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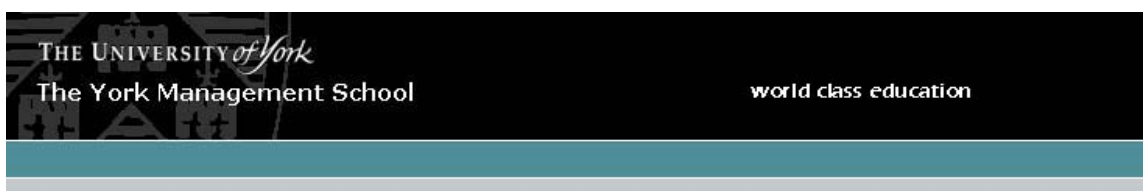
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**Development of Company Law in India:
The Case of the Companies Act 1956**

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**This paper is circulated for discussion purposes only and its contents should be
considered preliminary.**

Abstract

The influence of culture and politics on the promulgation of accounting regulations in the Companies Act 1956 in India immediately post independence is analysed using an exploratory framework based on the work of McKinnon (1986) and Gray (1988). Within the framework, the process of change is analysed into three phases, a source phase, diffusion phase and reaction phase with all phases of change being influenced by intra-system activity, trans-system activity and the social and cultural context of India. In particular, the importance of the role of the Government within the process of accounting change is seen and the social context is seen to influence both the need for change and the process of change.

Keywords: culture, politics, accounting change, India, company law

Development of Company Law in India: The Case of the Companies Act 1956

Introduction

Within the international accounting literature, culture has been identified as an important influence on the process of accounting change and the need for studies which investigate the influence on accounting change in different cultural contexts has been discussed (Gray 1983; Samuels and Piper 1985; Mckinnon 1986; Bindon and Gernon 1987; Meek and Saudagaran 1990; Wallace and Gernon 1991). In this paper, the influence of the social, economic and cultural context on the choice of regulatory mechanisms and on the process of accounting regulatory change is analysed using an exploratoty framework based on the work of Gray (1988) and McKinnon (1986). This framework is outlined in the next section and applied to the promulgation of the Indian Companies Act 1956.

The notion of culture used in this article is taken from the anthropological literature. Kuper (2000) identifies some general agreement on the concept of culture, namely that it is not a matter of race, it is learned, is essentially about ideas and values, and can be described as a symbolic system. Culture is complex and can only partially explain why people think and behave as they do and other factors such as political and economic forces must also be considered (Kuper, 2000). Recognising the limitations, subjectivities and complexities within the notion of culture used in this paper, culture is analysed in terms of its main values and is seen to both influence social, political and economics institutions and, in turn, be influenced by these institutions.

In addition, accounting is seen to be influenced by politics in two main senses. The first is with the involvement of government (either implicitly or explicitly) in accounting regulation and accounting change and the second is with accounting regulation and accounting change being the outcome of the interactions of all parties interested in and affected by accounting. These political pressures arise for two reasons. Firstly because the outcome of accounting practices often having significant economic consequences for the preparers and users of accounting reports and secondly because accounting is seen as a useful tool for economic and social management (Zeff, 1972, 1978; Burchell, Clubb and Hopwood, 1985,; Watts and Zimmerman, 1986). In this research the main parties interested in the promulgation of the Indian Companies Act 1956 and the main influences on the provisions of the Act are identified and analysed.

The sociology of professions literature has also identified the importance of the state-profession axis in relation to the development of the accounting profession (Chua and Poullaous, 1993, 1998; Walker and Shackleton, 1995, 1998). The importance of the State in accounting is not restricted to the development of the accounting profession and can be seen more generally too with the State influencing other types of accounting change. In this research we analyse the importance of the State/Government in relation to accounting regulation incorporated into the Companies Act 1956 in post independence India.

