

6th June, 1971.

To

The Finance Minister,
Government of India,
New Delhi.

Sir,

I present herewith the report of the Study Team which was appointed by Government in November 1969 in pursuance of the recommendations of the Public Accounts Committee, to examine the problem of leakage of foreign exchange through under-invoicing and over-invoicing. Some time back I had submitted a brief resume of our salient recommendations.

2. For purposes of this study, we interviewed a large number of persons from trade associations, chambers of commerce, export promotion councils, academic institutions, concerned Government agencies and departments, and other knowledgeable persons. A list of the individuals and bodies interviewed by us is annexed to our report. We are grateful to all of them for sparing their time to meet us and for furnishing to us readily such data and information as we required of them. In addition, we carried out commodity studies in selected areas. In all we had 66 meetings.

3. After a detailed examination of the problem, we have made various suggestions, legislative, administrative, organisational and procedural, to plug the loopholes and remedy the deficiencies noticed by us. Wherever the choice before us was between a solution that appeared theoretically perfect but not quite practicable, and another more practicable though less perfect, we have preferred the latter. It has been our aim that the tightening of the regulatory control should not hamper the smooth flow of trade, but should ensure a more expert watch over it. With this bias in favour of the practical, the implementation of our suggestions, such as are accepted by Government, should, in our view, not present great difficulty. It is, of course, evident that the problem of leakage of exchange through under-invoicing/over-invoicing cannot be tackled in isolation; for an enduring impact it needs to be accompanied by complementary measures. We have dealt with this aspect in the last chapter of our report.

4. I would like to take this opportunity to thank my colleagues on the Study Team, all of whom brought to bear upon the study of the problem their specialised knowledge and experience in their respective spheres; also great patience in discussions. Our thanks are particularly due to the Member-Secretary,

Shri R. C. Misra, whose competent assistance, coupled with his wide knowledge and grasp of the subject of our study, and deep understanding of the problems involved, has greatly facilitated the task of the Study Team. I must also specifically mention Shri L. P. Asthana, who, though not a regular member of the staff of the Team, has been closely and actively associated with the work of the Study Team throughout, and has provided valuable assistance at each stage, during internal discussions, in preparing commodity studies and finally in the drafting of the report. I would also like to place on record our appreciation of the hard work put in by the secretariat of the Study Team which included S/Shri G.N. Saxena, V.K.M. Nayak, Junior Analysts, and the Stenographers S/Shri B.R. Chhabra and I. S. Khorana who were attached to the Study Team.

5. We hope, Sir, that the results of our labours will be of some use to Government in tackling the problem of leakage of foreign exchange in the sphere which was the subject of our study.

Yours faithfully,

(Sd.) M. G. Kaul

Chairman,

Study Team on Leakage of Foreign Exchange
Through Invoice Manipulation.

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