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EDITOR: V. A. KURIEN, B.COM, F.C.A.

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PRIDE AND JOY IN WORK

THE general attitude to work is a determining factor in the Industrial Revolution now taking place in India. There is a deep rooted tendency in our country to look upon daily work as one's fate. Such an attitude is neither helpful to the work nor beneficial to the person concerned.

Industrialisation presupposes a high standard of precision and reliability motivated by a sense of duty to keep the wheels moving. Therefore unless one is conscious of one's importance and has a keen sense of duty fortified by a pride and a joy in one's work, a country will not realise its best from industrialisation. That attitude and outlook has yet to be grafted in the present day workers.

This is a problem that calls for the attention of Productivity Councils, Management Organisations, the various Research groups and Trade Unions on the one hand and the educationalists on the other hand to impress upon the average worker.

Meanwhile our Industrialists, Businessmen and other employers ought to be conscious of the problem, and initiate programmes to counteract the unhealthy attitude so commonly prevailing in our country. Employers can make a worker legitimately proud of the organisation he is working for; create attractive surroundings; add an element of entertainment in the drudgery of work by means of music or such other media; introduce objective tests for measuring the quality of work and promoting competitions. That may well usher in a new era where work becomes a pride and joy.

OUR INDUSTRIAL MEN

A. D. SHROFF

AFTER taking his B Sc. degree with Economics at the London University and after facing many vicissitudes of fortune, Mr. Shroff started as an apprentice at the Chase Bank in London.

On return to India, he joined the well-known firm of Batlivala and Karani as a sharebroker. He was also a part time lecturer of Advanced Banking at the Sydenham College of Commerce and Economics in Bombay.

Mr. Shroff was till recently a senior Director in one of the foremost Indian concerns, Tatas. There is hardly any important industry in which Mr. Shroff is not actively interested. He is a director of a number of firms covering a comprehensive range of industries like insurance, radio, investment, fisheries, metals, banking, rayons and photography.

In addition to his pre-eminent position in the industrial and commercial world, he is also reputed as one of the leading economists not only in our country but also abroad.

On a number of occasions, he has rendered yeomen service to the country in his capacity as chairman of various Government committees.

In July 1956, Mr. Shroff took the initiative for establishing the Forum of Free Enterprise, a non-political organisation devoted to educating public opinion in India on free enterprise and its close relationship with the democratic way of life.

His life is an inspiration for all who aspire to work up to great heights through courage and hard work.

UNTIL INDUSTRY AND EDUCATION MEET

By JOHN R. COLEMAN

Professor and Head of the Department of Economics, Graduate School of Industrial Administration, Carnegie Institute of Technology, Pitsburgh, Pennsylvania.

B.A. **1943, University of Toronto, Canada.**
M.A. **1949, University of Chicago.**
Ph.D. **1950, University of Chicago.**

Formerly on the faculties of the M. I. T. and the University of Chicago. Labour Arbitrator. Lecturer in several management development programmes, including those of American Telephone & Telegraph Co., Western Electric Company, RCA Victor Corporation, and International Business Machines Corporation etc. He is the author of Goals and Strategy in Collective Bargaining (1951); Labour Problems (1953 and 1959); Readings in Economics (1952, 1955 and 1958) and many journal articles and monographs. Currently (1960—61) Consultant on Industrial Relations Research and Management Development with the Ford Foundation in India.

ITEM: An industrialist in the eastern part of India told me, "To be honest with you, we simply don't know any people within universities who know enough about the real problems of our business to make much of a contribution to solving them. The professors talk well, but it's all vague theory or textbook learning."

ITEM: A professor in the same area sighed, "Managers here flock to hear you foreign experts, but ignore us when we say the same things. They read the articles from America and the U. K., but give us no encouragement when we try to write on the same subjects."

ITEM: A management association leader across the country rejoined, "The whole weight of the system in most universities is against any active involvement by the faculty in the things that interest business men most."

ITEM: A university administrator in South India declared flatly, "We are usually welcome to send our students through their plants on hurried tours, but the chances for the faculty to stay behind to study any really significant problems are very rare."

Four remarks only—and therefore a poor sample on which to build a case. But those four remarks are echoed in enough places and by enough knowledgeable men to suggest that they deserve to be taken seriously in India.

What they illustrate is a yawning gap between the world of industry on the one side and the world of higher education on the other. There it sits, in spite of some fine efforts already made in a few places to close it. On either side of the gap, a few men point across the space between and say to those on the other side, "It's your fault." Doubts, suspicion, and even contempt cross over the gap; but face-to-face contact for any sustained period is rare.

The evidence is abundant: professors of business administration with very little direct experience in studying Indian business problems at close range; companies which clutch at the visiting foreign professor for ideas and pass the local university: the minor role of educators in most of the fast-growing professional management associations; the absence of much intensive field research by business faculties; the very small number of social scientists with an apparent interest in industry's world; and the unwillingness of many companies to share information with scholars or to see management as a professional field of study.

There are conspicuous exceptions. Here and there, men have built effective bridges accross the gap. The Indian Institute of Technology at Kharagpur has brought industrial managers to its halls for eight years now for residential study; it has drawn recognized business leaders into its examination boards; and it has moulded and remoulded its academic offerings with the assistance of business men who understand the purposes of higher education. The Tata Iron and Steel Company is experimenting in a modest way with bringing professors into the steel mill for brief study tours in their summer recess. Delhi, Bombay, Poona, Ahmedabad, Bangalore and Calcutta can each offer its own scattered pieces of counter-evidence to the general proposition stated here—and most of this counter-evidence did not exist a few years ago. But the exceptions remain exceptions for all of that. And occasionally even the bridges that have been built turn out to be better in surface appearance than in core construction.

Ivory towers and smokestacks

The reasons for the gap are rooted in industry's and education's stereotyped views of one another and in failure to see what each might offer the other.

Industry often seems to see the academic world as an airy maze of ivory towers. The university is a fine place, just right for Sanskrit studies. It adds to and fortifies something called "our cultural heritage," but it has little involvement in today's life except insofar as the hectic world of politics is concerned. The curriculum, the system by which the faculty are recruited and promoted, the way funds are allocated within a university—all these are seen as barriers to insulate scholars against the industrial world growing up around them.

And academicians in turn may see industry as a grubby maze of smokestacks in which ideas are suffocated in the mad rush to get out today's production. The faculties outside of business administration and commerce are prepared to concede that there is money in industry, but it is rather dirty money at best and not to be touched by a self-respecting professor. The business and commerce faculties may see industry as the subject of their long-range interests but not as something that can be counted on for much help today, given the obvious backwardness of most employers.

Caricatures? Of course. But there is just enough accuracy in them to keep them alive as significant pictures in the head. So long as they survive, they keep industrialists and educators from knowing one another well. They block the building of a new image of two worlds which are distinct but which have tremendous contibutions to make to one another.

What does it matter?

Suppose that industry and education were to draw nearer to one another in India over the next few decades. What difference would it make?

The greatest tragedy would be wasted opportunities—opportunities to use industry's scarce resources more effectively in the interests of economic growth and opportunities to use educatior's scarce resources more effectively in the interests of human growth.

The universities, for their part, can make major contributions to industrial progress. Their most precious resources are objective and high quality minds. (It goes without saying that not at all minds on the faculty automatically have objectivity and quality; but this caveat scarcely weakens the general argument). An alert outsider, with sympathy for but no personal involvement in a plant problem, may often see it from a fresh angle. His professional reading and travelling may equip him with knowledge of some other situation where a similar problem was faced and solved. His academic career may have quickened in him the ability to see problems in their larger, longer run perspective and hence to offer some counterbalance to the shorter run view with which many an executive finds himself plagued as he faces mountain of pressing problems each morning. He may be more sensitive in understanding the complex. of economic, political and social pressures which form the ever-changing environment for business decisions. More often than the man from a university solves a problem for industry, he serves as a catalyst to stimulate new and resourceful thinking among the industrial people who have lived with the problem and who must live with its solution. At his best, the intelligent and perceptive outsider thus helps to bring out the best in the insiders.

And industry in turn can make a contribution to a still better educational process. Nothing that has been said above about the freshness and imagination of the academician when he comes into industry should be thought to rule out the possibility that, back in his home environment, he is stodgy and wedded to the past. If a nation's education system is to remain relevant to the changing needs of its people, it must itself undergo ceaseless reexamination and change. It is obvious enough that some of Indian industry's practices, however good they were yesterday, are not good enough for today. Might not the same point apply, with at least equal force, to educational practices? And, if those latter practices need change, is it not likely that the community's business leaders may play some useful part in the process? As employers of so many of the university's graduates and hence as further developers of their talents, professional managers have a vital stake in a growing segment of what higher education produces.

Moreover, industry can offer to parts of the acedemic world a lively laboratory in which to study man in his interrelations with man. It can offer a wealth of concrete situations which may help to develop problem-solving abilities in the students of the country. It can offer to university personnel an additional channel through which they may play a part in the nation's rapid economic development, through the application of their special skills and talents to practical problems. In all these respects, industry may help to promote that personal growth and development which are essential elements of any first-rate academic community.

But an effective interplay between academician and industrialist depends upon each party doing what he does best. There is no advantage to be gained from training academicians to do managers' work or from immersing the academician in a routine sort of consulting assignment which gives no play to his abilities. Conversely, the industrialist is not wisely employed if he is laying out the curriculum which a faculty is to implement within a school or if he is teaching what is equally well taught by available full-time faculty member. Professor and manager alike are specialists. They have much to learn from one another. But each still has his own job to do.

A word to industry

Before turning to some possible steps in bridge-building between these two worlds, suppose we talk alone with managers for a few paragraphs and then with educators alone.

Finger-pointing is not very useful, even as exercise. Whether the universities are or are not primarily responsible for the gap between themselves and industry is a teasing enough topic. But a more useful one concerns who must take the first steps to bridge the gap. A compelling case can be made that industry must lead.

To begin with, the ferment of change is now more pronounced in some segments of industry than in most universities where a small corps of dedicated teachers of industrial administration have yet to receive the full backing of their colleagues in their work. The pace of Indian industrialization and the problems which arise in its wake have already persuaded many managerial organizations that they need new ways to accomplish their jobs and that they need whatever help they can get in the development of new management methods.

The time for "seat of the pants" judgment in the direction of industry is fast running out in India as elsewhere. May be an inheritance of "good business sense" was once enough to fashion an industrial empire. But this is a slim reed on which to lean in today's commerce. Wherever markets grow more complex, technology more complicated, skills more specialized, and worker expectations more demanding, there is need for new knowledge. Nor can an Indian businessman permit himself any of the bromides which may have been soothing in the past. He can no longer avoid worrying about personnel problems by telling himself that, in a labour-intensive society, he can always hire new workers to replace any unsatisfactory employees; for now he knows that getting rid of even a poor worker is a difficult process and that he had better try first to make a good employee out of that poor one. He finds it harder to profess any indifference about the newest production methods; for these methods may be his only hope of using whatever resources are available to him in such a way as to ensure a reasonable rate of return and a reasonable share of the expanding markets. And this is only the beginning: complicated industrial legislation, crowded transportation facilities for moving his goods, the scramble for new outlets, changing product lines, price and wage pressures, capital shortages, import restrictions, and a host of other factors rise to haunt the man who seeks the comfort of doing business in the same old way.