India is chosen for study as it is an important developing country on which relatively little historical research in relation to accounting has been carried out. Until 1947, India was a colony of Britain and had little or no choice in the systems implemented in the country, including its accounting system. At independence from the British in 1947, India took control over its own affairs and instituted its own legal, political and economic systems. This included setting up an accounting system. A key component of the accounting system was the use of legal regulation and in 1956, the Companies Act 1956 was promulgated to regulate joint stock companies. This incorporated major accounting regulations and is still one of the main forms of accounting regulation within the accounting system in India today. Chakraborty (1994) identified key changes between Indian Companies Acts pre independence and the Companies Act 1956 post independence but there has not been a study which looks at the influence of culture and politics on the process of promulgating the Companies Act 1956 post independence.

Methodology -the Exploratory Framework and Data Sources

This research investigates the development of the Companies Act in India post independence using an exploratory model based on the work of McKinnon (1986) and Gray (1988), which itself built on the work of Hofstede (1980). Gray (1988), following Hofstede, defined culture as the value system shared by major groups of populations. He suggested that the accounting values of professionalism/statutory control, uniformity/flexibility, conservatism/optimism and secrecy/transparency would influence the nature of authority for the accounting system, the way in which regulations were applied, the measurement practices seen and the extent of disclosure seen

respectively. Gray's model was a first step in trying to understand the impact of culture on accounting, helping to operationalise the links between culture, accounting values and accounting practices and providing a framework within which the links could be analysed and tested.

The work of McKinnon (1986) also provides a possible approach to further the investigation of culture, accounting change and the development of accounting systems. McKinnon identified five key accounting changes and analysed them into three phases, a source phase, a diffusion phase and a reaction phase. Explanations for the change events were provided in terms of four major aspects: intrusive events, intra-system activity, trans-system activity and the environment. The culture or social environment is the set of complex cultural and social conditions which surround all systems in the country and which influences all systems including accounting.

In the exploratory framework, all social systems including the accounting system operate within the cultural and social context of the country, which affects both the interactions among different parts of the accounting system and the interactions among the accounting system and its neighbouring systems. The framework is shown in diagram 1.

Insert diagram 1

Accounting changes can be broken down into three phases, a source phase, a diffusion phase and a reaction phase as follows:

The Source Phase and Intrusive Events

The source phase encompasses the factors or events causing change to occur. These are expected to arise from outside the accounting system and consist mainly of exogenous processes (McKinnon, 1986). It is expected that factors such as colonisation, imperialism, war, economic concerns and international influences are likely to be factors which play a significant role in stimulating change (Gray, 1988). This research will identify the most important influences on the promulgation of the Companies Act 1956 post independence in India.

The Diffusion Phase - Intra-System Activity and Trans-System Activity

The diffusion phase of any change looks at how change is dispersed and accommodated within the system. This will encompass both intra-system activity, (activity between the different regulatory systems within the accounting system) and trans-system activity (activity between the accounting system and its neighbouring systems). Both trans-system activity and intra-system activity are expected to consist of mainly endogenous processes (McKinnon, 1986).

It is expected that the most important aspects of intra-system activity, which will determine how the accounting system accommodates change, will involve the interaction between the institutional context surrounding accounting, in particular interactions between the different regulatory institutions within the accounting system. In India, Government departments and bodies and the accounting profession are expected to be important in relation to accounting change and the main regulatory institutions within the accounting system will be identified and analysed in this research. The analysis will also include consideration of the accounting values within the system, in particular on the nature of authority for accounting regulation in India.

Trans-system activity will also be involved in determining how change is accommodated within the accounting system. It is expected that, in any country, the social systems that are most likely to affect the accounting system in any country are the legal system, the political system, government activity, the corporate system, the economic system, the financial system and the international system. This research will identify the most important trans-system influences on the accounting system in India and analyse their interactions with the regulatory institutions within the accounting system.

