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Managing Agency System: The Predecessor of the Company Secretary Profession

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Abstract: *The profession of company secretaries has evolved from the managing agency system. Managing agency is the vesting of the management of a joint stock company in the hands of a firm of professional managers. The managing agency was responsible for the initial promotion, financing, underwriting, and organization of the joint stock companies. The system was an indigenous response to the threefold shortage of entrepreneurship, capital and technical knowledge. However, later on the system degenerated into a device for the concentration of economic power and the exploitation of stockholders and therefore was abolished on 3rd April 1970. The abolition paved the way for the development of alternative systems of management to fill up the void. Further, it also facilitated the development of a professional class of managers who get the necessary training and qualification to manage the affairs of the companies once managed by the managing agents.*

Keywords: Managing Agency System**,** Company Secretary Profession.

Introduction

Traditionally, managing agency system has occupied an important place in the management of companies in India. The managing agents acted as the promoters, financiers and managers of the companies and thus contributed in a significant way in the industrial development of India. The system was an indigenous response to the shortage of entrepreneurship, capital and technical knowledge. Important national industries such as jute, cotton, textiles, tea, coal, iron and steel, sugar and cement owe their promotion and development to the managing agency system. However, later on the system was degenerated into a device for concentration and improper use of economic power. Due to several shortcomings and increasing malpractices in the system, it was finally abolished on April 3, 1970. The profession of company secretaries filled the void created by the abolition of the managing agency system.

The present article attempts to explore the origin and growth of the managing agency system in India, the deficiencies of the system and the need for its replacement by alternative systems of management.

Genesis of the Managing Agency System

The managing agency system is a type of industrial organization unique to India in which the promotion, finance and administration of one or more legally separate and presumably independent companies are controlled by a single firm. The system operates within the framework of company law, and managing agency firms controls both public and private limited

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companies as well as partnership undertakings. At the very centre of the system is the managing agency firm that may take the organizational form of a partnership, private or public limited companies or a single individual. The formal and informal relationships between this firm and the operating companies controlled by it constitute the managing agency system. The name of the system arises from the so-called "managing agency contract" between the agency firm and each company. The origin of managing agency system can be traced to the social and economic conditions that prevailed in India at the time when the monopoly of trade was lost by the East India Company. In the beginning of the nineteenth century, India had offered plenty of opportunities to the enterprising businessmen. However, there were certain obstacles in the way of exploitation of these business opportunities. These are (1) Shortage of entrepreneurial ability; (2) Shortage of venture capital; and (3) Lack of technical and managerial know-how. The managing agency system was evolved to meet these challenges.

Calcutta was the home of the managing agency system that spread to the other parts of India later on. In the 1830's the "Agency Houses" of Calcutta, which had played an important role in early history of British capitalism were passing through critical times. The House of Palmer and Co. was the first to close its doors on January 4, 1830. It had locked up its resources in investments in indigo factories and loans to junior civil and military servants of the company. When the House of Cockerell and Trail, its biggest creditor in London, demanded immediate repayment of half of its debt, the Palmers could not withstand the shock. The failure of the Palmers was followed by the failure of other Houses – the Alexanders on December 12, 1832, Mackintosh and Co. on January 5, 1833, the Colvins in April, and finally the Fargussons in December 1833 and the Cruthendsons in January 1834. Thus, the agency houses of Calcutta, after a long and crucial career, made their exit in the middle of the 1830's.

The managing agency system succeeded the old "agency houses". The Charter of 1833 further facilitated the process. It abolished the remittance trade and exposed India to the full impact of the Industrial Revolution. The possibilities of exploitation of the natural resources of the country were opened up. The right of the Europeans to own land was recognized. To exploit the opportunities, the former servants of the East India Company set up their own business as general merchants. In the course of trading they came to acquire an ultimate knowledge of the local markets and of ways to exploit them. The old agency houses had to depend on the savings of the company's servants, on loans from native sheriffs, on limited accommodation offered by a single chartered bank and occasionally on the charity of a sympathetic government. The new system of managing agency that was evolved did not need to depend on these sources for the supply of finance. The traders made effective use of their connections with the British and American firms. The shortage of venture capital was met by the import of surplus capital from abroad. Within the country, the supply of funds to finance the various projects came primarily from themselves, their friends and associates. The receipt of a Charter by the Union Bank in 1835 paved the way for larger and cheaper banking facilities.

