two-Tier Board of management in companies.**

**CHAPTER VII deals with the review of existing systems of management of seventy-five companies. For this purpose, their audited annual reports for the years 1982-83 and 1983-84 have been utilised.**

**CHAPTER VIII, the concluding chapter is mainly confined to the summary of all the previous chapters and shows the specific recommendations as to the form of management in private corporate sector to fulfil the aspirations of different parties having conflicting interests in most of the cases.**