No one would yet claim that business decision-making is a purely rational process, even in the most advanced firm in the most technologically advanced country in the world. The rational and the non-rational still exist side by side. But the big difference today is that, where business decision-making may once have been one part skill to three parts art, the reverse is now more nearly true. And this is only the beginning. Research by social scientists into business processes has scarcely scratched the surface. Man's knowledge about man in this work activities will surely expand manifold in the decades ahead. No Indian businessman dare delude himself into thinking that the frontiers of management science now being probed in so many parts of the world lie safely beyond his field of concern.

If the universities are not already storehouses of knowledge about the industrial practices most conducive to higher productivity for the nation, this may be in part because industry was uninterested in stimulating this kind of activity there. A number of university libraries are acquiring good collections of materials on industrial principles and practices in foreign countries. But this is never enough. The great need is for Indian materials — materials produced by applying some of India's best minds to some of India's most pressing problems. But there will be no first-rate materials until industry has involved academic people more intimately in its problems. Only involvement as field researchers and consultants can help the academicians bring their writings down from the clouds and into the realm of today's problems and today's possibilities.

A word to education

Indian professors will detect in this article an American's bias in favour of a stronger industrial administration faculty in the university and a more intensive involvement of that faculty in industry's problems. It is true that these traditions are well

established in the United States today. But this bias, which tells me that these things are important, does not prevent me from seeing that the American example teaches as much about what is to be avoided as it does about what might be done.

There is little point in trying to gloss over what is all too obvious on some American campuses today: much business education has become sterile and trivial, attracting neither the best students nor the best faculty. Indian faculty men who shy away from their universities' involvment in the world of industry can strengthen their case with reference to some well-chosen horror tales from America. But this is only one side of the story. Some American educators are well aware of these deficiencies and are moving in dramatic fashion to move business education into the very forefront of first-rate professional development.

Let me, immodestly, use my own home base as an example of this new trend, simply because I know this example best. The faculty of the Graduate School of Industrial Administration at the Carnegie Institute of Technology is made up primarily of social scientists — economists, political scientists, and psychologists. The rest are mathematicians, lawyers, and industrial administration specialists. Each of these professors is bringing the skills of his discipline to bear upon a common set of problems—the problems of administering industrial enterprises so as to produce the maximum total satisfaction for participants and community alike. No one among them claims that this is the only field of university activity worthy of the best research and teaching; each claims only that here is one focal point offering both intellectual excitement and contemporary significance. This faculty "has been a pioneer in bringing the behavioral sciences and some of the newer mathematical and statistical techniques to bear on business problems."* In its own research and in its Master's and Doctoral degree programs, the faculty has sought to establish standards that are at least as high as those in any other field of university life. Carnegie Tech is certainly not alone in this development; at the University of Chicago, Harvard, M.IT., and elsewhere, eminent scholars are dedicating themselves to studying and teaching about the world of industry. And none of them feels that he has degraded himself by the choice of this particular laboratory in which to study man's behaviour.

This development serves to highlight another point: the popular debate between *liberal* and *professional* education, a debate in which Indians seem to engage as often as Americans, turns out to be a rather pointless one where quality programmes are concerned. There need be no sharp line between liberal education at its best and professional education at its best. Both can and should "humanize" man; both can and should impart the discipline of rigorous thought; both can and should help a man develop a logical way of approaching whatever problems confront him. If one accepts Mary Parker Follett's characterization of a profession as having *a foundation of science* and *a motive of service*, then the gap between liberal and professional learning decreases sharply and men in each field can leave off the debate to get on with the more fruitful work at hand.

Even as India moves rapidly into industrialization, an anti-industry and anti-commerce bias maintains its hold in some quarters. Professors in some university departments have looked askance at the expanding enrollments in the new business administration programmes. Occasionally, they have built some ingenious road blocks in the paths of these new departments. This serves to discourage the will to experiment with new educational patterns among those faculty members with an interest in industry; for their world, after all, is the academic world and they feel compulsions to tailor their activities to what is currently acceptable in that world.

Yet the task of men who want to become engrossed in industry's problems must be to present their case as forcefully and as unapologetically as

* R. A. Gordon and J. E. Howell, **Higher Education for Business** (New York: Columbia University Press, 1959), p. 33. This Ford Foundation-financed study of American business education is at once the best survey of some of the weaknesses in much current teaching and research and the best outline of what business education must become if it is to serve the community, industry, and the university well.

possible to their faculty colleagues. They need to ask why the study of man in his industrial activities should be one whit less interesting or demanding than the study of man as a political creature, as an activist in the community, or even as a religious person. Man's interest in man needs to be in man as a whole; and the sweep of events makes it evident that industry and commerce will occupy a greater share of the Indian's time tomorrow than today. The real question then is not whether industrial problems deserve the scholars' attention; it is whether the scholars will bring exacting enough standards to this task. And those who are themselves uninterested in studying industrial problems stand on better ground when they insist on these high standards from others than when they openly or covertly discourage this interest altogether.

This brings us to the touchy matter of consulting. Again it is just as well to admit right away that off-campus consulting by university personnel is open to abuse. Those who engage in routine consulting of a type equally well performed by a commercial consulting firm merely feed the suspicions of their colleagues. Those who neglect their university work to bring in extra mounds of rupees from outside arouse antagonisms — and may be even a tough of envy — in their colleagues. And those who abandon high standards of professional conduct in their consulting relationships earn the contempt of their colleagues.

But the case on behalf of consulting is so compelling that it suggests the wisdom of curbing the abuses therein rather than of putting all temptation out of the way. It is true enough that consulting may add to a man's income — and, in the light of salary scales for India's educators, this is no mean contribution. It is also true, as experience in many countries shows, that a growing corps of consultants from universities can help industry solve some problems which baffle those closest to them. But the more important case for consulting, from the educator's point of view, is a quite different one: it gives the academician an unrivalled opportunity to deepen his understanding of the links between theory and practice. He can grow as a teacher, as a scholar and as a citizen if he uses his consulting opportunities wisely, firmly restricting his consulting to a maximum of one day per week, and confining it to activities which enhance his professional stature and knowledge.

All of these words to the world of education may easily be summarized: the scholar who has set high standards of objectivity and personal integrity for himself need not be afraid of close contacts with industrial problems. But, once he sets aside either objectivity or integrity, he has nothing left to give, regardless of how much he may continue to take.

What can be done?

India's businessmen and academicians can draw closer together if they wish to do so—and in all fairness it must be admitted that today's gap is less than what is said to have prevailed five years ago. The gap between them can be closed still more however. Together, industry and education can work at developing their own ways of helping one another. A few suggestions are made here with the hope that they may stimulate still better ones from the parties themselves who have so much to gain from closer ties.*

1. *Open doors in industry*: A useful starting point for management might be to assume that a number of academicians, particularly in the social science faculties, have failed to think much about industry's practical problems simply because of their absence of first hand contact with industry.

In highly industrialized western societies, a general familiarity with industry can often be taken for granted as a product of men's own work experiences while young, their family backgrounds, and their constant exposures to an industrial way of life. This same familiarity cannot be taken for granted in India. It needs careful cultivation, for surely *knowing* the other man's problems is an essential first step in *caring* about them.

* A more complete list of suggestions from Indian educators and businessmen is in **Report of a Visit to the United States of America by the Indian Management Education Study Team** (New Delhi: Ministry of Scientific Research and Cultural Affairs, Government of India, 1959).

Suppose then that some of the bigger companies in India were to choose each year a small group of five or six social scientists and perhaps business administration teachers too—all high quality, all rather young, all presumably open-minded, and all without much prior exposure to industry—to spend a period of two weeks in these companies during a break in the universities' year.

The programe might start with a few days of general orientation to the company's business by top men from the various functional areas. Here there should be plenty of time for questions and discussion in as informal a setting as possible. Unless a company executive is prepared to be quite frank with the academicians about his problems as well as his succees, it would be better if he were kept well out of sight during the entire two weeks. Any attempt at "brainwashing" will surely prove disastrous to the whole experiment.

Then the social scientists could be invited to select a particular area of the company's activities into which they would like to look more intensively for a week or so. A social psychologist might want to understand some of the assumptions on which an incentive application has been based. An economist might want to explore some practical implications of the marketing procedures then in use. And a sociologist might want to see some ways in which formal communication channels within the firm are significantly altered by a variety of informal channels.

Finally, the academicians ought to have an opportunity to discuss what they have seen and learned in a group session with the top executives again. From this session, management may very well learn some things that it had not known before or it may see an old and familiar problem in a new light. But even if this were not so, the time and energy—and the small amount of money involved in providing transportation and maintenance for the guests—could still be excellent investments if a new interest in industry's problems has been sparked in bright, young, and objective minds. Here at least is one way in which men from these two critical sectors of society can begin to know one another better.

2. Promoting research contacts

The case for objective and intensive study of a wide range of industrial problems is a pressing one—in India and elsewhere. Intelligent decision-making in an increasingly complex world demands fewer fancies and more facts. (many a manager can afford to ponder the old saw, "It isn't what I know, but rather what I know that isn't so, that makes all the trouble.") Some of this research may be done best by industry's own staff where this is available. But there is an important place too for research by outsiders who may bring to the task both detachment and special skills not found within the company.

Such research is not new to India. But some of it has apparently left behind more mutual frustrations than useful knowledge. Why is this? What are the major pitfalls into which some companies and some academic researchers have fallen in their first contacts with one another?

- Where industry has initiated the contact, it has sometimes failed to define with sufficient clarity just what the problem was on which it sought information.
- Even with the clearly defined problem, industry has sometimes left the researcher so completely on his own that effective liaison disappeared as the study progressed.
- Where the academician initiated the study, there was sometimes an inclination to gather facts for the facts' own sake (as in some socio-economic surveys), without much regard for any use to which they might conceivably be put.
- Some initial research projects appear to have been overly ambitious. They posed problems that would have heavily taxed the skills of even the most experienced industrial researchers.

- At the other pole, some projects were so routine and undemanding that they failed to utilize any appreciable part of the researchers' talents or to arouse his continuing interest.

But none of these defects is an inherent one. The researcher into industry's problems can make contribution to better management if his research has a sharp focus, if researcher and management keep as close contact with one another in the execution of a project as they did in its design, and if the project is appropriate to the level of skills possessed by the researchers. Working together under these conditions is likely to prove a rich learning experience for researcher and management alike.

Perhaps the best way to begin the job of building a firmer tradition of industry-university research cooperation is for managers to take the initiative in identifying some key problem areas which lend themselves to objective study. Then managers may seek out academic men in whose basic ability they have confidence, even though these men may not have done research in industry heretofore. The managers' job then becomes one of selling the potential researcher on the value of the project from both parties' points of view.

The projects can be modest ones: a comparative study of absenteeism by departments and skill levels; an analysis of the readership by selected customers of a company advertisement appearing in a local newspaper; a study of contrasting management and employee perceptions of the company's disciplinary polices! or a determination of the costs involved in maintaining inventories of supplies at the level now in effect. Each such study requires *the gathering of data*; it rules out the spinning of generalizations in a vacuum. Each has the virtue of being hard-headed from industry's point of view and still challenging from the academicians' point of view.