The British traders expanded their spheres of activities and started exporting to their motherland. The main interest of the British managing agency houses originally was in the export and extractive industries. This had led to the development of industries such as jute, plantation and mining. This concentration of the British managing agency houses on primary production for export and on extractive industries conformed to the traditional pattern of foreign investment in economically backward countries. American foreign investment also was mainly confined to oil fields, mines and plantations producing for export markets with very little interest in manufacturing for local consumption. The poverty of the local consumers in the nineteenth century was the main motive behind producing for export rather than to manufacture for the home market. Another reason was the rapidly expanding markets for the primary products in the great industrial centers of the world.

The same conditions that brought about the development of the British managing agency houses were also responsible for the growth of Indian managing agency firms. The Indian businessmen adopted the system because of the following reasons:

(a) The supply of Indian entrepreneurs was equally limited as that of the British. The more enterprising of the Indian traders turned to trading in cotton and similar goods soon after the British came to India. By the middle of the 19^{th} century, they managed to enter into the manufacture of cotton textiles. The agency system proved a highly useful framework within which business ability could be put to the best advantage. Like the British, Indian businessmen found that the agency system could be used to overcome the shortage of capital.

(b) The loan criterion used by the Imperial Bank of India, and other leading joint stock banks gave the managing agent a crucial role in obtaining bank credit. Like the English, Indian banks also limited their loans to the supply of working capital, accepting the hypothecation of goods as security. But since the prices of goods vary, they wanted someone on whom they could rely to make good the loan. As a result, the practice grew up of having two signatures on the notes of indebtedness, one of the director and the other of the managing agent. Thus, it was mandatory for the company to have a managing agent if it wants to obtain credit.

(c) The agency system provided opportunity to a small group of businessmen with limited funds to develop industrial and commercial enterprises. At the same time, the system also provided flexibility to the managing agents to manipulate finances among various companies and enrich themselves. An agency firm was able to transfer funds from one company to another regardless of the soundness of the receiving unit. A prosperous company could be used for raising funds in the capital market for use by companies who are not creditworthy to raise funds directly from the market. Moreover, the ability to conceal the actual status of each operating company behind the multiplicity of interlocking balance sheets also enabled the agents to escape tax on incomes.

It was during the eighties of the nineteenth century and the first decade of the twentieth century that many of the large Indian managing agency houses were established. While the British agency houses had been mainly interested in export and extractive industries, Indian agency houses turned to consumer goods industries. They confined themselves to the manufacture of cotton textiles. The Swadeshi movement of 1906 gave a great stimulus to the development of the Indian agency houses and the boom in company flotation in the years after World War I provided an opportunity to them to enter into new areas. At this stage the House of Tatas appeared on the scene. The Tatas made a successful and unconventional bid in an altogether new field that is the field of heavy industry. They were the first one to start the iron and steel industry in India. The post war decade of 1923-33 was one of the darkest chapters in India’s economic history. The intense competition of exports, industrial policies of an alien government, the depressed economic conditions placed hurdles in the way of country’s industrial development. But the ups and downs of the period appeared to have only encouraged the Indian managing agents to greater industrial activity.

Regardless of the way in which the managing agency system originated, it had struck deep roots in the industrial organization of the country. Ever since its inception, it had been closely associated with the industrial development of the country. Whenever an industrial company had to be promoted, it was almost invariably the practice to connect it with an existing house of managing agents or create a new agency to look after it when started. The continued existence of the managing agency reflected the continued absence of the entrepreneurship and shortage of venture capital.

The Legal Framework and the Managing Agency System

The Companies Act of 1913 was a major enactment consolidating the principles of regulation of corporate bodies. However, it completely ignored the institution of managing agents and left unchecked the vast powers assumed by them by virtue of their control over management of companies. The Companies Amendment Act of 1936, for the first time defined a managing agent and also introduced certain provisions to tackle the malpractices in the system. The provisions of the Companies Amendment Act 1936 are as follows:

(1) The Act defined the managing agent as "a person, firm or company entitled to the management of the whole affairs of a company by virtue of an agreement with the company and under the control and direction of the directors except, if any, otherwise provided for in the agreement and includes any person, firm or company occupying such position by whatever name called".

(2) The approval of the managed company by resolution passed at a general meeting was made necessary for the initial appointment, reappointment, and transfer of office or variation in the contract of any managing agent.