The Reaction Phase - Intra System Activity and Trans System Activity

The reaction phase of any accounting change encompasses how the accounting change will finally be incorporated into the accounting system and looks at how the accounting system is modified subsequent to the diffusion phase of the change. Again, it is expected that both intra-system activity and trans-system activity will be important in this phase (McKinnon, 1986). As for the diffusion phase, the most important intra-system and trans-system activity will be identified and analysed in this research.

The Environment and Politics in all Phases of Accounting Change

The environment or the cultural and social context of the country affects all systems and all phases of change as described above. In addition, culture is expected to influence a country's practices and institutions, including accounting practices and institutions, but as indicated in current anthropological debates, once set up, these institutions also influence, over time, the cultural and social context of a country. The key components of culture appropriate to India will be discussed.

The links between politics and accounting are also expected to be important in all phases of any accounting change. The role of the Government and the interactions of parties interested in accounting change will be explicated by analysing intra-system and trans-system activity.

Data for the analysis of the promulgation of the Companies Act 1956 comes from five sources: semi-structured interviews with parties interested and involved in accounting, a review of parliamentary and other reports on the legislation, a review of parliamentary debates on the Companies Bill 1953, a review of the journal of the Institute of the Chartered Accountants of India, the Chartered Accountant which has been published monthly since July 1952 and a review of a selection of financial reports from the corporate sector from the 1950's and 1960's.

The social, economic, political and cultural context of India from 1947 to 1960 will be discussed next, followed by an outline of the process for the promulgation of the Companies Act 1956. The promulgation of the Companies Act 1956 will then be analysed using the exploratory framework proposed.

The Historical and Cultural Context of India

The Economic, Social and Political Context of Indian Post Independence

The history of India post independence has been widely discussed by many historians. Key themes that emerge in the period 1947 to 1960, as discussed by Panikkar, 1974, Spear, 1978, Kumar, 1982, Kulke and Rothermund, 1990, Rothermund, 1993, Brass, 1994, Brown, 1994, Wolpert, 1997 are summarised below.

India gained independence in 1947 from the British, after a long period of colonisation. The economy inherited by India at independence was in a very poor state, due to the policies of Britain towards India. During the period of colonisation, the economy of India had been run in the interests of Britain. For example, under policies made in Britain, India produced raw materials and foodstuffs which were exported to Britain and Britain manufactured goods using the raw materials which were exported back to India. This import/export policy, which left India as a supplier of raw materials to the British and as a market for British goods, was very much in the interests of the British economy. India's economy was very underdeveloped with low per capita income, poor economic growth, many living under the poverty line and little industrialisation. Indeed, under the British, most of the economic surpluses generated by India had been exported back to Britain or spent on British administration and the British army, with little or no equivalent transfer back to India. India was left with a predominantly agrarian economy using low productivity methods with little use of fertilisers and irrigation to improve output. What little Indian industry there was, produced low technology, low productivity, low wage and labour intensive goods and was concentrated in only a few selected areas such as textiles. There was little production of capital goods, lack of infrastructure industries and lack of modern banking and insurance.

India did also inherit a few assets at independence, some tangible and some intangible. Tangible assets included a national transport system, some development projects (such as food growing and irrigation projects) and some reserves of foreign exchange. Intangible assets included an established political party, the Indian National Congress, which had gained much experience while opposing the British rule of India, an attitude of monetary and fiscal conservatism, and an administrative apparatus to run the institutions in India after independence.

At independence, India was partitioned into Pakistan and India and this led to a large and violent migration of people from India to Pakistan and from Pakistan to India. The stopping of this violence and the resettling of the large numbers of refugees who came to India became the first problem that India had to deal with as an independent nation. In addition with social indicators poor, life expectancy low, child mortality high, adult literacy low and a large number of people living in poverty, major issues that needed tackling were economic and social development, eradication of poverty and a

fairer distribution of wealth, equity between different stakeholders in society and creating one nation out of all the different regions and different communities existing in India.