3. Building a better curriculum

Industrial employers cannot escape sharing some of the blame if the product of business and commerce courses is not quite what they would like to hire. The Manager who takes little interest in the curricula of local universities or who shrugs his shoulders in defeat at the thought of trying to bring about any changes in them has abandoned any constructive role for himself. He can get no better from the universitites than he deserves.

The precondition for an industrialist playing any useful part in building still better educational programs is an understanding of the aims of education itself. He comes into an arena where there are specialists at work—and these are ofttimes specialists with vested interests and thin skins. He cannot expect to supplant their expert knowledge with his own; rather, he can help them to be better educators by asking the kinds of questions which will bring about a constant re-examination of the total educational programme in which they are engaged. Just as they may help him remove some of the occupation blinders on his own job, so too he may help them remove some of the blinders peculiar to their work.

The need here is not for some superficial scanning of a curriculum from time to time. It is for business men to find the opportunity to sit down with the academicians at some length and to explore the basic aims and strategy of the programme in detail. With tact but with perseverance too, the outsider can make a contribution to education if he keeps such questions as these in his mind:

- Does the programme stunt the growth of men's minds through rote leaning and easy answers for complex questions, or does it seek to stretch those minds at every opportunity?

- Does the programme impart mere descriptions of today's business policies (which may be out of date by the time today's students enter industry), or does it try to develop basic principles and problem-solving approaches which will stay fresh and relevant for decades to come?

- Does the programme teach what industry can teach better in on-the-job training, or

(Contd. on page 17)

EFFORTS MADE IN EUROPE TO PROMOTE BETTER MANAGEMENT METHODS IN SMALL SCALE INDUSTRIES

Contributed by

The European Productivity Agency

IN all European countries the major part of industrial activity is still carried out by small and medium-sized firms which constitute the vast majority of all industrial concerns. These firms, however, are finding it increasingly difficult to keep up with technical progress and to adapt themselves to present-day conditions, particularly in countries which have already reached a high degree of modernisation. Not only are they handicapped through their number and wide dispersal but the head of the small firm finds that he has less and less time to grapple with his problems and keep abreast of modern developments. The gap between small firms and the more progressive undertakings in Europe has, therefore, tended to widen - especially since the second world war. The problem is further complicated by the fact that for various reasons of a psychological or financial nature small firms rarely call on outside assistance, although they are more in need of such assistance than the larger firms.

In order to remedy this situation special efforts have been made in many European countries in recent years to make available to small firms the assistance they require and to help them in the difficult process of adjustment. Sometimes the initiative for such action has come from private bodies: in other cases it has been fostered by the state. Generally speaking, it is the public sector which has done most to assist small firms for political and economic as well as technical reasons. For private enterprise, in which small firms plays such an important role, is an essential part of the Western economic heritage, and the disappearance of these firms might well endanger the existence of the European economy.

Action has taken the form not only of financial and technical assistance but also of education, information and general advisory work designed to promote better management techniques. For although the difficulties encountered by small firms are more often than not attributed to technical factors (at least by their owners) they usually prove, on closer investigation, to stem from deficiencies in organisation and management. Furthermore, while all European countries have organisations such as Chambers of Commerce, trade organisations and credit institutions from which small firms can get advice, generally speaking these organisations rarely touch on management problems as such. It is the National Productivity Centres and other bodies, therefore, which have devoted increasing attention to this question and extended their activities in the management field.

The problem has been approached largely in two ways. Firstly, by promoting the use of independent management consultants in productivity programmes. Secondly, by setting up advisory service especially designed to meet small firm requirements.

Use of Independent Management Consultants.

There is a growing tendency for National Productivity Centres in Europe to work in close liaison with the management consultancy profession and to utilise the services of independent consultants in their training programmes. This is done in various ways depending on the economic conditions and institutional structure of the country concerned.

In some cases management consultants are represented on the Productivity Centres Governing Body and cooperate in the Centres general programme. Somtimes they take part in general information meetings organised by groups of management or by senior executives from small and medium firms in a given sector. Then, again, they may take part in training courses designed for supervisory grades of small firms and organised by the Productivity Centre in collaboration with management consultant firms. The Dutch, Belgian and French Productivity Centres are particularly active in this field.

There are also cases, e.g. in Belgium, where the advice of management consultants is sought by the Productivity Centre with regard to the granting of productivity loans. These are direct loans for the raising of productivity granted by Productivity Centres out of special funds often provided from American aid "counterpart funds". The so-called "management loans" granted by certain Centres can in fact only be used for the reorganisation of a business if a management consultant is called in to help.

In spite of these initiatives, however, there is still relatively little contact in most countries between the average small firm and the independent management consultant whose services are in any case too costly for the small businessman to employ.

Development of Advisory Services for Small Firms

Intensive efforts have therefore been made to establish special advisory services for small industry and it is undoubtedly in this field that the most interesting developments have taken place.

The origin and form of these services varies enormously. In the Scandinavian countries, advisory work for small business is done by the technological institutes set up by the trade associations before the last world war. In other countries where the decentralisation of National Productivity Centres has been organised vertically (by industry), the productivity centres in charge of an industrial sector have tended to act as advisory services. In Germany and France the advisers belong to the staff of the regional productivity centres; in Italy, they are trained with the help of the Centre and then set up practice on their own account, although continuing to cooperate in the Centre.

Certain advisory services are an extension of research bodies. This is the case in Austria, and to some extent in the Netherlands.

However, as already seen, it is the public sector itself which has done most to promote the setting up of these services, and during the last few years a growing number of advisory services for small and medium-sized firms have been set up and are financed by the state.

Outstanding examples of this development are seen in the Rijksnijverkeidsdienst (or RND) and the Rijksmiddenstandsvoorlichtingdienst in the Netherlands and the Rural Industries Bureau in the United Kingdom. It is interesting to note that the same tendency has been manifest in non-European countries such as the United States (e.g. Small Business Administration) and Canada (Technical Information Service).

Whatever their origin, these services nearly always aim at pointing out to heads of small firms the deficiences in their organisation and proving to what extent it is in their interest to go into their problems more deeply by calling on the help of specialised outside services. As only to be expected the activities of the services vary considerably both in scope and content. They may take the form merely of general information and guidance. They may include what are known as "diagnostic studies". In certain cases they even go so far as to give detailed consultations.

The normal practice is to begin by making contacts, tracking down firms, and providing general technical or specialised information. Many services then carry out a "diagnosis" which consists of making an "X-ray" of the firm to determine its weak points and suggest appropriate action without going so far as to draw up a complete plan of reorganisation.

Some services then go on to give a complete consultation, less detailed in character perhaps, but nevertheless similar to the studies and recommendations made by management consultants.

In most cases the information and orientation activities are carried out free of charge. The diagnostic studies are also for the most part free when they only take a limited time. Otherwise a fee is charged–very often at a reduced rate. The services themselves derive their revenue from composite sources but have so far been largely financed out of pulic funds.

The following paragraphs illustrate the diversity of the advisory services and the highlight some of the more interesting experiments carried out in recent years in this field.

Perhaps the most interesting example of what can be done is provided by the RND in the Netherlands, which now has 12 provincial offices and carries out information and orientation activities on a large scale.

Ten years ago the RND established a Management Consultants Division for Small Industry which works primarily through individual contact with firms, analysing problems and demostrating practical solutions. The RND often goes beyond the stage of information and orientation however and carries out a 'diagnosis". In doing this, it co-operates with existing institutions and organisations and the owners of the firms are generally referred to the appropriate bodies concerned.

The Delft Institute of Industrial Scientific Research works along the same lines and has developed a method of "X-raying" firms employing less than 200 people. When the "X-ray is completed the Institute makes a report drawing attention to the necessity or otherwise of calling in a management consultant.

In the Scandinavian countries, where the technological institutes are naturally concerned primarily with technical information, management problems are assuming growing importance and a number of training courses for small firms have been organised. In certain cases consultations are also given immediately following the courses in order to help managers to put in practice what the courses have taught them.

Another interesting experiment has been carried out in Denmark. Here "contact men" are sent into small and medium-sized firms by specialised research centres to ask them whether they have any special problems. If the reply is in the affirmative, the contact men put the firms in touch with the body which can best assist them. In some cases the individual visits to firms are supplemented by group discussions.

Similar activities are carried out by various bodies in the United Kingdom, although the idea of dealing with "small and medium-sized firms" as a specific category does not play an important part in British industrial or economic thought. The governmental Rural Industries Bureau is responsible for improving and modernising techniques and management methods used by rural industries and now has five regional consultants and 42 management consultants working full-time in rural areas.

In Scotland a special service known as the "Technical Liaison Service" (TLS) was set up towards 1955-56 by the Scotish Council (Regional Expansion Centre) and appointed a team of three advisers to visit 109 firms employing less than 500 workers. The object of these visits was to find out exactly what problems these firms were faced with; to what extent they could solve them unaided and to what source of outside help they should turn in order to solve them.

In number of countries an increasingly important role is played by the National Productivity Centres in the advisory field and assistance to small and medium industry has become the focal point of productivity activity. The Productivity Centre in Belgium, which has taken the lead in this direction, has developed a special programme of "training assistance" for small firms in which management consultants co-operate. The Centre began by making an inventory of management consultants and enlisted their help. As soon as sufficient consultants had been contacted small homogeneous groups of small firms were formed and allotted to consultant teams for training. The training sessions were followed by small discussion groups and by visits to the firms concerned. So far a dozen management consultants have been recruited and forty or so groups are in operation. The experiment has proved to be a great success.

The same trend is noticeable in France where the entire policy of the National Productivity Centre is especially designed to benefit small and medium-sized concerns which comprise the majority of French business firms. The 45 trade and inter-trade productivity centres set up in France also devote most of their activities to this category of undertaking. Action by the French Productivity Centre to help small firms takes various forms, including the granting of productivity or organisation loans; rapid diagnoses, and the organisation of conferences, seminars and training courses. The maximum use has been made of conferences and diagnostic studies to draw the attention of heads of firms to management problems. In order to intensify this action and make it permanent, the Centre has encouraged the establishment of so-called "self-organisation" groups each limited to 12 firms. The aim of these groups is to combine training with its practical application within the firms.

This activity has been very successful and was followed up in March 1960 by the setting up of a special commission known as the "Commission for Liaison with and the Study of Management Consultants". In addition to the National Productivity Centre, the commission groups a number of professional bodies and has set up three special Sub-Commissions concerned with: making small and medium-sized firms aware of productivity problems and techniques; the training of business management consultants, and study and research on business organisation and managemet. Activities include information meetings, seminars, the so-called "auto-organisation" groups already referred to, group action and various forms of publicity.

Another interesting project carried out in France involves the training in one year, or a year and a half, of a team of experts known as "management assistants" who are then assigned to the regional productivity centres for advisory work. The main function of these assistants is, again, to carry out "diagnoses" and help heads of firms improve weak points in their business, possibly by calling in an independent management consultant.

Other experiments of a similar kind are to be found in Germany, where the problems of small and medium-sized firms are again the Productivity Centres primary concern. One particularly interesting development here is the setting up by the Centre of a Plant Analysis Service for small and medium firms in which members of the Centres, permanent staff act as consultants. Under this service an expert from one of the Centres' regional offices carries out a plant survey and draws up a report putting forward general recommendations for improvement. The firm is then free to follow up these recommendations by engaging a specialised consultant if it so wishes. The service is highly subsidised by the state, up to 50% of the cost of visits to small firms being met by the Centre.