(3) A company was permitted to remove a managing agent guilty of certain specified offences relating to the affairs of the company by passing a general resolution.

(4) The term of office of a managing agent was limited to 20 years, with reappointments permitted for the same duration.

(5) The Act required that the managing agents would be entitled to only a fixed percentage of the net annual profits of the company as their remuneration with provision for a minimum payment in case of inadequacy or absence of profits.

(6) The Act prohibited the issue and guarantee of loans to managing agents and to companies managed by the same managing agents, and making the purchase of shares of a company under the same management subject to the unanimous approval of the board of directors.

(7) The managing agents were prohibited to issue debentures in respect of a managed company.

(8) They could invest company funds only after obtaining authority from the board of directors.

(9) The rights of managing agents to appoint directors to the board were limited to only 1/3rd of the total strength of the board.

(10) The managing agents were forbidden to engage in any business competing with the business of a managed company.

(11) Banking companies were forbidden to have managing agents.

Thus, the system was brought under legal purview for the first time and the general lines of control were indicated. However, the regulations were not strong enough to prevent the malpractices under the system. For example, the extra managerial activities of managing agents in company affairs were restricted only to the extent that the consent of 3/4th of the directors present and entitled to vote on a resolution was required to allow managing agents to function as purchase and sales agents. Further, as regards provision regarding granting of loans, the application of the prohibition was only to those persons directly involved i.e., the managing agent himself, and the partners where the agency is a firm and all directors where the agency is a company. Other connections of the managing agents, acting on their behalf, were not included. Therefore, there were serious omissions in the Indian Companies Act 1936, which the artfulness of designing persons exploited to their advantage. The old Act urgently called for changes in the appointment of managing agents, their conditions of service, their remuneration, and their powers vis-à-vis the directors and their activities in regard to borrowings, loans, contracts, sales and purchases made on behalf of the managed companies. In order to enquire into the adequacy of the legal regulations of the corporate sector and to recommend amendments to the Companies Act, the Government of India constituted a Company Law Committee in October 1950. The Committee extensively studied the pros and cons of the managing agency system in the context of the needs of a growing economy and submitted their report in 1952. The Committee proposed certain drastic changes in the managing agency system and at the same time felt that the system might yet prove to be a potent instrument for tapping the springs of private enterprise and believed that it would still be an advantage to continue to rely on it. However, in the time period between the Committee's report and the new Indian Companies Act 1956, India committed herself to a socialistic pattern of society and the first impact of this changed set of values was an attitude of a progressive elimination of the managing agency system. The Indian Companies Act 1956 had accordingly deprived the managing agents of many of their privileges and had made the very existence of the system dependent absolutely on good behavior. The remarkable leniency of the earlier law had perhaps been overcompensated by remarkable strictness of the new one. Thus the recommendations of the Committee were incorporated almost entirely in the Companies Bill presented to the Parliament in September 1955. The Companies Act, which came into effect on April 1, 1956, presented an elaborate structure for the regulation of managing agents. It contained 52 provisions that pertained to managing agents. Thus all possible precautions to check and guard the negatives of the system were taken under the Companies Act 1956. Circumscribed within such rigid limits, the system was sure to feel uneasy. But the needs of a growing economy and specially the principles of a socialistic pattern of values call for such effective measures. The managing agency system was born free, but then it was put in chains.

Contributions of the Managing Agency System

The managing agency system had performed three important functions in the industrial economy of India. The managing agents acted as entrepreneurs, financiers and business managers. As an entrepreneur, the managing agents have taken upon themselves all the risks and responsibility of pioneering new industries in a country where industrial development was scarce. The managing agents led the way for a systematic industrial advancement in the country. Their courage to conduct preliminary experiment and research, their ability and willingness to furnish the necessary finances, their sporting preparedness to face all risks and above all their vision and instinct to perceive the commercial possibilities of a project have achieved for India a substantial measure of industrial progress. The historical importance of the system in the promotion and development of important national industries such as jute, cotton textiles, tea, coal, iron and steel, sugar and cement is well recognized. The iron and steel industry and the hydroelectric industry would never have reached their present stage without the enterprise of the Tatas, their managing agents. A number of other prosperous and flourishing industries of today would have yet been in the womb of the future without the initiative of managing agents. They were the pioneers in the field of industry in the country and have borne all the losses of pioneer industrialism.

