Managing Agency System Far From Dead

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The managing agency system is far from dead or dying. It still thrives in large non-government public industrial companies.

The powers and remuneration of managing agents have been statutorily restricted but law and policy have still to make a significant impact on the area of corporate activity under their management.

The rate at which this system of management is declining in importance is far too slow and graduat. A Quiet and easy killing of rentier management is now necessary in the interest of developing a rational managerial set-up for large public industrial companies.

[This article supplements the authors earlier article on the same subject in the Annual Number, February 1964, in which he made out a case for the abolition of the managing agency system on the basis of his own research^ The present article is written with a historical perspective and brings together available facts and opinions expressed over the last few decades.]

THE managing agency system grew out of the enterprise of European individuals who came to Calcutta as representatives of trading companies. They found the country lacking in industrial leaders, since imports from Britain had crippled the master craftsmen, and traders, moneylenders and big landowners had neither the inclination nor the experience to go into modern industry. The prospects of local processing and rudimentary manufacture *for* export were attractive because of the availability of raw materials and cheap labour. With the opening of the Suez Canal and the laying of railways, the Indian market also appeared on the business horizon. Exploitation of the prospects required capital, contacts with suppliers of equipment and buyers of produce, and skilled labour; these the European representatives were well-qualified to supply or procure. Their mercantile experience and connections proved invaluable; the deficiency of technical expertise was made up by hiring it from Britain. The field open to each enterpreneur was wide; mistakes could be made without burning of fingers. Enterpreneurs moved from jute into coal, from tea into steamers, from these into some kind of engineering, to find a market for one in the other. The Industrial Commission of 1916-18 noted that:

> "A characteristic feature of organised industry and commerce in all the chief Indian centres is the presence of the large agency firms, which, except in the case of Bombay, are mainly European. In addition to participating in the export and import trade, they finance and manage industrial ventures all over the country and often have several branches in the large towns. The importance of these agency houses may be gauged from the fact that they control the majority of the cotton, jute and other mills, as well as of the tea gardens and the coal mines. This system originated and has still continued owing to the ability of these houses to furnish financial help to industries; it also owes its existence to some extent to the difficulty, in the case of companies under European control, of finding among the relatively small class of leading men of business available in India directors, especially managing directors, who will remain in the country long enough to guarantee continuous supervision. . . An agency firm as a rule comprises several partners, some of whom are in India, while the others attend to the firm's affairs in London or elsewhere. There is 'no doubt but that the system is in many ways well adapted to present conditions in India, and has a far greater list of successes to its credit than can be shown by ordinary company management under individual managing direclors."

In Calcutta, the system, thus, combined ownership mainly by residents in Britain with management by partners and assistants in India. Although family influences predominated and the partnership was carried on from generation to generation, the more enterprising and ambitious of the junior assistants could look forward to becoming partners ultimately. Managing agents did the preliminary work of starting new concerns, promoted joint stock companies, employed their own funds or arranged for finance by acting as guarantors, and also managed the concerns. Besides these promotional, financing and managerial functions, they acted as agents for sales and purchase?. The more important managing agencies also carried on export and import trade, insurance, banking and various kinds of agency business.

On the West Coast, the managing agents were, with some exceptions, Indian, The first written managing agency agreement was between the Bombay Spinning and Weaving Company and Cowasjee Nanabhoy Davar concluded in or about 1854; the agreement provided for his remuneration on the basis of yarn produced (see S D Mehta: "The Indian Cotton Mill Industry 1854 to 1954"). It can be safely presumed that the managing agency arrangements in Calcutta were imitated in Bombay by Indian mer. chants, who made fortunes from the opium trade with China and later, during the American Civil War, from the export of raw cotton to Lancashire; the latter alone was said to have earned Rs 51 crores worth of gold and silver. Cowasjee Davar and Manockjee Petit in Bombay and Ranchhod Chho. talal in Ahmedabad, and those who followed them raised most of the capital from their own resources but also secured substantial monetary *and* other assistance from agents of British machinery suppliers and friends. Though the mill companies were public, they had very few shareholders. In Ahmedabad, where, unlike Bombay, most of the bigger managing agents were by tradition bankers rather than traders, funds were raised in the form of deposits, too; the larger suppliers of capi. tal got a share in the managing agency, contingent upon talcing up a specified part of the share capital of the managed company — a rudimentary form of underwriting.