Conclusion

These are only a few examples of what is being done in Europe to help small industry improve its management techniques, but the problem is vast and much still remains to be done. What of the future? It is an undisputed fact that unless these firms can adapt themselves to modern economic conditions, the existence of many of them may well be endangered.

Not only will the work of information, education and general advisory activity therefore have to be continued and intensified, but special propaganda and advisory schemes will have to be worked out designed to convey modern management techniques more directly to small firms whose modernisation needs to be accelerated.

Monsieur Gingembre, head of the association for handicrafts and small and medium-sized in France, aptly summarises their main needs as follows: the provision of study centres and documentary services for small firms; the availability of specially trained consultants to give small firms practical advice which can be put into effect without straining the means at their disposal; the setting up of technical agencies such as research laboratories and testing stations similar to those available to larger firms; the establishment of up-to-date accounting services, market research centres and export services, to help small firms solve their management problems; and finally, the need to provide the necessary capital or long or medium-term credits to enable small and medium firms to modernise their business and keep abreast of modern developments.

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(Contd. from page 12)

does it utilize the unique capacity of the university to develop an orderly thought process in man and to help him relate the parts of his environment to the whole?

- Does the programme produce a narrow specialist who must count on the social and economic environment remaining static if he is to practice that specialty, or does it build into a man a feeling for the changing forces with which he will deal throughout his career?

In common cause

Indian experience since Independence proves that progress can be made in spite of the gap between industry and education. But there is a promise of still greater progress when these two worlds talk and work with one another more intimately.

The suggestions made above are undoubtedly rooted in an industrial environment and an educational system quite different from what prevails in India. They may not work here. If this is so then the job of Indians is to find better ways of closing the gap. For, until those who care are prepared to act, little will happen. Words will remain words, and dreams will remain dreams.

Sound Financial Management of Small Enterprises

M. R. Shroff

"SMALL Business" may be taken as one having very limited financial and managerial resources. It may take the form of sole proprietorship, a partnership or a joint-stock company. More often than not, both finance as well as technical and managerial-know how is provided by an individual or a small group of relatives or friends.

The sources of finance available are:

1. Proprietors', partners' or shareholders' capital.
2. Debentures (in the case of joint stock companies).
3. Secured and unsecured loans from:
   (a) State Bank of India under its liberalised scheme.
   (b) Other Commercial Banks.
   (c) State Finance Corporations.
4. National Small Industries Corporation Priv. Ltd. giving Plant and Machinery on hire purchase.
5. Suppliers' credit.
6. Ploughing back profits.

The extent of capital which can be raised is limited as it is derived from an individual or a small group of people. The owners of a small enterprise are cautious not to widen the base of capital as it may lead to their losing the controlling interest in the business. When the concern is a private limited company, the scope of raising substantial capital is circumscribed by limitations on the number of shareholders and poor negotiability of shares.

As far as debentures and loans are concerned, the scope is restricted owing to the limited availability of tangible assets which can be offered as security. Even where unsecured loans can be raised the rate of interest payable is relatively high.

Despite the several official agencies that have come on the scene, finance still constitutes a tough bottleneck for many a small business. Even where a sound proposition can be put forward, the initial hurdles involved in complying with the formalities and the inordinate delays in scrutinising schemes constitute formidable obstacles. This is evident from the fact that despite great paucity of finance official agencies have not been able to find sufficient avenues for making advances. Unless, therefore, procedural delays are cut down substantially the objectives for which these agencies have been set up are unlikely to be realised.

With increasing bouts of taxation, even with conservative distribution of profits self-financing has become increasingly difficult. This can be substantiated by a recent study made by the Reserve Bank of India of 510 small Public Limited Companies having paid up capital of less than Rs. 5 lakhs:

	Small Companies 1956-1957		Large Companies 1956-1957	
% of profit on gross sales	5.1	3.1	10	8
% of profit on Total capital employed	6.5	4.4	9.5	7.4
% of Dividend on paid-up capital	4.8	4.5	9.5	8.7

Hence the effective husbanding of available financial resources is as if not more, important a task as in any large concern.

More often than not no attempt is made to adopt some of the simple tools of financial controls which can be suitably adapted to a small business. Consequently a lot of the valuable time of top management is uselessly spent in trying to sort out financial problems which could have been obviated with a little planning and forethought.

Good financial planning starts from the very conception of a scheme for small business. While the expertise that may be required for a detailed study of all aspects may not be available, a brief financial outline of any scheme can be drawn up by any business, however small.

The questions that may well be asked are:

1. The size of the market for the product proposed to be made.
2. The manufacturing capacity sought to be established.
3. The total financial requirement of the project at its optimum capacity and whether it can be raised-If so how?

It may well be that owing to financial limitations the installed capacity may have to be curtailed. However, if this is done at the initial stage it would save financial disaster later resulting from a scheme which cannot be sustained in actual operation.

A small business has to be viable and flexible and hence must apply proper judgement as to the proportion of its available capital which is going to be invested in fixed assets. Although these assets may have a great potential earning capacity for all intents and purposes they represent cash withdrawn from circulation. Many a time the lure of the benefits of Development Rebate leads to acquisition of plant, machinery and equipment not really needed. Even within the desirable block of fixed assets care should be exercised to expend as little on land and buildings as possible as these are practically non-productive assets. Adequate provision must be made for working capital as otherwise with a change in the terms of trade for the worse the business may find itself in deep waters. If a large proportion of available capital is sunk in fixed assets, it may well be that despite very favourable market conditions it cannot derive full advantage for want of required working capital. A fundamental error often made in assessing financial requirements is the equating of increase in profits with a corresponding rise in cash balances. As a matter of fact it can be the reverse if the cash outflow in the form of acquisition of fixed and current assets and/or reduction in liabilities has been more than the inflow in the form of additional capital or loans *plus* the net profit. Quite often this tendency is observed in a business with a rapid growth where the increased working capital needs have not been properly gauged in advance for financing larger stocks, receivables, etc. Paradoxical as it may sound the cash balances sometimes tend to go up for a while with a recession in sales as while the cash outflow on purchases and services is for maintaining a lower level of activity the realisations are in respect of far larger sales effected in the earlier period. There is also the impact of non-cash expenditure which has to be kept in view. Charges like depreciation, provision and reserves for gratuity, bad debts, etc. fit into this category. Thus while they are a legitimate charge on income before net profit is computed the cash flow remains unaffected.

Some of the yardsticks which may be usefully adapted for assessment of the financial working of a small business are:

1. Cost statements.
2. Monthly expense budgets.
3. Monthly P. & L. A/c.
4. Monthly cash budget.
5. Monthly sales figures suitably analysed.
6. Monthly list of what you own and what you owe.

Cost statements required for a small business are in essence not much different from those used in large businesses save in detail.

It is often said that 'Estimate' is an opinion Cost' a fact, and 'Price' a policy.

A small business working on low margins is in a vulnerable position and has to keep track of its costs for its economic survival. While historical costs have their value, standard costs are most useful. A mere "post mortem" is of little help save to reflect the actual incidence on costs and resultant profits through following a certain policy. However, with the constant fluctuations in terms of trade and increasing competition it is necessary even for a small business that its product or products should be planned to cost. This could be very effectively done by the added value concept wherein attention is mainly concentrated on those components of costs which are within management's control. In quite a few industries though material constitutes the bulk of the cost of production, the scope for controlling this element of cost is limited. Hence maximum possible benefit could possibly be derived in such cases through a proper control of labour and overheads (added value) which go into the product or products. For this purpose a monthly statement of expenditure and charges should be compiled and compared with budgeted figures.

In this computation expenses and charges the incidence of which is agreed over a quarter, half year or a year, e.g. rent, depreciation, insurance, interest, etc., should be debited *pro rata* monthly on the budgeted basis to be adjusted subsequently. This also enables an effective reconciliation of the costs actually incurred with those recovered on the products made and sold.

The added value concept also help to determine the over all efficiency of operation when indices are drawn up in respect of the following:

1. Added value per employee.
2. Ratio of added value to cost of plant and machinery.
3. Ratio of added value to total capital employed.

The application of these ratios, particularly in the smaller companies, is a means of indicating to management the extent of the variations which take place during any period and the contribution which has been made by labour and various services to the profits of the business.

Once this technique is adopted, the need for compilation of a separate P. & L. a/c may be obviated. If necessary the various overhead items could be broken down into their constituents for a more detailed study.

One of the consequences of rapid industrialisation has been the ever increasing incidence of fixed overheads. By their very nature, they represent items which are not quite sensitive to variation in output within a given set of circumstances. The cost structure of products has to that extent tended to be rigid. Profitability of concerns has, therefore, tended to depend primarily on attaining the planned targets of output and sales to spread the overheads.

For a small business, particularly, important decisions have to be taken often as to how low a product could be sold in the face of growing competition to maintain sales without minimising profits or incurring undue losses. An unorthodox approach here is of considerable significance. To this end the following technique may be of great benefit.

The cost structure of any product, from the angle of its sensitivity to variations in output could be split into two main components, viz. marginal cost and fixed cost. The marginal cost comprises of direct material, direct labour and variable overheads, in other words, that component of total cost which would not be incurred if the product were not made. It may, therefore, indicate, under certain conditions as to at how low a price the product can be sold. In the price recovered for a product the excess over the marginal cost is considered a contribution to the general pool of expenses classified as overheads and to profits.

As discussed earlier just because a concern is working profitably it does not necessarily ensure its liquidity. Hence the drawing up a budget of the

annual cash requirements of the business once the sales plan is finalised is a must. However, as there would be large monthly variations arising from seasonal fluctuations in purchases of raw material, tax and dividend payments, etc. it is necessary to ascertain the peak requirements which may be considerably higher than the annual average.

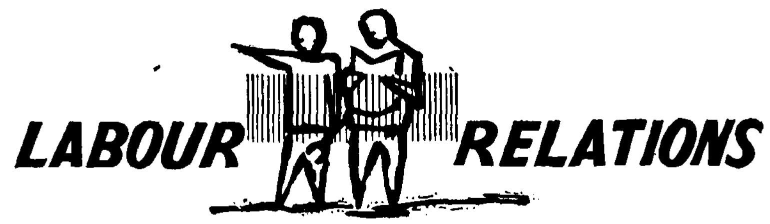
Adequate control on stocks and receivables is a very vital function of the management of small business. Not very seldom the moneys invested in current assets exceed the investment in fixed assets. Besides a small business often has to buy against cash and sell on credit, at least in the initial stages, till its credit worthiness is recognised and a careful thought should be given to this aspect when fixing the sales target.

The most neglected aspect unfortunately in many a business today is sundry creditors. It is a good adage to remember that generally you can seldom procure better terms from your suppliers than what you offer to your customers. One of the salient features of sound financial administration is to keep a constant watch on the ratio of creditors to purchasers and ensure that it does not exceed the period of credit allowed. Financing a business on creditors' money can be fatal in the long run.

In the ultimate analysis *overall good management* is fundamental to the conduct of a business, large or small. While in larger units lack of efficient management and its adverse effects are compensated to some extent by other favourable features like adequate finance, specialised skills, etc. that is rarely the case in small business.