The arrangement of finance for the companies under their control was the most valuable function of the managing agent. The provision of finance not only for the initial fixed capital expenditure but also for subsequent reorganization, expansions and modernization as well as for working capital purpose had to be arranged for by the managing agents. They furnished this finance in various ways such as by themselves subscribing to the share capital and debentures of joint stock companies or getting them subscribed by their friends and relatives, by arranging loans from banks and pledging their guarantee for the loans, by attracting deposits from the public on the strength of their reputation and standing in the business world and last but not the least by making advances to their companies from their own private resources at agreed rates of interest.

As regards their managerial function, no definite conclusion could be established as to whether the performance of companies under the managing agency system was superior or inferior to that under other systems of management. However, in-group management, when an agency manages several companies, certain economies of large-scale organization accrue to the managed companies. But a vast majority of managing agencies managed only one company each. While there was no scope in their case for the exercise of economies of group management, there was also no room for concentration of economic power. Though, in such cases, it makes no difference whether these individual companies are managed by managing agents or exclusively by managing directors, there does seem to be a slight edge in favour of managing agents. Where they acted as promoters of these enterprises, their interests were closely linked with the future of the concerns. There was an identity of interests of the management and the company on account of their personal stake in the business. Apart from this, the security of tenure for a fairly long period and the connection of remuneration with the net profits of the enterprise, promote and maintain incentives for efficiency that were not available for salaried executives under other forms of management. Thus, the bone around which the flesh and sinews of Indian industry have grown is the system of managing agency. The most appreciable factors about managing agents were their entrepreneurial skills, their competitive resilience, their identification of interest with the financial fortunes of the principal companies and the continuity and integration of their management.

Criticism of the Managing Agency System

The managing agency system had been criticized mainly on two counts namely, excessive remuneration and concentration of economic power. The earnings of the managing agents consisted of (1) dividends on their shareholding in the managed companies; (2) an office allowance; (3) a commission for rendering managerial services; and (4) various types of commission charged for rendering subsidiary services. The remuneration of the managing agent was payment for services rendered both in the present and past. This consisted of the basic service of promoting the company and nursing it through the initial years. Therefore, one would not be able to evaluate or justify the amount of remuneration being given to the managing agents as it would not be easy to calculate what proportion of the total remuneration is the payment for past services. Where the services of managing agents were not comprehensive, their remuneration at 10 percent of the net profits of the managed companies, the ceiling fixed under the Companies Act, 1956 was excessive. The remuneration has to be viewed not only as a cost to an individual company, but also from the angle of social standards of fair returns. In case of large companies, the absolute amounts of emoluments to the managing agents were so large that they did not accord with the prevalent socio economic ideas.

The managing agency firm had many instruments by which it maintained control over the operating companies such as the management contract, financial practices, and share and voting arrangements. The management contract is an agreement between the agency firm and the operating company that specifies their respective rights and obligations. The earlier forms of the managing agency agreements did not provide for an initial period or a fixed tenure of managing agency. The functions of the managing agent were also prescribed in general terms so as to give them very wide powers. Though the managing agents were said to be subject to the control and supervision of the directors and to the control of the general meetings of the shareholders, they were given full powers to do all acts, matters and things deemed necessary, proper, expedient for carrying on the business and concerns of the company and to exercise all the powers and authorities of the company. The managing agency agreements were drafted in such a manner as to curb considerably the powers of the directors and to give the managing agents almost sweeping powers over the entire field of management. Further, the financial holdings of the controlled companies were the chief means of securing control. Another instrument for control existed in the use of shares with special voting rights that were issued only to the managing agents.

