

Administrative Reforms Commission

REPORT

ON

ECONOMIC
ADMINISTRATION

JULY 1968

Chairman
Administrative Reforms Commission
Government of India
Sardar Patel Bhavan, N. Delhi

July 20, 1968.

My dear Prime Minister,

I am presenting herewith the report of the Administrative Reforms Commission on Economic Administration. The area of Economic Administration is so vast and varied that the Commission appointed one Study Team and two Working Groups to inquire into the numerous problems. The Study Team on "Economic Administration" was headed by Shri C.H. Bhabha, a former Central Cabinet Minister for Commerce and Industry. The Working Group on "Developmental Control, and Regulatory Organisations" had as its Chairman Shri Manubhai Shah, another former Central Cabinet Minister. The second Working Group on "Company Law Administration" was presided over by Shri D.L. Mazumdar, formerly Secretary to the Department of Company Law Administration. The Members of the Study Team and the two Working Groups were men of great knowledge and experience in the field. Their reports contain penetrating analyses and useful suggestions. These three reports (copies enclosed) and discussions with other persons of experience and wisdom have enabled the Commission to formulate their recommendations. The Chairmen and Members of the Study Team and the two Working Groups deserve high appreciation for the patriotic work they have so painstakingly done.

2. We have recommended that the subjects of Commerce and Industry should be combined under a single Ministry of Commerce and Industry. It should be responsible for policies and strategies for the integrated development of Industry and Commerce in the country. We have also made proposals to make the Directorate General of Technical Development more useful and efficient. It has to function as a common technical service agency to all the concerned. We have suggested as well the constitution of Textile and Coal Development Boards to promote balanced and speedy growth of these industries.

(ii)

3. Recognising the need for the maximum utilisation of the industrial potential already created in the country, we have favoured liberalisation of industrial licensing and control of capital issues. We have proposed the setting up of a Board of Referees to advise the Government in the disposal of applications for the review of appellate orders passed by import control authorities. Measures for export promotion and better management of foreign exchange have also been indicated. Our studies have revealed that "P" Form, without fulfilling its objective, is proving an unnecessary irritant. We have, therefore, recommended its abolition.

4. We have recommended the setting up of a high-powered Commission on 'Prices, Cost and Tariff' to assist the Government in evolving rational price policies and in creating a climate of cost-consciousness. This Commission has also to take over the functions of the existing Tariff Commission which, of late, has lost much of its original purpose and usefulness.

5. We have made recommendations to make foreign collaboration serve the Indian interest more effectively. Foreign collaboration has helped the Indian economy, but has resulted in considerable drainage of our wealth, aggravating imbalance in our foreign exchange position. The available figures for the private sector for the seven years from 1956 to 1962 show that as against an inflow of funds at an annual rate of Rs. 4.6 crores, the repatriation outflow on the average was of the order of Rs. 11.6 crores. Thus, our country was drained of funds at an average of Rs. 7 crores a year.

6. We have considered in our report the working of Company Law Administration and made several suggestions to make it more prompt and effective.

7. The late Shri H.C. Mathur was in charge of the work in the Commission relating to Economic Administration.

(iii)

He took great pains to examine thoroughly the various problems covered in this report. His hard work, long experience and objective approach to problems were of immense help to the Commission. He worked in the true spirit of service to the very last day of his life. In his demise, the Commission has suffered an irreparable loss. The Commission places on record its gratitude to him.

Yours sincerely,

Sd/-

K. Hanumanthaiya

Shrimati Indira Gandhi,
Prime Minister of India,
New Delhi-1.

C O N T E N T S

<u>CHAPTER</u>		<u>PAGE</u>
I	INTRODUCTORY	1
II	STRATEGY FOR ECONOMIC DEVELOPMENT	8
III	THE ROLE OF GOVERNMENT IN INDUSTRIAL DEVELOPMENT	28
IV	COMMISSION ON "PRICES, COST AND TARIFF"	56
V	IMPORT CONTROL	67
VI	EXPORT PROMOTION	80
VII	FOREIGN COLLABORATION	99
VIII	MANAGEMENT OF FOREIGN EXCHANGE	110
IX	CONTROL OF CAPITAL ISSUES	124
X	ADMINISTRATION OF COMPANIES ACT	129
XI	SUMMARY OF RECOMMENDATIONS	150