After independence, the leaders of India wanted to create a modern, prosperous, secular state in which there was more equality amongst citizens, following many years of colonial rule. They chose a system based on parliamentary democracy with the ideals of a secular state enshrined in a constitution. The constitution was introduced in 1950 and included fundamental rights such as social, economic and political justice, liberty of expression, including religious expression, and equality of status and opportunity. Apart from a constitution, the political system adopted by India was similar to the parliamentary system of Britain with two houses of parliament, the Lok Sabha, equivalent of the British House of Commons and the Raj Sabha, equivalent to the British House of Lords.

The prime minister of India, Nehru dominated the politics of India and ruled as prime minister from independence until his death in 1964. Nehru was a western educated Fabian socialist with Marxist tendencies who held strong beliefs on economic development, social welfare and reform and foreign affairs. Nehru introduced a mixed economy into India, in which there was a role for both private and public enterprise and in which socialist ideals were operated within a secular democracy. The key elements of the economic system that were implemented soon after independence included central planning of the economy, the setting up of a large public sector and nationalised banking system, control and licensing of private enterprise, the use of import substituting policies and state control of foreign investment. These were implemented by and large through the use of statutory legislation and the setting up of Government bodies and agencies to oversee the policy initiatives.

Foreign investment after independence was needed but India feared that, if not controlled, this might lead to foreign interests running businesses in India for their own benefit. This was to be avoided as India had just gained independence from the British and therefore state control of foreign capital and investment was considered very important. In addition, India also entered into policies which protected Indian businesses from international competition. These included import restrictions, high tariffs, import substitution and production for the domestic market rather than for exports. Indeed as time progressed, foreign interests were subject to more and more controls.

As well as leading the changes to the economic system, Nehru was in charge of social reform and foreign affairs and these too were tackled using legislations and with strong involvement of government bodies. Key social reforms took place soon after independence with the outlawing of untouchability introducing quotas for ex-untouchables in government services and the passing of laws improving the rights of women in Hindu Succession Act (1955) and the Hindu Marriage Act (1956). The Hindu succession Act gave women equal rights with men in the matter of succession to property and the Hindu Marriage Act gave women protection and rights in marriage and divorce.

The Cultural Values of India

As discussed by Srinivas, 1966, Mandlebaum, 1972, Heitzman and Warden, 1986, Kuppuswamy, 1990, key aspects of the social and cultural system in India are the family unit, kinship and caste system and hierarchy and are discussed below.

The members of a single family and their relations with each other make up the family unit which is the basic social unit in India. The most common residential unit is the joint family, usually consisting of at least two patrilineally related generations all living together and co-operating for social and economic benefit. This can, perhaps, be traced back to the rural, agrarian economy in India, in which few individuals could achieve economic security without being part of a strong family group which co-operated together. Indeed, the family unit is also seen in the business community with a large number of family run companies, who prefer to use loan finance rather than equity finance, despite a well established regional stock exchange, the Bombay Stock Exchange, which has been in existence before independence.

There is respect for elders and authority, with key decisions made by, usually, the elder males in the family. These include deciding on the education, occupation and marriage partner of the younger members of the family. Not only are there strong kinship ties between immediate members of a joint family, there are also strong kinship ties between members of the extended family and caste members. These kinship ties lead to a complex kinship favour system and these kinship ties are used when making decisions relating to the family. Indeed it is not uncommon for relatives to find employment due to this kinship favour system. Within this system, the role of the individual is less important

than the family as a whole and the role of the individual is subordinate to the needs of the family and collective decision making is seen, leading to a highly collective society and hierarchical society. Elders are respected by younger members of the family and men are treated as being superior to women. Official position is very important and the basis for prestige. People in higher positions are regarded more highly than people in lower positions and within organisations, junior employees are subordinate and respectful towards senior employees.