The critics of the managing agency system attributed most of the malpractices of the managing agents to the tremendous economic power in their hands to direct operations of the companies under their management. One manifestation of the abuse of this power was the manipulation of funds of the managed companies by managing agents to their personal benefits and to the disadvantage of the companies as well as against the public interest. Further criticism of the system was based on another aspect of the concentration of economic power, which referred to the power of a few large managing agency houses in directing the operations of numerous companies that owned a large share of the total corporate assets. According to this criticism, one or a few agency houses controlled a large proportion of the output of important national industries, in which managing agency system was predominant, and this control enabled them to resort to monopolistic practices in determining the output and prices. This power was further intensified when a managing agent controlled enterprises in various industries, some of which were critically related. It is said that the system led to the concentration of entrepreneurial abilities and financial resources in relatively few important industries that checked the widening of the entrepreneurial class and rapid growth of small and medium scale industries. The main critics of the managing agency system were the Bombay Shareholders' Association. They contended that there was no need for managing agents if companies were floated with adequate capital. The defects of the system that were specially emphasized were its hereditary character, which made it "inevitable that it should pass into weak hands", the trading and speculation by managing agents and the undependable nature of their financing. The Association also pointed to various abuses of power by managing agents such as trafficking in management rights on a large scale, restriction of directors power, fixing of exorbitant rates of remuneration, levy of extra commission for sales and purchases, misuse of funds, and issue and allotment to managing agents of shares with disproportionate voting rights.

The representations of the Bombay Shareholders' Association were discussed in Legislative Assembly Debates in 1936. The need to regulate the system was emphasized, particularly in regard to the exorbitant sums drawn by some agencies by way of remuneration. After the Amendment of 1936 came the Second World War and there was enormous growth and expansion in all sectors of Indian industry. During that period, there was also some unhealthy growth of spurious and mushroom companies that sought to take advantage of the buoyant conditions. With a view to adjusting the legal structure to the changed conditions, the Government in 1946 appointed two eminent experts to go into the question of the reform of law. The Ministry of Commerce studied their reports and a 22 page "Memorandum on the Amendments of the Indian Companies Act" was issued in December 1949. The Memorandum stated the various provisions introduced in the Act of 1936 for the control and regulation of the system were ineffective. The managing agents had taken advantage of the statutory recognition and status extended to the system and were conducting affairs in their own interest. The common complaints made against the system were control over directors, disregard for the interests of shareholders and the appropriation of a disproportionate share of earnings at the shareholders' expense. The new provisions that were proposed in the memorandum were studied and considered by the Company Law Committee appointed in 1950. However, in early 1950, the irregularities and malpractices prevalent in certain businesses during boom period of the war and the post-war conditions of financial boom caused considerable concern, and Government introduced some of the most urgent correctives by an Ordinance, which were soon after the debate passed into law by Parliament. The Company Law Committee in its report submitted in 1952 expressed its desire to "mend" and "not end" the managing agency system. It recommended changes in the Company Law that were incorporated in the Companies Bill, introduced in the Lok Sabha on September 2, 1953. After the preliminary debate, the draft Bill was taken up for detailed consideration by the Joint Committee, which received numerous representations from important national associations. The Joint Committee introduced some radical changes in the Bill, including a provision empowering the Government to abolish the system in any industry or business. The Bill as reported by the Joint Committee was debated in the Parliament and finally it was passed by both the Houses of Parliament in September 1955 and came into force from April 1, 1956. The new Act sought to eliminate the harmful practices of the Managing Agency System. However, the growing concern for social objectives had intensified the criticism of the system and the emphasis shifted from what might be called the disorder of business to an overall consideration of how the managerial class should conform to newer social values in matters like legitimate returns for investment, remuneration for entrepreneurship and distribution of wealth. It was felt that the system could not be allowed to continue merely because of its past achievements. In the changed economic scenario, there were new classes of entrepreneurs, expanded facilities for industrial finance by commercial banks and financial institutions, the emergence of a new structure of capital market in India which includes promoters, underwriters, private and government finance corporations and the Government itself coming in as a big promoter of industries, the relative importance of managing agents in pioneering new industries naturally declined. Moreover, industrial expansion rests on the confidence of investors and anything that undermines this confidence requires to be put down. Thus, the Companies (Amendment) Act 1969, passed on May 28, 1969 abolished the system of management of companies by managing agents with effect from April 3, 1970 and replaced it by the system of Company Secretaries.