Average weekly earnings of production workers in selected occupations in UNITED STATES

Manufacturing		
Food	$88.80	Rs 421.80
Tobacco	62.96	299.06
Textiles	62.05	294.73
Apparel	55.77	264.91
Lumber	82.76	393.11
Furniture	75.74	359.76
Paper	97.94	465.21
Printing	107 42	510.24
Chemicals	104.90	498.27
Petroleum & Coal Products	121.01	574.80
Rubber Products	98.67	468.68
Leather Products	58.88	279.68
Stone, Clay, Glass	92.52	439.47
Fabricated Metal	106.78	507.20
Machinery	103.9	493 86
Electrical Machinery	93.03	441.89
Instruments	94.56	449.16
Clerical		
Typits	72.00	342.00
Book-keeper/stenographer	75.00	356.25
Accounting Clerk	93.00	441.75
Education Yearly Salary-1960-61 (Source: National Education Association)		
Teachers, elementary	5,034	23,911.50
Teachers, High School	5,500	26,125.00



WORKS COMMITTEE AND ITS PLACE IN INDUSTRY

BY

B.-N. RAMADAS

Director

Bureau of Industrial Relations

Bombay

[One serious problem confronting India is the ever widening gulf that exists between theory and practice. Politicians and philosophers alike prepound highly idealistic prepositions which however remain uncommunicated and unconveyed as those who propound them seldom practice what they preach. It is a well recognised fact that the best medium of communication is practice.

In the romantic and the dreamy words of philosophy and politics such a gulf is possible and it will be tolerated as a big joke.

In the hard and the very real world of Industry and business, there is no place for such a joke. Any gulf between theory and practice will be to the peril of industry and business. It is not merely in the mechanics of production but also in the management labour relationship. For example, if a Committee is formed in an industry for a certain purpose it has to be functioned with the necessary responsibilities and importance and not merely decorative. It is in this context an attempt is made here to examine the role of the Works Committee as envisaged by the Industrial Dispute Act and how best it can be made effective to discharge the responsibilities expected of it. — Ed.]

SUB-section (2) of Section 3 of the Industrial Disputes Act reads as under:

"It shall be the duty of the Works Committee to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end to comment upon matter of their common interest or concern and endeavour to compose any material difference of opinion in respect of such matters."

It would be to the benefit of both the industry and the employees to honestly search for themselves

whether the Works Committee in which they are participating tries to fulfil the above statutory objectives. The concept of the Works Committee has not received the attention it deserves.

Many times, the questions asked by the managements are, "Can I discuss this subject in the Works Committee"?. "Has the Works Committee the right to discuss this subject'? Would this not be a subject outside the purview of the Works Commttee?"

It is really surprising that such questions should be asked even after 14 years of statutory sanction for the constitution and the working of the Works Committee. As stipulated under the Industrial Disputes Act one would feel that there is no bar for discussing any subject pertaining to the industry in the Works Committee.

It is very interesting in this connection to know that the Supreme Court in some of its recent decisions has come to the conclusion that it would not be proper for the Works Committee to try to replace the Trade Union. This is something one would not correctly understand since this ruling of the Supreme Court is quite contradictory to the statutory provisions of the Works Committee. The Statute says that the Works Committee can comment upon matters of their common interest and further, endeavour to compose any material difference of opinion between the management and the workmen. This is exactly what the Trade Union does.

Without meaning to enter into the controversial arguments of the present day trade union structure, it could be reasonably said that as long as the Trade Unions have political affiliations, their actions would always be influenced by the political parties concerned. If the objectives of Trade Unions are confined to purely Trade Union aspects, then it would be upto the management and workmen to develop their Works Committee in such a way that they would be able to deal with all the Industrial matters connected between labour and Management in the Works Committee itself. The fruitful working of the Works Committee depends upon the attitudes of the two parties who constitute the Works Committee. The members of the Works Committee should review the agenda with an attitude of 'Problems Centered Outlook' and not with 'Idealogical or Personality Centered Outlook.'

The following are some of the suggestions for a congenial working of the Works Committee:

1. The Chairman or the Vice Chairman of the Works Committee should be trained in Conference Leadership. The Conference Leader should practice the following:

(i) Encourage complete answers. Allow for the hesitancy of the members in replying to questions.

(ii) Not let everybody answer at the same time.

(iii) Not allow a few to take over the monopoly of answering. Tactfully bring in others. He may use direct questions for this purpose.

(iv) When an answer is an expression of mere like or dislike or reflects the prejudice of a member, ask for further elaboration.

(v) Questions must be put in a way that is clear and simple.

(iv) Ask for questions that can be answered.

The questions must stimulate thinking but must not be so difficult as to discourage them.

2. The Management and the Workmen should strictly practice:

a) Intimating the Works Committee of the proposed changes before effecting the changes.

b) Repose confidence in each other for communication of deliberations and recommendations arrived at the Works Committee.

c) Constitute a smaller committee for handling grievances and production problems out of the Works Committee.

3. The Works Committee being a recommendatory body, the Management should give importance to the recommendations made by the Works Committee on various issues, otherwise the seriousness and importance with which the works committee should be looked upon would suffer.

EXECUTIVES OF INDIA

MR. P. L. KUMAR

Mr. P. L. KUMAR was born at Lahore. After his successful academic career in India, he qualified as an Electrical and Mechanical Engineer from Faraday House, London and is Chartered Electrical Engineer and Chartered Engineer of the Institute of Engineers, India, as well as full member of the Institution of Production Engineers, England.

On his return to India in 1933, he was amongst the first Indians to hold responsible position in the Indian Ordnance factories of the Defence Department of the Government of India. He served with them until the beginning of the World War II, when he was taken over by the Department of Supply in 1940 as Assistant Controller of Supplies, U.P., Industrial Planning Officer (Munition Production) and Regional Machine Tool Controller. After the termination of hostilities, he was appointed as Development Officer, Mechanical Engineering and was responsible for the development of Mechanical Engineering Industries, including Automobiles, Tractors, Heavy Machinery, etc. He served as Member Secretary of the Automobile Expert Committee, appointed by the Government of India, and as Technical Adviser to the Tariff Commission on enquiries into various industries, including the Automobile Industry.

He joined Amalgamations (Private) Ltd. as a Director in December 1953 and has been associated, since then, with the top management of companies in the Group. He was the first Chairman of the Development Council for Bicycles. He is now serving on various committees appointed by the Government and is Chairman of the Small Scale Industries and Handicrafts Board, Madras State. He is also a member of the Export Promotion Advisory Council.

MR. KOOKA SORAB KAIKASHROO

Mr. Kooka was born in 1912 at Rangoon and is an Oxford graduate. At present he is the Commercial Director of the Air India International Corporation one of the leading Airlines in the world. He joined the house of Tatas at an early age and was Secretary of Tata Sons Ltd., in 1939. In 1940 he was made the Traffic Superintendant of Tata Airlines and with the incorporation of Air India Ltd., he became its traffic Manager. He has also acted as traffic Manager to Air India International from 1948 to 1957.

Mr. Kooka has a broad outlook on life. Apart from his absorbing interest in work he spends a good deal of his time in reading and writing. He is the author of two very interesting books "Better Acquainted" and "Foolishly yours".

He is a member of the Royal Aero Club, London and Wellington Sports Club, Bombay. His hobbies are Writing, Golf, Motoring and Shikar.

BUSINESSMAN'S TAX CONSULTANT

PROPERTY INCOME AND ITS ASSESSABILITY

By V. RAMACHANDRAN,
Advocate

OWNERSHIP of property casts many obligations on the owner including the liability to pay incometax in respect of the income therefrom. The Income Tax Act brings to charge the bona-fide annual value of every property subject to certain deductions. But a building the erection of which is commenced and completed between 1—4—1946 and 31—3—1956 is given a tax holiday for a period of two years from the date of its completion. The expression "annual value" is normally deemed to be the annual rent that might reasonably be expected from the building. In cases of building which are not let out, the annual value is usually taken as the Municipal annual value.

Certain deductions are allowed from the annual value. We shall first deal with properties let out by the owner, in respect of which he receives rent. In this case the annual value will be the actual rent received and the subject matter of charge will be the annual value after the following deductions.

1. If the owner has undertaken to bear the cost of repairs of the house, a sum equal to 1/6 of the annual value towards repair charges.

2. If the tenant has undertaken to bear the costs of repair a sum equal to the difference between the annual value and the rent paid by the tenant up to 1/6 of such value.

3. The annual premium paid to insure the property against the risk of damage or destruction.

4. Where the property is subject to a mortgage of any capital charge interest paid thereon.

5. Where the property is subject to any annual charge the amount of such charge. It was a subject matter of doubt as to whether tax levied by the Government or local authority in respect of the property or income thereof would be an annual charge for purposes of allowance under this clause. This matter was considered by the Supreme Court in *New Piece Goods Bazaar Company, Vs. C. I. T.* (1950 I. T. R. 516) where their Lordships held that house tax and water tax under the Municipal Act would be allowable as an annual charge. But however an amendment was made to the Income Tax Act by the explanation to section 9(1) whereby taxes in respect of property or Income from property were held to be not an annual charge. Taxes for this purpose would include also service taxes levied.

6. Any ground rent payable on the property.

7. Any interest payable on capital borrowed on the acquisition, construction, repairs, renewal or re-construction of the property. It may be mentioned that if any interest is payable under the heads 4 and 7 above outside the taxable territories and such interest is chargeable to income tax, allowance will not be given to the assessee for such interest paid unless tax has been paid thereon or deducted at source or the non resident recipient has an agent in the taxable territories liable to be assessed as an agent.

8. Sums paid as land revenue for the property.

9. Collection charges up to 6 per cent of the annual value. Even legal expenses upto 6 per cent as above incurred for recovering rent would come within this clause provided the expenses have been incurred out of pocket by the assessee. The allowance even in these circumstances will be restricted to 6 per cent. The legal expenses ought to be incurred in respect of the collection of the rent or arrears of rent but not any other amount like interest.

10. If the whole property or any part is vacant during the previous year or for a part thereof, a proportionate part of the annual value is allowed as a deduction.

11. Allowance is given in respect of half the Municipal taxes paid for the property. Subsequent to the Finance Act of 1960, the entire tax is allowed as a deduction in the case of buildings constructed prior to 1950.

It may be a matter of interest to note that a person will be deemed to receive income from property notwithstanding the fact that he is occupying the premises himself. In this case also the annual value of the property is determined on the same basis as if it were let out to a tenant and the income from property will be taken at half of the annual value so arrived or Rs. 1800/- whichever is less. But if the income so arrived at exceeds 10 per cent of the total income of the owner the income from property is restricted to 10 per cent of the total income.

If a person owns only a residential house and he is unable to occupy the same by reason of his employment elsewhere and the property is also not actually let out, and the owner does not receive any other benefit from the same, the property will be taken to yield no income and he will not be assessed to income tax in respect thereof. If he has occupied the house for a part of the year the income may be calculated proportionately. But under no circumstances will he be allowed to return a loss from the property.

If a person occupies his house or any portion thereof for purposes of his business, profession or vocation income attributable to such house or portion is not liable to tax. But allowance will not be given in the assessment of the business for any rent.