Social hierarchy pervades all social life in India and appears to be the key cultural variable. It is also seen formally in the caste system., Castes are ranked, named, endogamous (in-marrying) groups, membership in which is achieved by birth. There are many thousands of castes and subcastes in India and each caste is part of a locally based system of interdependence with other castes. Many castes are traditionally associated with, and are linked in complex ways, to networks of caste members all over the country. There is also, often, a link between caste, occupation and economic prosperity.

Hofstede (1984) identified India as having large power distance, strong masculinity, weak uncertainty avoidance, weak individualism and a long term orientation (Hofstede, 1984, 1994) which is consistent with the cultural values discussed above. In particular, hierarchy or large power distance seems to be the most important of these cultural values within the Indian context. The mix of cultural values does not indicate clearly the nature of the accounting system in India, in relation to the work of Gray (1988). The values indicate that the accounting system in India is likely to show secrecy. In addition, there is likely to be a combination of legal and professional regulation giving authority to the accounting system and a mixture of measurement practices, some conservative and some not. The cultural values also do not indicate how uniformly the accounting system would be applied in practice. However, taking into account the importance of hierarchy and power distance within the cultural and social context of India, it is hypothesised that legal regulation is likely to be more important than professional regulation.

The Promulgation of The Companies Act 1956

When the British colonised India, they introduced many British systems into India including the regulation of joint stock companies by statutory regulation in the form of

a Companies Act. The first Indian Companies Act was promulgated in 1850 by the British and was based on British legislation. The Indian Companies Act was then amended periodically and the amendments were also based on developments in British Company law. At the time of independence, the Indian Companies Act 1913, as amended by the Indian Companies Bill 1936, based on the British Companies Acts 1908 and 1929, was extant (Das Gupta, 1977; Chakraborty, 1994).

At independence in 1947, the Indian Government chose to retain the use of a Companies Act to regulate joint stock companies but decided to amend the Indian Companies Act extant at independence. This led to the promulgation of the Companies Act 1956, which covered the promotion and formation of companies, the control of companies by shareholders, the position of minority shareholders, the appointment, conditions of service, powers, duties and functions of directors and managing agents, company accounts and audit, investigation and inspection of companies by Government, liquidation of companies and the administration and enforcement of the Companies Act (Report of the Company Law Committee, 1952).

The process of changing the Indian Companies Act started at independence in 1947 and ended with the promulgation of the Companies Act 1956. Very soon after its promulgation, the Companies Act 1956 had to be revised due to problems in its operation. In the diffusion phase, the process of change was started by the Ministry of Commerce and progressed by the Ministry of Finance. The process involved setting up an ad hoc committee, the Company Law Committee 1952, to consider and report on amendments necessary to the Indian Companies Act and promulgation of the Companies Bill 1953 through Parliament leading to the Companies Act 1956. In the reaction phase of the change, the Companies Act 1956 was revised due to criticisms of the Act and this was also carried out by initially constituting an ad hoc committee, the Company Law Amendment Committee 1957 to consider the necessary amendments to the Companies Act and then amending the Companies Act 1956 in 1960 via the Companies Bill, 1960.

Analysis of the Promulgation of the Companies Act 1956 using the Proposed Exploratory Framework

The Source Phase

At independence, as well as instituting a public sector, India decided to regulate private sector joint stock companies. In order to do so, the Government of India chose to retain the use of a Companies Act, inherited from their colonial legacy, but decided to completely review and amend the Companies Act extant at independence, the Indian Companies Act 1913. In particular, problems and abuses in the actual working of companies such as the running of companies by directors for their own benefit rather than for the benefit of shareholders and the ignoring of many provisions of the Act led to the need for change. There was also recognition that shareholders and creditors had a legitimate interest in companies and should be more involved in the running of companies. In addition, there was recognition that higher standards of accounting and auditing were required to give more information on the performance of companies and their managements to users of accounts (Basu, 1957; Report of the Company Law Committee, 1952; Report of the Companies Act Amendment Committee, 1957, Indian parliamentary debates on the Companies Bill, 1953).