Alternative Systems of Management

While the managing agency system was by no means universal in Indian business and industry, there was little doubt that its initial success and inherent advantages were among the factors that obviated the need for alternative forms of management. This was understandable since it was through the system that industrialism took root and developed in India. Its success in pioneering modern industry led to its easy acceptance by the business community and the imposition of legal regulation on the system in 1936 did not affect its popularity. The new Companies Act, while holding out the possibility to end the system, was also aware of the void that this would create and therefore made an attempt to counterbalance it by the provisions relating to other forms of management. That did not mean that any other system could be made more attractive by the relative absence of restrictions. The social objectives, such as the prevention of concentration of economic power, were projected into Law and the regulatory role of the Central Government was throughout emphasized. These factors affected alike all forms of business management. However, by clarifying and defining the powers and duties of company officers in other systems of management, the law sought to prepare the ground for their growth. Thus, there were 52 sections in the Companies Act 1956, as against only 15 in the Companies Act 1936 that related to directors and their duties. The object was to encourage directors to take an active and continuous interest in company affairs. Further, the Act also included, for the first time, provisions relating to the institution of Secretaries and Treasurers. Following paragraphs discuss the feasibility and the level of acceptability of the alternative forms of management.

Secretaries and Treasurers

The provisions in the Companies Act 1956 giving statutory recognition to the institution of Secretaries and Treasurers and bringing it under legal regulation were added by the Joint Committee which also brought in Section 324. The intention behind giving statutory recognition to the system of secretaries and treasurers was to give an opportunity to the shareholders of the companies, if they so choose, to throw off the yoke of the Managing Agency System and to substitute in its place a healthier, progressive and efficient system of management. While such a system would devote its time and energy towards bettering the prospects of the company it elects to serve, it would be free from the temptations of and opportunities for making illicit profit for themselves by making recourse to the laws and by-laws of company law administration to achieve its purpose. These observations were made on the strength of the legal provision that secretaries and treasurers unlike managing agents, were not allowed to nominate members to the Board of Directors. They were termed as managerial intermediaries acting under the supervision, control and direction of the Board of Directors. By reason of their lack of influence in direction and policy administration, they would actually turn out to be no more than salaried executives, like managers. But while a manager was an individual, secretaries and treasurers were institutional as under the law only firms or companies could function in that capacity. Because of the combination of this corporate character and the exclusion of influence over the board, no ceiling was placed on the number of secretaryships and treasurerships that they could have.

Almost all the other regulations placed by the Act on managing agents applied to secretaries and treasurers as well. However, section 324 which empowered the Government to prohibit by notification the Managing Agency System in any specified industry or business did not apply to Secretaries and Treasurers. Further, secretaries and treasurers were permitted to the maximum remuneration of 7.5 percent of net profits as against 10 percent to managing agents. Moreover, they were not permitted to undertake any purchase or sale on behalf of the managed company unless and except to the extent to which the Board permitted them.

The introduction of secretaries and treasurers had given rise to a great deal of controversy. On the one hand, it was welcomed as an interesting and new type of management that should be allowed to evolve itself gradually. The opposite view was that the system was merely a nominally changed form of the managing agency system. Moreover, secretaries and treasurers existed only in those cases, where managing agents already in existence had to shed some of the managed companies in view of the limit of ten on the total number of companies that a managing agent could manage. The companies so shed continued in most cases to be managed by their erstwhile managing agents as secretaries and treasurers. In lieu of the above criticism, the system was also abolished in 1970.

Management by the Board

The prevalent practice in many Western countries was for the directors to be closely associated with the operation of the company, to exercise positively their function of direction and to maintain a close supervision over the management. The availability of managerial talents for hire and the dependence on employees even at high decision-making levels was fundamental to business organization in Western countries. Specific training for industrial careers was provided in their education systems. Further, many of the larger business establishments in many Western countries provided training facilities for those with a general educational background, thus augmenting the available supply of managerial executives. However, in India, the supply of entrepreneurs at that time was limited. To ensure efficient administration of every business, the main complement of managing directors necessary was not available. The scope for business management through full-time directors was therefore limited and delegation of responsibilities was inevitable.

Conclusion

The managing agency system of industrial organization was the result of efforts by British and Indian entrepreneurs to overcome the limitations imposed by the shortage of venture capital and business ability in India. However, the system was criticized mainly on two counts namely, that it makes for undue concentration of economic power and that it inhibits the growth of a professional managerial class and the emergence of greater vertical mobility among those with talent, who do not enjoy business connections as an accident of birth. So, one real disadvantage in the continuance of the managing agency system was that in the long run, it would have come in the way of establishment of a professional managerial class based on talent rather than on birth. There is no doubt that the discontinuance of the system in 1970 facilitated the growth of a class of managers drawn from a wide section of the society. Thus it can be rightly said that the void created by the abolition of the managing agency system paved the way for the recognition and development of the profession of Company Secretaries in India.

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