Of late, in all cities many buildings are coming up on Co-operative basis whereby a person becomes a member of a co-operative society which builds a house for him on payment of a small initial sum and the balance of the cost of the house is collected in easy instalments. The property will be subject to a charge in respect of the amount due to the society and according to the rules of the societies, the property will pass to the member only after the entire balance of amount is paid up or after the lapse of a certain period of time which-ever is earlier. In these circumstances the question may arise as to whether a member may be deemed to be the owner of the property or not till the entire amount is paid. In order to obviate this difficulty the Finance Act of 1955 introduced a clause which clarifies the position by providing that a member of a co-operative society to whom a building is built by the society under a house building scheme of the society shall be deemed to be the owner of the building. Hence subsequent to the assessment year 1955-56 such members of the co-operative society to whom the houses have been so built or leased out will have to return the income from such property.

The next important question would be the basis of assessment where a property is owned by two or more persons as tenants-in-common. This position may arise when two or more people purchase a property advancing monies in certain shares. In this circumstance, there is a specific provision in the Incometax Act (vide Section 9(3) to the effect that the income should be split up in the respective shares and each person has to be assessed separately thereon together with his other income. This provision may be useful in cases where properties owned by a Hindu family are partitioned, but are held and managed jointly by the members even thereafter, by reason of the impossibility of the physical division of the properties.

The Central Government has under section 60 of the Incometax Act issued a notification excluding from the total income of any assessee unrealisable or lost arrears of rent upto a maximum of one year's rent if the following conditions are satisfied,

(a) The tenancy is bona fide.

(b) The defaulting tenant has vacated, or steps have been taken to compel him to vacate the property.

(c) The defaulting tenant is not in occupation of any other property of the assessee.

(d) the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Income Tax Officer that legal proceedings would be useless; and

(e) the annual value of the property to which the unpaid rent relates has been included in the assessed income of the year during which that rent was due and incometax has been duly paid on such assessed income.

BUSINESSMAN'S LAWYER

The Place of Handling Agent in Export and Import Business

The accent on import-export is bound to be pronounced in any developing economy. In a campaign to increase the wealth of a nation through the development of export trade, due emphasis has to be placed on the efficient functioning of each and every agency involved leading to the final export. The handling or the clearing and forwarding agent, as he is known in commercial practice forms an important link in the chain of export activities. The nature of the duties and rights of a handling agent should be clearly understood by those engaged in the export/import business.

There is no hard and fast definition of a handling agent, as such. The term "agent" seems to be used in a loose sense and does not necessarily, in the strict legal sense, import the relationship of a principal and agent between the party employing the handling agent and the agent so employed. Sec. 182 of the Indian Contract Act defines an Agent as follows: – "An agent is a person employed to do any act for another or to represent another in dealings with third persons. The person for whom such act is done or who is so represented is called the Principal". While a handling agent employed to receive a consignment of goods at a point and arrange for the loading or unloading thereof by road, rail or sea may certainly come within this definition. It also appears equally plausible to construe a true handling agent as a bailee or as an independent contractor. A contract of bailment, according to Sec. 148 of the Contract Act is "The delivery of goods by one person to another for some purpose upon a contract that they shall, when the purpose is accomplished be returned or otherwise disposed of according to the diretions of the person delivering them". An independent Contractor is one who is employed to produce a certain specified result. The real test as to the relationship subsisting between a handling agent and his principal lies in the intention of parties. To constitute a contract of agency however, the maximum "Quifacit per Alium facit persse" has to be the underlying current of the Contract. The essence of the matter is that the principal authorizes the agent to represent or act for him in bringing or aid in bringing the principal into contractual relationship with a third person. (A.I.R. 1957 Madhya Pradesh 223.) In this context, it would be beneficial to analyse the distinction between a master and servant and of a principal and agent. While a principal has the right to direct what work the agent has to do, a master has the further right to direct how the work is to be done. "A servant acts under the direct control and supervision of his master and is bound to conform to all reasonable orders given him in the course of his work; an independent contractor, on the other hand, is entirely independent of any control or interference but merely undertakes to produce a specified result, employing his own means".—AIR 1954 S.C. 364. From this definition of an Agent and an independent contractor and taking into account the normal business routine of a handling or Clearing and Forwarding agent who employs his own means as lorries or boats or tugs etc. and carries out the operation of loading or unloading of a commodity, it looks but reasonable to classify him as an independent contractor unless intended to be otherwise.

It was stated in the outset, that a handling agent may be construed as a bailee of the goods entrusted to him for purposes of transportation. This aspect of the matter is important in the sense that a Clearing and Forwarding agent will have only the liability to take such care of the goods as a man of ordinary prudence would, under similarcircumstances, take of his own goods of the same bulk, quality and value.

The nature of a handling agent's duties are such that he is not only entrusted merely with the work of transportation of goods to the loading point as may be expected of a private or common carrier, but he also has to discharge sundry other duties, as in the case of handling export cargo, to watch the readiness of the ship to load, filing of the papers with the Customs etc. As such handling agent should not be construed as a common carrier merely because he may profess himself ready and willing to accept handling work for everybody and the liability of an insurer of goods under the carrier's Act cannot be fastened on him, even though he takes upon himself the work of carriage of goods in the course of the execution of his handling contract. In the course of the discharge of his work, he may have to engage lighters to carry cargo to the ship from the wharf, but this will not attract the provisions of the "Carriage of goods by Sea" set even if the lighter should be construed a ship (Civil court Manual vol I at 541 of M.L.J.)

In view of the above, it may be seen that a Clearing and Forwarding agent is either an agent or independent contractor as may be borne out by the intention of the parties to the handling agency agreement.

The rights and duties of an agent as laid down in sections 211 to 230 of the Indian Contract Act are to do all the work necessary ordinarily or in an emergency according to the directions of the principal and with reasonable diligence and to appoint Sub-agents if permitted by ordinary custom of the trade or if the nature of the agency requires it. An agent is entitled to claim his remuneration for work done and until the amount due to him for services rendered is paid to him, an agent is entitled to retain goods unles there is a contract to the contrary. The employer is liable to indemnify the agent against the consequences of all acts done by the latter in good faith, though it causes injury to the rights of third persons. "Contracts entered into through an agent and obligations arising from acts done by an agent may be enforced in the same manner and will have the same legal consequences, as if the contracts had been entered into and the acts done by the Principal in person" (Sec. 226). Even if the relationship between the handling agent *interse* his employer be that of an Independent Contractor, the generality of what is stated above is relevant. However there is this vital difference that if an independent contractor enters into a contract, say, a contract of hire for boats, tugs etc, such contracts will not be binding on the principal or employer. Consequently, should a handling agent incur the loss of a boat or tug hired by him for purposes of taking the cargo to the ship, the principal or employer will not be liable to make good the loss, if the handling agent acts only in the capacity of an independent contractor. The results would be contra if the relationship between them be that of a Principal and Agent. An Agent's statutory lien over the goods of his principal until he is paid for services rendered is not applicable to handling export cargo since by the nature of the work he is employed to perform, the handling agent will have to hand over the goods to the ship. Neither such a lien be exercised by a bailee for similar reasons. Whether a handling agent acts as Agent or as an independent Contractor, he could always prefer a claim for work done it he is not paid. Similarly, for misconduct on the part of an Agent in the exercise of his duties or negligent or gross unskilful performance, the principal could forfiet his fee and also claim damages - 1939 M. W. N. 1046. By a special provision in the contract, a clause to the same effect could be inserted in the cases where Clearing and Forwarding agents act only as independent Contractors.

While such be the legal position of the relationship between a handling agent and his employer, the intention of the parties as to whether the agent is treated as an agent or as an independent contractor should be clearly brought out in contracts reduced to writing. It is advantageous generally to give the handling agent the status of an independent contractor and in any contract of handling agency it is safer in the interests of the Principal to insert a clause to the effect that they shall not be liable for the loss of any boats or tugs hired by the Clearing and Forwarding agents or for any other similar loss. A clause that in respect of injuries caused to persons emloyed in the handling operation, damages, or workmen's compensation payable to the workmen shall be only to the account of the Clearing and Forwarding agent also may find a place in the contract. "FORCE MAJEURE" clause to the effect that handling agent shall not be responsibe for any extra-ordinary damage caused by an act of God, such as inordinate rains should be included to limit the liability of the handling agent with reference to the goods of his principal in his custody. In cases of export of certain cargo, another clause that in the event of any cargo being shut out, the expenses of moving the cargo back to the godown shall be borne by the principal unless this be the result of the negligent performance of the duties by the Clearing and Forwarding agent may be included. It is always convenient to specify in detail the various duties for the performance of which the handling agent is engaged. Where such work also includes stevedoring, it shall be the duty of the agent to perform the same with proper diligence and care and render all accounts and shipment particulars to the principal who employs him. The rights and responsiblities of a stevedore cannot be dealt with in this short space. It may also be mentioned in the contract that the Clearing and Forwarding agent shall be continuously feeding the vessel and if on account of his default to do so, any idling charges incurred shall be to his account.

The field of handling agency is a vast one and the nature of operations involved is such that no exhaustive commentary could be written, dealing with every aspect of the work. All that has been stated above should serve only as general indications in a vast branch of study. With the promotion of trading activities, the law relating to this branch is also bound to grow.

BUSINESSMAN'S DOCTOR

STRESS AND ULCERS

ONE of the most common complaints among business executives is some form of digestive disorders during the course of their strenuous life. Any doctor who is in general practice will tell you that various digestive disorders presenting a variety of symptoms are common among the patients, especially among those who work under high tension (the business executives very often flatter themselves that they are the only people who work under high tension !)

Some of these disorders are psychotic in origin and others have a definite organic lesion in some part of the digestive tract. As no modern physician can afford to separate the psychological from the physiological, one has to consider both these aspects as being inter-related to each other. This fact can never be ignored especially in the case of the digestive system. Certain interesting experiments have been done on both animals and human beings to show that tension, excitement and emotional stress have a distinct effect upon the wall of stomach, its blood vessels and its secretions. One example of each will suffice for the purposes of this article.

1. An interesting experiment was done on a cat and by means of X-Ray and other scientific methods, the movements of the wall of the stomach were studied. At first the normal movements were examined, and later, a dog was introduced into the presence of the cat. Immediately the cat showed evidence of emotion, fear and anger and the whole behaviour of the stomach wall was also completely changed.

2. Another experiment demonstrated on man was at the Cornell University on an office worker named Tom. Tom who was mentally normal and happy in every way, was suddenly informed that he was being dismissed from his job on the grounds of inefficiency. His immediate reaction was one of resentment and anger and to match his mood, the inner wall of his stomach became congested and overactive even to the point of bleeding on touch. However on explaining the situation, Tom and his stomach were quite normal again. Continuing the experiment further, Tom's stomach wall was pale and grey whenever he was depressed and dejected. In this experimnet, the first type predisposes to ulcer formation and the second to a condition called chronic gastritis which is a miserable blend of dyspepsia and sadness.

Some authorities on the subject feel that these changes can become permanent and others feel that they are only transient in nature, but all agree that emotional disturbances adversely affect the stomach and at times predispose to complications in a susceptible digestive tract.

The digestive disorders thus caused are vast and varied but here we shall confine ourselves only to the 'Peptic Ulcer' as that seems to be the most feared of all digestive ailments among the business executives.