Accounting regulations were incorporated into the Companies Act since accounting was perceived to be a tool to help economic and social development, a key concern of the Government at the time. In particular, changes were initiated due to the Indian Government's concern to improve the economy, which had been left in a poor state as outlined earlier, and their perception that accounting would help them to do this. The Government felt that corporate regulation, including accounting regulation, was needed to encourage companies to behave in ways that would help the national economic objectives of economic growth with social equality and fairness, particularly in the areas of equity between capital, management and labour, the creation of employment in the country and a fairer distribution of wealth in companies (Aiyar, 1956). As such it was felt that accounting needed to be regulated by statutory means and the Government, rather just than by accountants, who themselves were in the process of major change with the setting up of the Institute of Chartered Accountants of India. The changes to the accounting system were therefore initiated from outside

the accounting system and linked to changes in the Companies Act and to general economic and social concerns.

The influence of social institutions affecting the social context of India is indicated here. Before the British colonised India, there were no judiciary based legal system in India. The British introduced the legal system into India, based on the legal system in Britain, when they colonised India. However, during the period of colonisation, the legal system became an important institution in India and it became very much part of the social network of India and an accepted and appropriate means of regulation in India. Thus, after independence in India, when Indians had a choice in the form of corporate and accounting regulation they would implement, they chose legal regulation, the use of a Companies Act, which had become an accepted part of the social context of India. Indeed, at independence, the Government chose to use legal regulation promulgated through the parliamentary system to regulate many social and economic areas for example to set up professional accounting bodies, to deal with social issues such as untouchability and the caste system, the landowning system and womens' rights and to set up the public sector, a banking system and the licensing of private sector companies.

The need for change was also influenced by events in other countries. The setting up of the Cohen committee which proposed significant changes to the British Companies Act as well as reviews of corporate legislation in other countries such as South Africa and the United States contributed to the perceived need for change to the Companies Act in India (Report of the Company Law Committee, 1952; Report of the Companies Act Amendment Committee, 1957).

The Diffusion Phase

Both intra-system activity and trans-system activity are seen in the diffusion phase which lasted from independence at 1947 to 1956 when the Companies Act was promulgated. Intra-system activity is seen mainly with the Ministries of Commerce and Finance being involved in the promulgation of the companies act and with the involvement of the Institute of Chartered Accountants of India (ICAI) in the promulgation of the Companies Act. Trans-system activity is seen between accounting and the parliamentary and corporate systems (Report of the Company Law

Committee, 1952, interviews with senior accounting personnel in the corporate sector, senior members of the accounting profession and senior Government officials).

Both intra-system activity and trans-system are discussed below.

Intra-system Activity

The Government (Ministry of Commerce and the Department of Economic Affairs under the Ministry of Finance) and the Companies Act 1956

The Government was involved in, and influenced, the promulgation of the Companies Act 1956 at all stages of its promulgation through both the Ministry of Commerce and the Ministry of Finance. At this stage there was no specialised government department to deal with the administration and enforcement of the Companies Act.

The Government initiated the promulgation of the Companies Act 1956 by the Ministry of Commerce appointing two legal experts to review and indicate the lines along which the Indian Companies Act 1913 could be changed. Based on the findings of the two legal experts, officials of the Ministry of Commerce drafted the “Memorandum on the Amendment of the Indian Companies Act” in 1949, which outlined proposals for the amendment of the Companies Act 1913.

Although the Government intended the memorandum to be a discussion document, it was widely perceived to be a statement of intent and, as such, was criticised heavily and not implemented. The Memorandum, however, did become the starting point for receiving representations from the different parties interested in the amendment of the Companies Act 1913 as the Government requested feedback on the Memorandum due to the criticisms it had received (Report of the Company Law Committee, 1952).