In both these centres, capital was also raised from potential selling agents, etc, in consideration of future contracts. Commission to agents of machinery suppliers was often paid for in shares. The managers and technicians were generally British till the twenties. The privilege of sharing the fruits of managing agency was, however, normally restricted to members of the founding family with financiers as the only co-sharers, if any. From the thirties and forties onwards, however, some Indian managing agents in these centres and in Delhi, Kanpur, etc, began to give a share in the managing agency commission to senior employees also.

The common practice with managing agents (leaving aside the fly-by-night variety found in all countries) was to promote and set up a concern and when it was reasonably well establish, ed to either make it a public company and throw open its share capital to the public or otherwise dispose off their holdings. Care was taken at all limes to. retain permanent management rights; in most cases, adequate share capital was also retained in order to frustrate any move to oust them. What little evidence there is of share-holdings by managing agents in the first half of this century indicates that, whatever the position might have been in the 19th century, the well known managing agents held only i small part of the share capital of the com. panics under their management, and the proportion tended to decline even before 1939. Both Lokanathan and Basu, (whose works are the principal 'sources of information for the early history of the system) observed that the holdings of leading managing agents in the companies under their management were tending to shrink in cotton and jute companies, at any rate.

Lokanathan found ("Industrial Orga. nisation in India", pp 11-43) that, in the twenties, the holdings of managing agents in managed companies were small and in many cases the holdings belonged to the partners/ directors of the managing agents. The Bombay Shareholders Association testified on the basis of shareholding data before the Tariff Board in 1932 that managing agents had ceased to be the principal shareholders in Bombay cotton mills. A representative of Martin and Co stated that his firm did not hold even 20 per cent of the shares of the companies under their managing agency because they prided themselves on the fact that they were successful agents. Obviously, therefore. managing agents were not, in general inclined to lock up their resources but took the earliest opportunity to free their funds for investment in other directions. The Tariff Board of 1932 observed that ;

> "Where the managing agent represents a high standard of ability and sense of responsibility, it may make little difference to the company to what extent the managing agent is interested in the share capital of the company. The better class of managing agent works partly for the remuneration fixed for him under his agreement but partly also out of regard for his reputation and out of a sense of pride in the tradition of management associated with his concern.".'.

As the direct contribution of managing agents to share capital declined, they sought security in permanent and comprehensive rights of management. These rights were assured through agreements in which managing agents acted in a dual capacity, as managers and as shareholders. Until 1913, the law did not require an elected board of directors. When the law made elections mandatory, the outside directors depended for their continuance upon the loyalty they showed to the managing agents. Thus, although the managed companies were joint stock concerns with boards of directors. they were more akin to partnerships with outside shareholders as sleeping partners. As the holders of considerable shares (either in their own names or through partners and associated companies), it was in the managing agents' interest that the companies be managed efficiently and fair dividends be paid. But managing agents were paid in a number of other ways, too : commissions on profits, purchases, sales, and insurance, remuneration to relatives, etc.

Managing agency by itself secured a certain value because of its 'rights and privileges apart from its ability to show profit in the concerns nonaged; the dividend earnings of agents were subordinate to their earnings in other forms. As the managers-cum-key owners were not chiefly interested in returns on investment, the general inducement to invest and public confidence in investment was adversely affected. Managing agency rights became a negotiable asset; in every boom period, the rights in many companies were transferred at fabulous prices and capitalised at inflated values; during slumps, transfers took place because the managing agents as distinct from the managed companies were in trouble and could no more raise finances on their guarantees. Even the Tatas handed over the majority control in the managing agency of their electric companies to an American syndicate without the prior sanction of the shareholders of the companies.

Originally, the common method of remuneration to managing agents was a commission on output. When ring

Table 1: Commission Paid to Managing Agents, 1927-30

Year	No of Mills	Profit + or Loss — Before Depreciation. (Rs lakhs)	After Depreciation. (Rs lakhs)	Total Allowance and Commission to Mg Agents (Rs lakhs)
1927	75	+157.00	— 7.36	30.87
1928	73	—126.46	—298.78	18.32
1929	76	— 71.85	—230.67	20.26
1930	71	— 94.23	—236.99	13.45

Source: Lokanathan: "Industrial Organisation in India", p 345 n.