A peptic ulcer is defined as a simple ulcer of the stomach. It can also be found in the last part of the œsophagus or the first part of the small intestine where the inner wall has the same structural formation as that of the stomach. The peptic ulcer is like any other ulcer one might find on the surface of the skin. They vary in size and are either circular or oval in shape. Rarely, multiple ulcers may also be found.

The ulcer patient is very often a middle aged adult who looks fairly well nourished unless he has lived with the ulcer for too long a period when he could be emaciated. The patient comlains of pain just below his sternum i. e. in the upper part of his abdomen. The pain bears a definite time relation to food varying from a quarter of an hour to three to four hours after food. In the former case, the pain is relieved by vomitting while in the latter case, it is relieved by either eating a biscuit or taking a glass of milk.

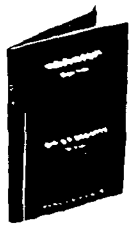
A man presenting such symptoms is to best seen by a doctor, immediately, who with the help of laboratory investigation, X-Ray and Gastroscopy can arrive at the right diagnosis. A visit to a doctor is very important as other conditions have to be ruled out in order that the correct treatment can be given to the patient. The other diseases which present more or less the same symptoms are gastritis, chronic appendicits, chronic inflammation of the gall bladder or even cancer of the stomach. On the other hand, it could be anxiety neurosis or even hypochondriosis.

The outlook for a peptic ulcer patient is usually good if proper treatment is given. Treatment is very often medical and at times surgical.

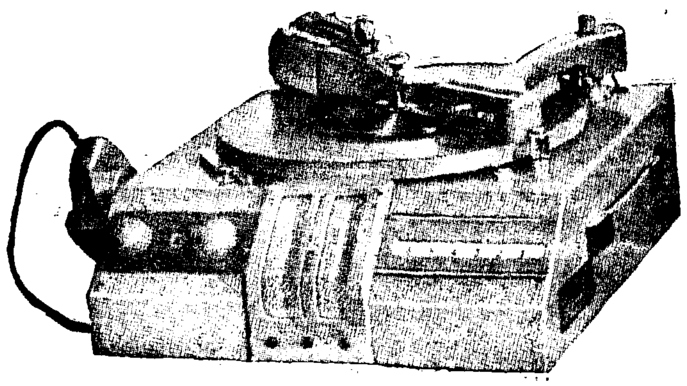
How best to avoid these ulcers is our main concern. Although there is no absolute guarantee against ulcer formation, observance of the following rules will reduce the chances to a considerable extent.

1. Avoid eating irritant food e. g., hot spicy foods.
2. Visit your dentist every six months to avoid harbouring any focus of infection in your teeth and gums.
3. Treat septic tonsils promptly
4. Pay immediate attention to inflamed appendix or gall bladder.
5. Avoid having three rice meals - switch on to wheat.
6. Cut down on your smoking
7. Avoid all kinds of emotion and stress more easily said than done. But just think of it when one comes to basic facts of life whatever one might fight or strive for, is never worth it when weighed in the scales against good health.

OFFICE EQUIPMENTS CORNER

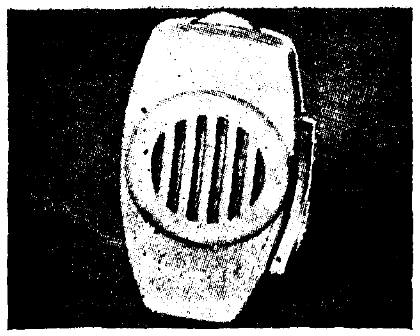


DICTATING MACHINE



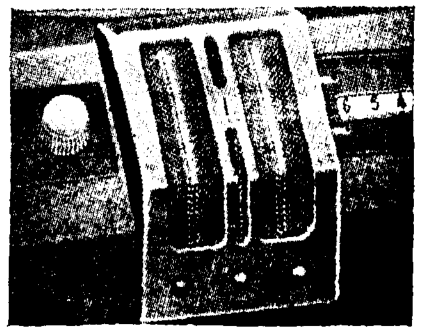
The dictation machine is a very useful office equipment which saves time and labour. With the rapid industrialisation of our country the problem facing every business organisation is to achieve higher productivity not only at the factory but in the office too. The dictation machine helps the busy executives to finish his dictation at any convenient time for him. It also helps in having higher turn out from the stenographers. At present every executive has a stenographer but where dictation machines are used such system could be eliminated and it would be convenient to form a typists' pool.

The dictation machine illustrated here is sold in India by Messrs. Roneo Ltd.



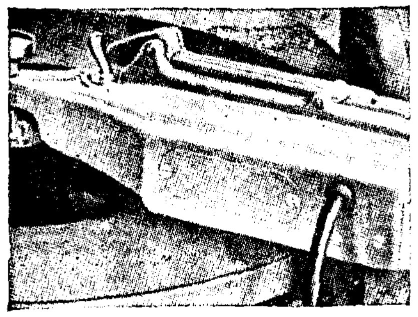
Back-spacer.
Dictate - Listen

Complete control of the machine by the dictator is achieved by usage of the dictate/listen lever and back-space switch on the microphone.



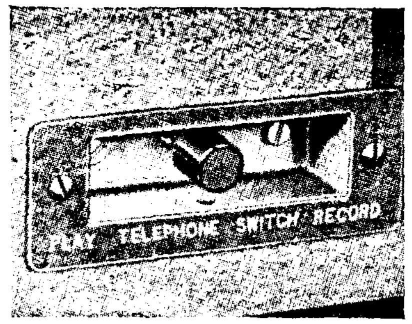
Combined speaker and tell-tale signal lights.

The dictator can listen in comfort with the inbuilt loudspeaker and signal lights indicate exactly to which function the machine is switched.

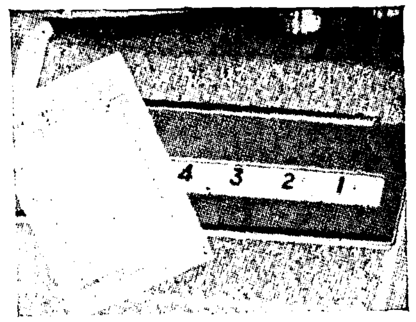


Switch operated erasure - simple one-hand action.

Complete erasure is made in one revolution of the turn-table. The specially biassed switch operation prevents accidental erasure.

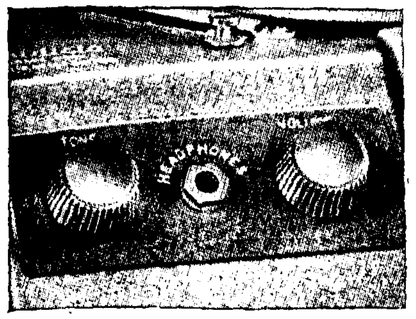


In conjunction with the telephone coupling unit (2433), enables two-way conversations to be recorded and played back.



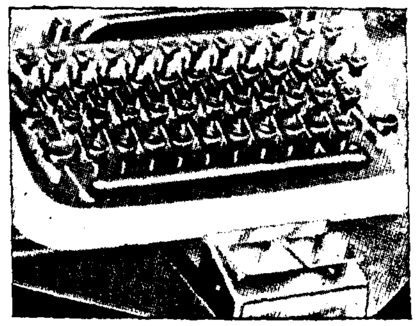
Clear, simple alternative indexing systems.

The transcriber can assess, at a glance, length of letters; can locate immedtately priority correspondence and corrections.

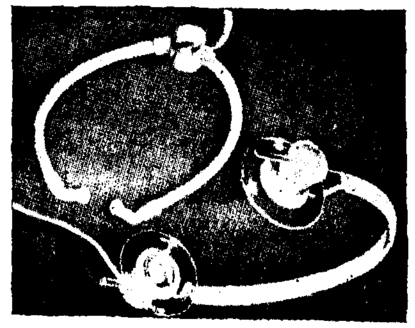


Turntable speed control, volume, and tone conveniently grouped for simple operation.

The transcriber can slow down difficult passage and alter tonal response to suit individual requirements.



Alternative Typist's Controls are available. Model 2427 AS for hand operation below the space bar of the typewriter and Model 2403 S for foot control. Both units give complete Stop|Start Repeat facilities.



The headset (2435) for normal stenographer's playback. Stethophones (2431) available and interchargeable with headphones.

For personal convenience alternative headsets are offered, the use of which cuts out automatically the inbuilt loudspeaker.

EXECUTIVES BOOK SHELF

'Staff in Organisation': (published by McGraw-Hill Book Company) has the celebrated authorship of two highly eminent men of Management—Prof. Ernest Dale and Col. L. F. Urwick.

As business grows and organisation expands, there is a corresponding increase in the burden of Management. This burden not only becomes larger and wider, but also complex and intricate with all the added levels of supervision, and staff men—a new dimension to the organisation.

Line and staff relationships—the areas of great sensitivity have been focused with utmost clarity and great precision in this book—thus help eliminating the fuzziness and misunderstanding that may gather around with the introduction of General Staff (such as assistants-to) so as to relieve over-burdened executives at the higher echelons of the organisation—a mis understanding once sets may defeat the very purpose of such cadre and even becomes an element of disruption in the organisation. Business executives tend to allow their work ride them too hard with the effect that executive health is overloaded, leading, may be, to break-down which could be reduced through the judicious use of staff men. It is rightly suggested in the book that methods of reducing evecutive burdens as :

1. 'Delegation of authority and responsibility to adequately trained sub-ordinates'.
2. 'Judicious use of committees as a means of co-ordination, education, persuation, communication and review'.
3. 'Introduction of General Staff. The staff assistants participate in their superior's responsibilities—not as those to whom delegation is made, as to the Deputies—but as one of 'an extention to his chief's personality', whose job it is to 'worry about the problems which worry the boss.'

The pattern of effective utilisation of 'General Staff' has also been very clearly presented in this book—thus unravelling the fuzziness associated with the line and staff concept. This has been brought about by the authors through a healthy and productive analysis and cross-fertilisation of army theory and best business practices—supplemented profusely with case histories drawn from United States Presidency and Staff, military use of staff in Great Britain and United States of Amerıca and their universal applicability to business and industry.

The book certainly will earn, if it has not already done so, its rightful place in the Management Book Shelf of every executive, commensurate with the level which its eminent authors occupy among the International Management elite.

News & Notes

Bigger Rewards for Workers' Ideas

AMERICAN firms are attaching increased importance to employee suggestion plans as a means of stepping up production efficiency and cutting costs. In many cases the rewards usually provided by these plans are being substantially increased in order to stimulate the flow of employee ideas.

A survey by a staff reporter of the *Wall Street Journal* indicates that many prominent companies are revamping their suggestion programmes to attract more worker participation. Among the examples cited are the following:

The National Cash Register Company, which has a suggestion programme dating back to 1894, has supplemented its regular cash awards with bonuses of U. S. saving bonds.

Allis-Chalmers Manufacturing Company has raised awards from 10 per cent to 25 per cent of the net savings from the worker's idea in its first year of use and has established a maximum of $25,000. It has also extended its programme to employees on layoff, to those on leaves of absence, and even to retired workers.

Ford Motor Company recently lifted its suggestion award maximum from $3,000 to $6,000. And the Remington Rand division of Sperry Rand Corporation early last year advanced its maximum from $1,500 to $5,000

According to the 1,200-member National Association of Suggestion Systems, a company can count on about one usable idea out of every four submitted by employees. Ideas range from safety suggestions, procedural shortcuts, and service improvements to production line efficiencies.