The Government received many written representations in response to their request for feedback on the Memorandum and the Ministry of Finance was then given the task to deal with the revision of the Companies Act. They did this by setting up an ad hoc committee, the Company Law Committee, to analyse the representations received in response to the Memorandum and to make proposals for amending the Companies Act, 1913, including initial drafts of key sections (Report of the Company Law Committee, 1952).

After setting up the Company Law Committee, the Government influenced this Committee in many ways. The Department of Economic Affairs, under the Ministry of

Finance, set the terms of reference for the Company Law Committee and members of the committee included government officials from the Ministry of Finance. In addition, legal draftsmen from the Department of Economic Affairs were seconded to the Company Law Committee to advise them on all aspects of company law. There was regular contact between the Company Law Committee and the Government to discuss issues and to obtain the Government's view on the changes to the Companies Act that were being considered. This contact was a two way process. The Government also consulted the Company Law Committee on other company regulations. For example, it asked the Company Law Committee to review the Companies Bill 1951 which was promulgated while the committee was sitting (Report of the Company Law Committee, 1952).

Once the Company Law Committee had reported to Government, officials of the Ministry of Finance drafted the Companies Bill 1953 which was later to become the Companies Act 1956. The Companies Bill 1953 was very much based on the recommendations of the Company Law Committee, which had been influenced by the Government as outlined above. There were only two major differences between the Companies Bill 1953 and the recommendations of the Company Law Committee. These were in the provisions relating to the managing agency system and the setting up of an independent body to administer and enforce the Companies Act.

The Company Law Committee had recommended retaining and amending the managing agency system. However, the Companies Bill 1953 contained provisions which banned the use of the managing agency system in some industries within three years and drastically reduced the scope of the system in other industries such that the future of the managing agency system was in doubt, in line with the Government's wishes (Report of the Company Law Committee, 1952, Report of the Joint Committee).

The Company Law Committee had also recommended that an independent body be set up to administer and enforce the Companies Act, including the accounting provisions within the Act. The Government took a more cautious step, which was to retain the role of administering and enforcing the Companies Act itself and proposed the setting up of an advisory group, called the Company Law Advisory Board, which would have three members to advise the Government on all issues relating to the Companies Act. This was almost universally criticised by all parties who argued that an independent statutory body was needed for effective enforcement of the Act.

However, this was not accepted and the proposals for the central government being responsible for the enforcement and administration of the act and the setting up of an advisory body remained unchanged at both the joint committee stage and the parliamentary debate stage, again in line with the Governments wishes (Report of the Company Law Committee, 1952, Report of the Joint Committee, 1953, Indian Parliamentary debates on the Companies Bill 1953).

As discussed earlier, the cultural values of India do not indicate in a clear fashion what the accounting values of the Indian accounting system will be. However, due to the importance of power distance, it is expected that legal regulation of accounting will be seen and that the authority for the accounting system will come from the law. This research supports this hypothesis. After independence, accounting regulation was included in the Companies Act, in the promulgation of which the Government was heavily involved. This legislation with subsequent amendments is still extant today. Thus when India had a choice in implementing an accounting system, they decided to use legal means to do so, using a regulatory mechanism that was in line with the cultural, social, economic and political context of the country.

The Institute of Chartered Accountants (ICAI) and the Companies Act 1956

Although not promulgating accounting regulations themselves, the accounting profession, (individual accountants, accounting firms and the ICAI) was involved in the diffusion phase of the promulgation of the Companies Act 1956. The views of the ICAI have been taken to represent the view of all the accountants at this time and this is a criticism of this exploratory research. However, at independence, senior accountants whose views influenced the accounting debate were active in the ICAI and hence many of the representations made by accountants would have gone through the ICAI. A consensus viewpoint was reached by the ICAI in their deliberations on the Companies Act and this consensus view was put forward in written submissions and by the representatives asked to give oral representation to the government and parliamentary committees (Kapadia, 1972). With the ICAI just having been set up, the main concerns of all the accountants would have been to establish and promote the ICAI and establish the ICAI as the main non governmental institution in relation to accounting and auditing. In this scenario, while accepting that there would have been

differing views from different accountants on the Companies Act, the main thrust of the views are likely to have been similar to the views expressed by the ICAI.