Table 2: Coverage of Joint Stock Companies by Managing Agents in 1954-55 and 1962-63.

	Number of Companies 1954-55			1962-63 *		
	Public	Private	Total	Public	Private	Total
1. Companies managed by managing agencies	4,091	964	5,055	1,217	223	1,440
2. Total Cos. at work	10,056	19,569	29,625	6,022	19,407	25,429
3. Total Cos. excluding banking, insurance and Govt. companies	9,126	19,442	28,568	5,380	19,218	24,598
1 as % of 3	40.7	4.9	17.7	20.2	1.2	5.7
1 as % of 3	44.8	5.0	17.7	22.6	1.2	5.9

Source: Company News and Notes, September 2, 1963.

spindles replaced mules in cotton mills, this system led to abuses. I N Tata was the first in 1886 to change over to a commission on profits. Till 1956, however, Ahmedabad cotton mills and Calcutta jute mills generally gave a commission on output, in addition to an office allowance. The tea industry paid 2½ per cent on sales and a further 2½: per cent on profits. Coal and cement companies paid on the basis of profits while in sugar, both the systems existed side by side. In 1916. Tata Iron and Steel adopted a sliding scale of remuneration, rising from 5 per cent to 9 per cent of profits according to various slabs of dividends declared. With the notable exception of lata companies, profits were defined for this purpose as profits before interest and depreciation.

Many reputable managing agents surrendered their commission when the managed companies were in difficulties, and even gave up the interest due on debenture holdings, beside providing or securing large finances. In 1928, managing agents of 73 cotton mills in Bombay surrendered Rs 1.91 lakhs of managing agency commission and Rs 7.40 lakhs of interest on loans and debentures. From 1922 to 1927, Ahmedabad mill agents surrendeitd Rs 13.31 lakhs of managing agency commission. The surrender in Bombay was not exactly munificent (see Table 1),

Mixed Blessing

That the managing agency system was a mixed blessing was being recognised even before 1920, The Industrial Commission was impressed by the high financial prestige of "the better-class agency firms and the readiness of the investing public to follow their lead" but was not altogether complacent about their performance.

> ". . . they (the better-class agency firms) have not escaped criticism as being unduly conservative in their methods of business and as exhibiting undue reluctance to embark on new ventures. They have been charged with lack of enterprise and an unwillingness to follow up lines of development naturally proceeding from the expansion of operations in their own specialised industries. In other words, they have been inclined to develop commerce rather than industries, and have thus been at times less helpful than might have been the case, in clearing the way for continuous industrial progress." (Report, pp. 8.9).

The Central Banking Enquiry Committee 1931 had the benefit of considerable evidence on the working of the system during the twenties, especially in the western region. Appraisal of this evidence induced the Committee to recommend lesser dependance on the managing agency system for industrial development:

> "Although the Managing Agency system is reported to have done a great deal for the industrial development of Bombay, it is admitted that it is not by any means a perfect arrangement but has many serious drawbacks. There have been cases where the Managing Agents-have, besides managing their own mills, traded and speculated and the resulting weakness in their position has reacted on the financial position of the mills themselves and led to banks withdrawing their cash credits even when the mills were intrinsically sound, merely because the Managing Agents had become weak. Further, although it is true that in times of crisis such as Bombay has been going through, Managing Agents have incurred extensive losses as a direct result of financing the mills under their control, there have been a few cases in which these Agents have turned their loans to the mills into debentures, with the result that the concerns have passed into their hands and the shareholders have lost all their capital. . . This system works well when everything goes on smoothly and when the industries are prosperous ... when conditions alter and the industry or the particular concern comes up against bad times and the Managing Agents find themselves compelled to find more money to support the industry, it is found that they

Table 3: Constitution of Managing Agencies.

	1954-55		1962-63	
	Number	% of Total	Number	% of Total
Unincorporated firms	2,522	64.0	548	52.5
Private companies	1,238	31.3	402	38.5
Public companies	184	4.7	94	9.0
	3,944	100.0	1,044	100.0

Source: **Company News and Notes,** September 2, 1963.

