

White urban workers clearly might favour unilateral independence and the reform of Southern Rhodesia to resemble South Africa: the legal structure will then guarantee their social status and privileged jobs. But the farmers who constitute the backbone of the Rhodesian Front will be a little more doubtful for their livelihood vitally depends on certain markets. The ejection of Field from office, perhaps contingent on the British Conservative decision to push the election date to October (so giving the Rhodesian Front a further period of safety from any changes a British Labour Government might want to make), has not in fact changed anything in the basic situation, even though the figurehead has become what seems a more decisive character. The pause continues: a pause the Africans should be using to compose their differences and form the sort of united front between Nkomo's People's Caretaker Council and Sithole's Zimbabwe African National Union which could present an unequivocal challenge to the white minority. Such a body could, with much more effectiveness, present itself as an alternative government and try to gain the support of the British.

For the future, the independence of Nyasaland in July and somewhat later the Commonwealth Prime Ministers' Conference will both test how firm that pause is. The Assembly, at present not sitting, must reopen once more in July, when the Rhodesian Front's slim majority will come under increasing fire if Smith is tempted to take any decision clear enough to satisfy his right-wing. Some see hope in a hypothetical return to politics of Welensky (now, after the Federation scalding, magically transformed into a liberal) in alliance with Field, but this is still too speculative to affect the present situation, and like the insistent demands for British action (standing on its merely legal rights, even these being a bit thin), are merely attempts to get someone else to pull the Rhodesian African's chestnuts out of the fire. But for Britain, at least, some of the writing is on the wall; the last time it granted independence to countries governed by racial minorities was in

the case of South Africa and Zanzibar.

### Education in Perspective

THE connection between the various levels of education seems self-evident but somehow in official policies and pronouncements this has quite often been missed. It is, therefore, refreshing to find the Union Education Minister emphasising that secondary education is the most vital link in the education chain and pointing out that unless standards are improved at that level, the standard of University education cannot go up.

In his address to the State Education Ministers' Conference, Chagla went so far as to suggest a Secondary Education Commission, on the lines of the UGC. But since that does not seem very feasible just yet, other means of feeding finance to schools has to be sought. Chagla was frank enough to confess that the scheme of matching grants had failed. As an alternative he proposed strengthening and expanding the centrally-sponsored sectors in education. Such an approach would not be entirely free of pitfalls. For "sectors" are not separate, water-tight units but are cognate and inter-dependent. The sponsored development of selected sectors may not only create anomalies, but the progress of the schemes themselves may be hampered by deficiencies in other, but related, sectors.

What the Centre really wants is more authority in shaping education. Chagla conceded that it would be unrealistic to expect immediate agreement to its being placed on the concurrent list. He was content, for the time being at least, with presenting the objects and scope of a "national system of education" and the institution of an All-India Education Service.

But there is at least one important reason why education should remain principally the States' concern. Instruction at all levels, including the University, has to be in the language of the region and the administration of education has to be in the hands of those alive to the requirements of this medium. Unfortunately, few States have so far shown the capability to fulfil this role. The abject failure in the matter of producing text

books in regional languages is only one instance of the incompetence of the States. Inevitably, then, the Centre has to step in, but in a task which only the regional authorities can satisfactorily perform, its effectiveness is necessarily limited.

### Amending Companies Act

*R K Hazari writes:*

THERE is no doubt that the Companies Act is long and complicated and that many of its provisions are needlessly restrictive. The Finance Minister has himself conceded the need for removing the minor pinpricks which irritate company managements without serving any social purpose. The new amendments which he proposes to introduce in the next session of the Lok Sabha were earlier expected to have the limited objective of implementing some of the recommendations of the Vivian Bose Commission. But it is understood now that the amending bill will be of a more comprehensive nature. Anticipating the Minister's intentions, the Federation of Indian Chambers of Commerce and Industry has submitted a long and detailed note asking for the relaxation or deletion of a large number of provisions. Understandably, the FICCI does not demand the tightening of certain other provisions, the need for which has been accepted even by some businessmen and investors apart from other sections of the community. But that is quite another story.

The main suggestions of the FICCI are that the restrictions on inter-company investment should be relaxed because they are "misconceived in principle", that the definition of "associates" of managing agents and directors should be made less stringent and that contracts with such associates should be freed of the numerous statutory restrictions now placed on them. It has also suggested that trusts should be allowed to register themselves as shareholders instead of having to register their investments in the names of their trustees.