* * *

Rs. 46 Crores of U. S. Assistance to Indian Projects

New Delhi, April 3, 1961—Representatives of the United States and Indian Governments today signed six project agreements allocating a total sum of Rs. 46 crores out of the loan portion of U. S. P. L. 480 counterpart funds available to India.

The agreements will cover rupee costs of thermal power stations at Chandrapura (Rs. 20.5 crores) and Barauni (Rs. 1.3 crores), a hydro-electric project at Barapani (Rs. 6.4 crores), extensions to thermal power stations at Durgapur (Rs. 3.4 crores) and Kanpur (Rs. 95 lakhs), and the Trombay fertilizer plant Rs. 13.4 crores.)

The agreements were signed by Mr N. C. Sen Gupta, Joint Secretary of the Ministry of Finance, and Mr. John D. Thompson, Deputy Director of the U. S. Technical Co-operation Mission.

The entire estimated costs of all these projects are being financed by the United States. Agreements have already been signed with the U. S. Development Loan Fund (USDLF) for covering foreign exchange costs amounting to $87.9 million. All these USDLF loans are repayable in rupees.

The Chandrapura plant in the Demodar Valley of North-East India will be a 250,000 kilowatt installation aimed toward meeting part of an anticipated 812.000 kilowatt deficit in 1965-66 in India's most industrialised region.

The Barapani project in Assam will facilitate the use of the state's important natural resources and assist in the development of that area. Assam has extensive resources of coal, limestone, allumanite clay, oil and building material industries, which can provide important employment and income in Assam.

The 30,000 kilowatt Barauni thermal plant in North Bihar will increase the power supply needed by a densely populated area and help further industrialisation in an area where there is already an inadequate supply of power for its sugar mills, steel rolling mills, heavy structural fabrication, railway coach factory and paper factory.

Extensions to the Durgapur station in West Bengal will meet a power need in an industrialised region, and the Kanpur extension to the only supplier of electricity in the area will assist a section where industrial uses represent about 80 per cent of the demand for power.

Since India's Third Five-Year Plan calls for increasing agricultural production by more than 30 per cent, the Trombay fertilizer plant will be of considerable importance. The Third Plan contemplates tripling the output of nitrogenous fertilizers and increasing the output of phosphatic fertilizers by six or seven times.

Total U. S. assistance to India now stands at Rs. 1,598.9 crores ($3,300.4 million.)

LEGAL SPOTLIGHT

INCOMETAX

Can a partnership be refused registration *on the ground that* it is a sham agreement?

I.T.O. vs. Vasantlal Velji & Co., Bombay—Taxation 1961 — Page 238

FACTS :

The Incometax Officer declined to grant registration of the firm on the ground that the partnership was merely a sham arrangement disguising the correct facts. This went on appeal to the Appellate Tribunal, Bombay Bench.

DEPARTMENT'S CONTENTION

The terms of the partnership show that all other partners are in the position of employees to Partner No. 1 who had the reservation of goodwill in his hands, the right to dismiss any continuing partner, restrictions on the rights of partners to withdraw from profits etc.

FIRM'S CONTENTION :

It is true that partner No. 1 is a dominent partner being the capitalist partner with great powers, but they do not offend the genuineness of the firm.

TRIBUNAL'S ORDER

The essential test is to see whether the individuals have joined as partners to share the profits or losses and whether they are the mutual agents for each other, in so far the partnership affairs are concerned. Judged by this, the firm does not suffer any infirmity in law, and therefore the Partnership Firm cannot be refused the registration.

Whether rent derived out of letting out of residential quarters to employees of an assessee is assessable as 'income from property' or as profits and gains of business?

M/s Rohtas Industries Ltd., vs. C.I.T. Bihar - Taxation 1960 — Page 549

FACTS :

The assessee owned certain buildings and quarters around its factories most of which were let to its employees and some to outsiders. The rent realised from the employees amounted to Rs. 42322/- and the rent realised from outsiders was Rs. 10157/-

DEPARTMENT'S CONTENTION

The assessment should be made under Sec. 9 of the Incometax Act even with regard to the rent realised by the assessee from its employees.

ASSESSEE'S CONTENTION

The amount of rent received from outsiders should be assessed as income from property under Sec. 9, but as regards the amount realised from employees the assessment should be made under Sec. 10 of the Incometax Act.

COURT'S DECISION

The rent realised from the employees is assessable under Sec. 10 of the Act, i.e.; as profits & gains of business and the rent from outsiders as income from property under Sec. 9 of the Act.

CONTRACT

In the absence of an agreement to repay the deposit made as security, is the deposit refundable?

Gannon Dunkerley & Co. Ltd., vs. Western India Theatres Ltd., and another [65 (Calcutta Weekly Notes 1960—61) 504.]

FACTS :

The constructing company deposited Rs. 7000/- as security for due performance of a contract for the construction of a cinema house in Calcutta. The plaintiff filed a suit to recover deposit made as security.

PLAINTIFF'S CONTENTION

The work having been satisfactorily completed the plaintiff demanded refund of the deposit, but the defendants did not refund the amount as they are liable to do.

DEFENDANT'S CONTENTION

There was no agreement with the first defendant for the deposit of Rs. 7000/- and they had nothing to do with the deposit which was made with their Architects.

BENCH DECISION

A deposit made as security for due performance of a contract is refundable whether it is coupled with a promise or agreement to repay it or not.

SALES TAX

Question	Case / Facts	Salestax Officer's Contention	Firm's / Company's Contention	Supreme Court's Decision
If the goods are sold under F. O. B. contract is the transaction exempt from salestax despite the Exports Control Order that the goods shall be the property of the licensee at the time of export?	B. K. Wadeyar vs. M/s Daulatram Rameshwarlal A.I.R. 1961 S. C. 611 FACTS: The firm claimed exemption in respect of sales effected under f.o.b. contract by which the goods continued to be in the ownership of the seller till the goods had crossed the custom barrier.	SALESTAX OFFICER'S CONTENTION In the absence of special agreement, the property in the goods does not pass in the case of a f.o.b. contract until the goods are actually put on board. But in this case the circumctances such as the bill oading taken in the name of the buyer, and the export under the buyer's export licence and the requirement under the Import Control Order that the goods shall be the property of the licencee at the time of export, go to prove that the goods were sold before crossing the custom barrier.	FIRM'S CONTENTION The bill of lading though taken in the name of the buyer was retained by the seller and the ownership passed only on the presentation of the bill of lading along with the bills against the payment of the price.	SUPREME COURT'S DECISION The intention of the party to comply with the Export Control Order would mean nothing more than that the property in the goods shall pass imme diately before the ship goes beyond the territorial waters of the country. Therefore, there is no circumstance to justify a couclusion that the parties had a special agreemen that though the sales were f.o.b. property in the goods would pass to the buyer at some point of time before shipment and therefore the transaction is exempt from sales-tax.
Is not sale of aviation spirit beyond the custom barrier to an aircraft exempt from salestax?	Burmah Shell and Standard Vacuum Oil Company vs. Sales Tax Officer, W. Bengal A.I.R. 1961 (Supreme Court) Page 315. FACTS: The appellant companies maintain depot at Dum Dum air port from which aviation spirit is sold and delivered to aircraft proceeding abroad. The salestax authorities in West Bengal taxed the sales. The companies filed a Writ Petition questioning the legality of the imposition of tax on such sales and came on appeal to the Supreme Court.	SALES TAX OFFICER'S CONTENTION Where the purchasers buy goods in the taxing State for his own consumption, the test of an 'inside sale' is satisfied when the property in the good passes in the same State and all the elements of the contracts of sale, take place inside it.	COMPANY'S CONTENTION Such sales are made in the course of export out of the territory of India and that they take place outside the State of Bengal in as much as Aviation spirit is delivered for consumption outside Bengal and therefore the transaction is exempted from salestax.	SUPREME COURT'S DECISION The question here is whether the goods in question are exported or sold in the course of export. The companies depend on a wide meaning of the word 'export' tantamounting to taking out of the country. In one sense export means sending goods from one country to another. The words "export" and "import" in this sense are complimentary. The test is that the goods must leave to a foreign destination where they can be said to be imported. In this case Aviation spirit is taken out of the State and also the territory of India, but it cannot be said to have been exported or delivered for consumption in some other State. The sales cannot be therefore treated as sales in the course of export and exempted from salestax.

LABOUR

Can retirement be included under the category of termination of employment for the certifying officer to modify the standing orders regulating retirement?

The Hindu vs. The workers – A.I.R. 1961 – Madras 109.

FACTS :

The management of the Hindu had framed various rules defining the terms and conditions of service. Under one rule, every employee shall retire from service on his completing the age of fifty eight years or thirty years of unbroken service whichever is earlier. The Union moved the Certifying officer to amend it as follows : "Every employee shall retire on attaining the age of fifty eight which shall be fixed as the age of super-annuation". The management objected to the modification.

MANAGEMNT'S CONTENTION

The schedule to the Industrial Employment (Standing Orders) Act enumerates all the matters in respect of which the state requires provisions to be made in standing orders. Item 8 of the Schedule includes termination of employment and the notice thereof to be given to employer and workmen. The above expression do not include cases of an employee retiring from service in the usual course of events.

WORKERS' CONTENTION

The term 'termination' includes retirement. Further the schedule to the Act enumerates only those matters in respect of which it is obligatory to make provision in the standing orders and there is no bar for making provision for other matters. If one such provision is made, they are liable to be modified on the motion of either the employer or the workmen under Sec 10 (2) of the Act.

COURT'S DECISION

The expression 'termination of employment' in item 8 is wide enough to include retirement of employees at the age of superannuation. Retirement would seem to be contemplated even by the model standing orders as a form of termination of service. Even when a provision is not obligatory once it is included in the standing orders they are liable to be modified on the motion of either the employer or the workmen.

LIMITATION

What is the period of Limitation for suit against a carrier for non-delivery of goods?

NAME OF THE CASE

Union of India vs. Bhupendra Nath Biswas
C. W. N. LXV P. VII

On 28-2-1952 one Ratanlal booked a consignment of 49 bales of cotton piece goods from Ahmedabad to Shalimar. Ratanlal then endorsed the R/R to Biswas, who took delivery of 46 bales and for the three missing bales, a short certificate was granted. On 1-4-52 Biswas sent a notice under Sec. 77 of the Railways Act and on 8-4-52 a formal acknowledgement of the letter was sent by the Railway authority. On 16-12-53 the final repudiation was made by Railway. On 15-7-1954 the suit was filed.

RAILWAY'S CONTENTION

A suit against a carrier for non-delivery of goods is governed by Art. 31 of the Limitation Act and the suit has to be brought within 1 year from when the goods ought to have been delivered. The date when the three missing bales became deliverable must be deemed to be the date when the major consignment was delivered, i.e. on 28th March 1952.

CONSIGNEES' CONTENTION

The suit was not time barred in as much as the final repudiation by the Railway authorities was on 16-12-53.

COURT'S DECISION

The entire consignment of 49 bales having been booked at one and the same time, it is reasonable to assume that three missing bales as well ought to have been delivered on the same date in the absence of any other circumstances indicating that the missing bales did not become deliverable on the same day. Therefore time began to run against the party from that date i.e. on 28-3-52. The suit was, therefore time barred.

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