Table 4: Frequency Distribution of Managing Agencies

Frequency Distribution (No of cos Managed)	1954-55 No of Managing Agents	1954-55 Total No of Companies Managed	1962-63 No of Managing Agents	1962-63 Total No of Companies Managed
1	3526	3526	799	899
2	250	500	67	134
3	64	192	24	72
4	37	148	16	64
5	14	70	10	50
6	12	72	10	60
7	9	63	3	21
8	10	80	2	16
9	5	45	6	54
10	1	10	7	70
More than 10	16	349	...	...
Total	3944	5055	1044	1440

Source: **Company News and Notes,** September 2, 1963.

are not able in all cases to cope with the requirements.

We suggest therefore that attempts should be made to make industrial enterprise in India less dependant on this system for future development. The establishment of direct financial relations between industrial companies and commercial banks is desirable...." (Report, Vol. I, pp 279-80.).

Lokanathan (in 1935) also expressed dissatisfaction with the working of the system in all its three main aspects, namely, promotion, finance and management :

"There have been cases of waste . . . ill-conceived and fraudulent promotion. They (the managing agents) have been unwilling to pioneer *and* risk in new enterprises, where the profits have been neither large nor certain. However, successful the managing agency system of promotion might have been in the past, it cannot be concluded that it is so at present, or will continue to do so in the future.

Since most Indian concerns have been under-capitalised, with share capital barely sufficient for block expenditure, the balance has to be raised from various short term or undefendable or expensive sources. With debentures and preference unpopular funds had to be raised by or through managing agents which had the result of further strengthening of the managing agency system. Had the share and permanent capital raised at the start been sufficient to cover the needs of working expenses, there would not have been the same need for the continuance of an institution like the managing agent to finance industrial concerns.

While its (the system's) power for doing injury may be great, its capacity to do good is limited. So far as the Indian section of the managing agency system is concerned, its continuance can be explained and justified p*oly* because of the concentration of ability, experience and capital in the hands of a few persons who have done great service to industrial development. If it became possible to persuade them to do so for industry in an altered status what they have been doing as members of agency firms, the result would perhaps be wholly

Table 5:Companies Managed by Managing Agents Industry—wise

(Paid up Capital in Rs crores)

		1960-61*					1954-55				
	Industry	Total No of Companies	Total Paid-up Capital	No of Cos Managed by Mg Ags	Paid-up Capital of (3)	(4) as % of (2)	Total No of Companies	Total Paid-up Capital	No of Cos Managed by Mg Ags	Paid-up Capital of (8)	(9) as % of (7)
1	Agriculture (excl plantations)	290	2.49	7	0.23	9.2	854	4.43	190	1.29	29.1
2	Tea plantations	583	32.30	130	12.34	38.2	591	27.86	266	16.09	57.7
3	Other plantations	129	8.14	39	4.27	52.5	234	7.90	75	4.09	51.8
4	Coal mining	436	93.42	62	9.93	10.6	495	22.73	204	18.31	80.6
5	Other mining	338	14.95	16	5.21	34.8	421	14.55	90	5.86	40.3
6	Grains & pulses	230	6.09	15	1.21	19.9	263	5.11	52	3.04	59.4
7	Vegetable oil and dairy products	361	13.19	24	11.31	85.7	436	15.02	139	7.83	52.2
8	Sugar	203	44.08	62	28.21	64.0	216	30.23	108	22.84	75.5
9	Tobacco	58	19.73	2	1.41	7.1	68	19.24	12	1.77	9.2
10	Textiles	1,012	212.36	313	122.67	57.8	1678	184.52	724	147.00	79.7
11	Beverages	128	4.79	7	0.79	16.5	328	9.01	84	2.85	31.6
12	Leather	148	3.96	11	0.87	22.0	178	3.61	45	1.12	32.0
13	Basic ferrous metal	505	379.15	23	57.91	15.3	318	34.22	85	29.97	87.6
14	Transport equipment	423	49.77	22	21.09	42.4	435	35.60	81	18.77	54.5
15	Electrical engineering	61	2.25	4	1.03	45.8	400	18.18	93	6.30	34.9
16	Machinery & workshops	834	60.09	54	14.25	23.7	646	26.67	148	12.50	46.9
17	Metal products	585	31.20	30	6.25	20.0	507	16.25	91	5.71	35.1
18	Chemicals & pharma	1,145	99.22	62	16.27	16.4					
19	Perfumes & toilet	76	0.74	4	0.29	39.2	1,858	60.44	495	21.49	35.6
20	Paint & varnish	137	3.65	5	0.62	17.0					
21	Matches	31	3.38	3	0.33	9.8					
22	Cement	33	41.52	12	34.01	81.9	30	23.98	13	21.23	88.6
23	Clay & glass	400	13.30	30	4.64	34.9	440	12.38	126	7.40	59.8
24	Rubber	113	10.48	10	3.56	34.0	90	4.37	22	1.07	24.4
25	Paper & stationery	247	33.99	30	15.89	46.7	201	15.98	60	12.72	79.3
26	Power	257	39.19	85	33.59	85.7	354	34.48	209	30.53	88.1
27	Other manufacturing	1,478	46.02	35	2.14	4.7	2,174	19.35	368	4.51	23.9
28	Transport	1,464	52.90	30	8.43	15.9	1,550	42.15	120	28.27	67.9
29	Commerce, finance, storage & real estate	8,347	238.25	87	6.86	2.9	13,564	291.94	799	51.32	17.6
30	Other services	1,142	14.16	20	1.76	12.4	2,457	18.79	443	5.75	30.9
	Total	*					29,625	970.82	5,055	465.44	47.9