While much of the procedural simplification asked for by FICCI would certainly be welcome, it is difficult to share its opinion that

the restrictions on inter-company investments are misconceived. These restrictions were imposed in 1956 and enlarged in 1960 mainly to curb the kind of malpractices which the Hose Commission investigated and to prevent other practices which, though within the law, benefited the managements at the expense of the public shareholders of the investing companies. Further, though inter-company investment may be criminal or anti-social only in some cases, it is the principal source of entrepreneurial finance and, consequently, the principal means by which corporate control is acquired and maintained, and economic power built up.

It is true that the administration of Section 372 (which regulates such investment) does create some difficulties and sometimes leads to discrimination in favour of certain influential groups. But these difficulties do not invalidate the basic principle underlying the Section. What they emphasise is the need to avoid the purely negative and over-legalistic use of the Section which results when it is administered without reference to the trends in industrial development and the emergence of financial surpluses and deficits in different sectors of industry. Since inter-company investment meets a large part of the financial requirements of the private sector, its regulation must be simultaneously positive and negative.

From the point of view of positive regulation of inter-corporate investment, a justifiable amendment of Section 372 would be to eliminate the requirement of Government sanction for a proposed investment if it is in a high priority project (not just any project licenced under the Industries Development and Regulation Act) in any of the ten basic industries specified in the Finance Bill 1964, with such additions or deletions as might be made in course of time. Even in these cases, however, it will be necessary to ensure that the finance is raised from investment and trading companies and from industrial companies which are technologically related to the proposed project.

So far as other investments are concerned the only relaxation that needs to be made is to raise the

"free limit" for investment in any one company from the present ten per cent of the paid-up capital of the investing company to ten per cent of its paid-up capital plus free reserves or Rs 1 lakh, whichever is higher. Following this, changes would also have to be made in the "free limit" for investment in companies of the group and in all companies whether in the same group or not.

The definition of associates and relatives and the restrictions placed upon them in the present Companies Act are cumbersome and, what is worse, ineffective. While, on the one hand, the definition covers persons who cannot reasonably be regarded as associates, on the other hand, it does not cover others who may in fact be associates in a real sense. These definitions could be narrowed down without prejudice to the interests of shareholders and the general public and contracts with some of the persons who are now defined as associates could be safely freed from the need to be approved by special resolutions and by the Government, provided the value of the contracts or the remuneration of the persons concerned is fully stated in the annual report to shareholders and is certified by auditors.

As regards the registration of trusts as shareholders, once again, no social purpose is served by Section 153. It exists to prevent any company in which a trust is a shareholder from the legal consequences of recognising a trust and the good faith of its trustees. But in the process of doing this, the lists of shareholders have in effect been falsified with legal sanction. If a company wishes to protect itself from the consequences of recognising a trust, the prohibition at present laid down by Section 153 could be included in its own articles of association. What is the need for a blanket provision covering all companies?

### Prosecution of Dalmia Jains

THREE principal members of the Dalmia Jain group, Ramakrishna Dalmia, Jaidayal Dalmia and Shanti Prasad Jain and 21 others have been arrested on charges of criminal conspiracy, criminal breach of trust, forgery, falsification of accounts and mis-

appropriation of large sums of money belonging to Dalmia Jain Airways. The offences are alleged to have been committed between 1946 and 1952, but criminal proceedings have been initiated only now, because the matter was under investigation by a Commission of Enquiry from 1956 to 1962. A number of investigations into the affairs of the group have been under way for years, but the only criminal prosecution initiated and conviction secured so far relates to the misappropriation of Bharat Insurance funds by Ramakrishna Dalmia.

Investigations carried out by the police and income-tax and company law authorities into the affairs of ten other Dalmia Jain enterprises had disclosed some basis for criminal prosecution and/or civil action even before the appointment of the Vivian Bose Commission. With the benefit of hindsight, it appears now that the Government acted unwisely in holding its hand. It allowed matters to drag on hoping that the Commission would be able to secure evidence on the basis of which a prosecution could be sustained. Evidence has been hard to come by - account books have been destroyed and most of the companies in which frauds are alleged to have been committed have gone out of existence. Further, action on some of the charges has become time-barred. (See *The Economic Weekly*, April 20, 1963 and May 11, 1963.) An investigation of five more Jain companies was ordered last year but it too has got bogged down in litigation.

The prosecution now launched indicates either that the Government has succeeded in collecting more evidence or that it has at last decided to take the risk of going ahead on the basis of the evidence which it has possessed for the last ten years or so. Will the Government also move the Company Law Tribunal, to be appointed shortly, to debar the individuals concerned from the management of companies and to find substitutes for them?

### Management Development

THE Chairman's speech to the Annual General Meeting of Hindustan Lever every year deals with some aspects of the running