Sources: 1960-61 : Company News & Notes, December 16, 1964.
1954-55: Nigam: "Managing Agencies in India" (First Round), 1957.

* The data for 1960-61 are not comprehensive. Hence the totals are not given in the Table. The totals of figures in cols 1 to 5 are as follows:

Col I: 21,194 Col 2: Rs 1,574.86 or Col 3: 1.234 Col 4: Rs 420.37cr Col 5: 26.7%.

good. There are no benefits which would be lost by such a change, for those benefits are not the result of the system but. of the ability and resources of the persons who run the system ".

Statutory restrictions on the powers of managing agents were imposed for the first time in 1936. The duration of appointment of a managing agent in public companies was limited to 20 years at a time, but there was no restriction on re-appointments lung before the expiry of the initial appointment. Managing agents could be removed if they were convicted of a non-bailable offence punishable under the. Penal Code in relation to the affairs of the company. They could transfer their office only with the approval of the company in general meeting. Powers of management were vested in the board of directors, but subject to the articles of association of the company which proved a gaping loophole. In 1938, insurance companies were debarred from having managing agents; banking companies were similarly excluded in 1949.

Table 6: Change over to Secretaries and Treasurers, 1960

		No. of Cos.	Paid up share capital (*Rs crores*)
1.	Formerly managed by S & T	9 (5+4)	1.6 (0.4+ 1.2)
2.	Formerly managed by directors	16 (1+15)	2.6 (0.6+ 2.0)
3.	Formerly managed by mg. agents	136 (10+126)	21.2 (1.3+19.9)
4.	New companies	18 (2+16)	2.4 (neg+ 2.4)
	Total	179 (18+161)	27.8 (2.3+25.5)

Source: Company Law Administration *Information Broadsheets* Nos 6 and 7, 1961. Figures in parentheses are for private and public companies, respectively.

Table 7: From of Management of New Companies

Form of Management	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	Total
Managing Agents	14	15	7	14	21	29	34	134
Managers	2	1	1	3	3	4	1	15
Secretaries and Treasures	1	1	7	3	1	3	2	18
Managing Directors	197	227	250	508	596	515	388	2681
Directors	634	717	830	924	1062	1063	1072	6302
Total	848	961	1,095	1,452	1,683	1,614	1,497	9,150

Source: **Company News and Notes** March 16, 1964.

Statistical data on the significance of the managing agency system have been available since the mid-fifties, (Tables 2 to 4). In 1954-55, there were 3,944 managing agents, of which 2,522 were unincorporated firms, 1,238 were private companies and 184 were public companies. These managing agents managed in all 5,055 companies, out of the total of 28.568 companies Excluding banking, insurance and government companies) in that year. The 5.055 managed companies accounted for 54 per cent of the total share capital of 28,568 companies. Management by managing agents was mere pronounced in public companies, 71 per cent of the share capital of which (excluding the three above mentioned categories) was in companies managed by managing agents.

Out of 3,944 managing agents, 3,526 managed only one company each, and 250 managed two companies each. About 95 per cent of the managing agents, thus, managed two companies or less. Only 17 managing agents managed 10 or more companies each.

In 1962-63, the number of managing agents came down *to* 1,044, of which 548 were unincorporated firms, 402 private companies and 94 public companies. The 1,044 managing agents managed 1,440 companies, out of a total of 24,598 companies (excluding banking, insurance and government companies) in that year.

Of the 1.044 managing agents in 1962-63, 899 managed one company each and 67 two each. About 93 per cent of the managing agents thus managed two companies or less. Only 7 managing agents managed 10 companics each, which excludes others which they managed as secretaries and treasurers.

Table 8: Management Pattern of Non-Government Companies 1964

Form of Management	Public			Private			Total		
	No	Share Capital (Rs cr)	% of Total	No	Share Capital (Rs cr)	% of Total	No	Share Capital (Rs cr)	of % Total
Board of Directors	3849	203.74	18.6	13652	198.71	50.0	17501	402.45	26.9
Managing Directors	672	274.02	25.0	6074	158.96	40.0	6746	432.98	29.0
Managing Agents	1121	523.85	47.8	151	9.72	2.4	1272	533.57	35.7
Secretaries & Treasurers	200	35.97	3.3	9	0.70	0.2	209	36.67	2.5
Managers	66	57.92	5.3	30	29.81	7.5	3047	87.73	5.9
Total	5908	1095.50	100.0	19916	397.90	100.0	25824	1493.40	100.0

Source: Company Law Board, Research and Statistics Division.

In 1954-55 the system was of pre-rinmiiiant imparlance in pi: nlations, una I, grins and pulses, vegeable oil. suKar, Textiles. iron and steel, transport equipment. cement, clay and glass, paper, power and transport (Table 5). lts importance was relalively nominal in services and in two industries. tobacco and rubber which were mainly under the control of internalinal combines (Imperial Tohaeed and Dunlop'Rubber). By 1960-61 the Import-iini-i! uf the system in the aggregate. was grcally reduced by the formation of jiovernineil companies, triiisniuta-LILIII of erstwhile managing agents iiilu seiTelaries anil treasurers, greater frequency of subsidiaries, and totation of new companies with other forms (if nianagcmeiil. In that year. managing agents continued to be of prevuiniriani. importance in plaiiUlious [in lea. subsidiaries ami director (Lammed companies become more-umu sigaihean), vegetable nil and dairy -PRODUCTS. Miliar, lexliles, cement and power.

Sceretaries and Treasurers

The institution of sccrcla ies and treasurers was recognised for the frist time in the- Companies All 1956. There was no reference to it in the report of Ihe Bhabha tummi! Ue. The intention of the Mien Finance Minister, c; D Oeslimukh, in enr iurav;iii^ this new system was, amon 4 others things, 10 smouthen the transtion from managing agency rn other iorms ol management and to enable those managing agents which manage! nrore than 10 companies to retain the management of ihe excess number. under the Act. secrelaries and treasurers had practically Hie sank powers ,is managing agents, except ihal liiey hail no right to nominate directors and Iheir maximum remuneration was 71 per cent of profits.

Before the expiry of all old managing agency agreements on the notified date, namely, August 15, 1969. There were only 9 companies with paid up capital of Rs 1.6 crores which were managed by secretaries and treasurers. As of August 16, 1960. 179 companies were managed by 15 seerela ies and treasures [see Table. 6]. The overwhelming majority of companies under such management, thus, consist of companies which were formerly managed managing agents. Out of the 45 secretaries and treasurers 120 public, 15 prviate 8 unimcerpoated and 2 foreign bodies). 23 which managed 144 complines in this form also acted as managing agents of 145 other companies. This dual role other companies. This dual role enabled the leading managing agents which had previously managed mare than 10 companies to retain the management of the excess companies.

Between mid-August: 1950 and end-March 1963, 45 more companies ailopt-

Table 9: Remuneration to Managing Agents 1950-1962

	No of Companies	Profits* (Rs cr)	Remuneration to Mg Agents (Rs cr)	(3) as % of (2)
1950	751	73.26	9.81	13.4
1951	751	96.93	12.42	12.8
1952	751	65.63	10.41	15.9
1953	751	76.05	10.36	13.6
1954	751	89.40	11.16	12.5
Total @		401.27	54.16	13.5
1955	749	98.60	14.13	14.3
	(30)	(2.36)	(57)	(24.2)
1956	736	102.17	11.49	11.2
	(27)	(3.35)	(36)	(12.2)
1957	690	72.04	8.29	11.5
	(24)	(1.43)	(13)	(9.1)
1958	665	88.90	8.77	9.9
	(25)	(1.43)	(13)	(9.1)
1959	630	117.41	10.66	9.1
	(49)	(4.55)	(33)	(7.3)
Total**		479.12	53.34	11.1
		(13.12)	(1.52)	(11.6)
1960-61	1333	228.12	13.03	5.7
1961-62	1333	243.88	12.53	5.1
1962-63	1333	267.40	13.20	4.9
Total @		739.40	38.76	5.2

Source: Reserve Bank of India Bulletins, January 1957, September 1961, July 1964.
* Before managing agents' remuneration and taxation.
@ Figures for 1950-54 and 1960-63 relate to all companies in the Reserve Bank sample, including those not managed by managing agents.
** Figures for 1955-59 relate exclusively to companies managed by managing agents. Figures in parentheses are for companies managed by secretaries and treasurers. These data are not comparable with earlier and subsequent data.

Table 10: Remuneration to Managing Agents by Size of Companies, 1959-1963
(As percentage of profits before tax and remuneration)

Paid up capital (Rs. lakhs)	1959 (1001)	1960 (1333)	1961-62 (1333)	1962-63 (1333)
5-10	7.4	7.5	7.5	7.5
10-25	8.2	7.2	7.4	7.7
25-50	7.0	7.7	6.8	5.5
50-100	8.3	6.9	6.5	6.1
Above 100	5.2	4.3	3.8	3.7
Total	6.4	5.7	5.1	4.9

Source: Reserve Bank of India Bulletins, June 1962, June 1963, July 1964.
Figures in parentheses give the number of companies.
Size-wise data in Reserve Bank studies are available only since 1959.

ed this new form of management. Of these, 29 had secretaries and treasurers which also acted as managing agents of either companies. Only 18 (14 in 1960-62 and 4 in 1962-63) were new companies; the remaining 27 were in existence before and probably had other forms of management *(Company News and Notes,* November 16, 1963 and December 16, 1963).

Since 1956, the number of new companies proposing the appointment of managing agents has declined steeply. Between April 1956 and March 1963, 9,150 new companies were formed. Of these 134 had managing agents, 15 had managers, 18 secretaries and treasurers, and 2,681 had managing directors; the remaining 6,302 were managed by boards of directors without any statutory managerial personnel (Table 7).

In 1964, nevertheless, the relative importance of the managing agency system in terms of the share capital of managed companies in public non-government sector remained practically unassailed (Table 8), More than one-half of the share capital of non.government public companies was in companies managed by managing agents and their close variant, secretaries and treasurers, if banks, insurance and other service companies, and subsidiaries of international combines, which either do not or cannot have managing agents are excluded, the proportion would rise from one-half to about three-fourths or more. In spite

Table I I : Remuneration to Managing Agents by Industry 1955-59

Industry	1955		1956		1957		1958		1959	
	No of Cos	% of Profits	No of Cos	% of Profits	No of Cos	% of Profits	No of Cos	% of Profits	No of Cos	% of Profits
1 Tea plantations	124	17.0	127	10.8	117	13.1	117	12.4	109	8.9
	(11)	(15.5)	(7)	(9.4)	(7)	(9.1)	(7)	(9.0)	(14)	(8.3)
2 Coal mining	46	20.2	44	21.1	42	11.7	39	11.2	36	11.4
							(2)	(6.0)	(5)	(10.3)
3 Sugar	61	14.6	60	12.8	59	9.7	51	15.0	47	10.2
	(1)	(4.7)	(1)	(7.4)	(2)	(66.1)	(2)	(22.6)	(4)	(29.2)
4 Cotton textiles	174	19.4	172	13.9	161	34.1	154	15.0	149	12.9
	(13)	(26.6)	(13)	(18.6)	(7)	(33.6)	(5)	(—)	(6)	(8.3)
5 Jute textiles	44	51.3	42	(—28.0)	40	17.1	40	10.9	33	9.7
									(5)	(8.3)
6 Iron & steel	2	3.6	2	3.7	2	4.7	2	2.3	2	2.4
7 Transport equipment	8	11.7	8	9.2	6	16.2	6	9.9	5	10.5
									(1)	(—)
8 Electrical engg	13	13.3	13	11.0	11	10.3	12	7.0	12	10.9
9 Other machinery	36	15.0	36	13.0	35	12.2	34	11.9	34	10.9
	(1)	(6.1)	(1)	(8.5)	(1)	(7.7)	(1)	(8.0)	(1)	(8.5)
10 Aluminium	2	9.7	2	14.2	2	11.1	2	10.1	2	10.2
11 Basic Chemicals	8	12.3	8	10.0	8	12.7	8	11.7	7	11.5
	(1)	(—)	(1)	(—)	(1)	(—)	(1)	(—)	(1)	(—)
12 Pharmaceuticals	8	23.8	8	14.1	5	10.6	5	10.4	5	10.5
13 Matches	1	16.0	1	15.1	1	11.8	1	10.2	1	9.6
14 Other chemicals	12	12.8	11	11.6	11	12.8	11	11.0	11	9.8
			(1)	(—)	(1)	(—)	(1)	(—)	(1)	(38.7)
15 Cement	9	10.9	10	10.3	9	10.8	9	10.6	9	(10.6)
16 Pottery	10	17.7	10	11.9	9	10.5	7	11.1	7	10.5
17 Rubber	2	13.9	2	16.5	2	11.5	2	8.2	1	15.0
18 Paper	13	10.8	13	13.9	13	13.0	12	10.7	12	9.6
							(1)	(8.1)	(1)	(7.1)
19 Construction	4	13.6	4	10.2	4	18.0	4	9.5	4	9.6
20 Power	20	11.8	20	12.0	18	9.4	17	9.5	14	9.4
	(1)	(23.9)	(1)	(21.4)	(2)	(18.8)	(2)	(3.1)	(4)	(8.4)
21 Trading	10	14.1	10	9.5	7	10.6	6	10.0	6	10.3
22 Shipping	9	26.8	9	9.2	8	10.2	8	10.2	8	18.6
23 Hotels & restaurants	3	13.0	13	15.3	3	11.7	3	10.5	2	8.3
									(1)	(11.5)
Total (incl others)	749	14.3	736	11.2	690	11.5	665	9.9	630	9.1
	(30)	(24.2)	(27)	(12.2)	(24)	(9.1)	(25)	(9.1)	(49)	(7.3)

Source; Reserve Bank of India Bulletin September 1961.
Note: Data relate to only those companies which were managed by managing agents. Profits are taken as before managing agency commission and taxation. Figures in parentheses relate to secretaries and treasurers.

of the decline in its popularity, *the managing agency system is far from dead or dying.* Managing directors and their variant, managers, are comparatively insignificant as a form of management.

It should be emphasised at the same time that remuneration to managing agents has been tending to decline. It was 13.4 per cent of profits before tax (which is slightly different from the definition of profit for calculating the remuneration of managerial personnel in the Companies Act) in the *aggregate* Reserve Bank, sample of public companies (including those not managed by managing agents) in 1950 and 4.9 per cent in 1962-63 (Table 9). The decline has taken place mostly in large sized companies, i e, those having a paid up capital of Rs 50 lakhs and above (Table 10). Separate data for companies managed by managing agents are available only for 1955-59. The number of companies so managed declined during this period and remuneration as percentage of profits came down from 24 per cent in 1955 to 12 per cent in 1956 and to 7 per cent in 1959. Shrinkage in remuneration was most obvious in traditionally managing agency managed industries like tea, coal, sugar nnd textiles (Table 11).

Common impressions notwithstanding, the managing agency system still predominates in the management of large public industrial companies as it did before, only slightly less so. Law and policy have succeeded in some. what restricting the managing agents' powers and reducing the remuneration paid to them but they still have a vast area of corporate activity under their managerial control. Ever since the report of the Industrial Commission in 1918, pleas have been made for giving a little more time to the system. According to business spokesmen, the time has not arrived even now—just as it had not arrixed thirty years back. When the Companies Act, 1956 imposed a wide variety of restrictions on managing agents, it was said that business enterprise would be throtcled. That unhappy consummation has not come about. We are now being told by the same people that the Companies Act has done all 'hat was necessary to mend the .system and that there is no need to end it; they do not object to further mending! How long are we going to tolerate this twisted logic in defence of irrational management? Euthanasia rather than a further dose of irksome procedural restrictions is clearly what is indicated.