The ICAI had been given parliamentary charter in 1949 and the institute was represented on the Company Law Committee which reported to the Government on changing the Indian Companies Act 1913 in 1952. One member of the ICAI was part of a three member sub-committee of the Company Law Committee which undertook a detailed study of the Companies Act 1913, compared it to the British Companies Act 1948 and made proposals for changes, including initial drafts of key sections. These drafts were reported to Government and became the basis for the Companies Bill 1953 whose provisions were similar to the recommendations of the Company Law Committee. The accounting provisions included:

- The requirement for accounts to show a true and fair view
- Extending specified formats for the balance sheet
- A list of items to be disclosed in the profit and loss account.
- The requirement for books of account to be kept using the double entry system.
- Extending of provisions relating to the appointment, independence, powers and duties of auditors.

(Report of the Company Law Committee, 1952)

The accounting profession, as represented by the ICAI and its senior members, was therefore very influential in changing the Companies Act by being key members of the Company Law Committee. The ICAI were also invited to give evidence to the parliamentary joint committee, as shown in appendix 2 and also lobbied Members of Parliament to present their point of view in the joint committee review and in the parliamentary debates (interviews with senior government officials and senior members of the accounting profession, Indian Parliamentary debates on the Companies Bill, 1953).

In the case of the promulgation of the Companies Act 1956, the accounting and auditing provisions were supported and welcomed by most accountants and indeed the Government. Only minor changes were made to the accounting provisions at the joint committee stage and in the parliamentary debates on the Companies Bill 1953 and

hence the accounting provisions which were finally promulgated were influenced by the accounting profession, as represented by the ICAI.

There were very few criticisms of the accounting profession and the accounting requirements proposed by the Company Law Committee at this time. A new Institute had been set up, the ICAI, and this Institute was expected to ensure the highest standards of competence and independence from their members. The accounting and auditing provisions contained in the Companies Act had been drafted by members of the ICAI who were members of the Company Law Committee and were more detailed and more extensive than those included in any previous Companies Act. Thus, it was generally considered that these provisions would ensure that financial statements were more transparent and that auditors more independent.

The accounting provisions, like the other provisions of the Companies Act, were drafted in line with the socio-economic climate of India and India's social and economic objectives. These included a perceived need to improve information available to shareholders so that they could become more involved in running their companies as well as giving information to other users such as the Government to monitor the running of companies. In particular the Governments' aim was to try and ensure that enough information would be available to help monitor the actions of directors and to check that the running of companies was not subject to abuses. In addition, the government wanted to try and ensure fairness in the rewards earned by labour, capital and management in companies and that this might be made more transparent with better accounting provisions. Also, it was generally felt there was a need for all companies accounted on a more comparable basis and to try and facilitate accounting processes since there was a shortage of accountants in India. Finally, the Government needed information for economic planning purposes and it was felt that company reports may be able to provide such information, especially with the setting up of a new mixed economic system, and may also encourage companies to contribute more fully to national economic aims. It was therefore perceived to be important for accounting to be regulated by the law, promulgated by Parliament and not left to any one group in society. (Report of the Company Law Committee, 1952; Report of the Company Law Amendment Committee, 1957)

Although legal regulation is expected in India due to its cultural, social, economic and political context, in particular the importance of hierarchy, the combination of cultural values also indicates that the authority for the accounting system is likely to come from a mixture of legislation and the accounting profession. This is supported in this analysis.

In addition to the strong and dominant government involvement, there is also involvement in determining the accounting regulations in the Companies Act by the accounting profession as represented by the ICAI.

Trans-system Activity

Parliament and the Companies Act 1956

As discussed above, accounting in India has always been regarded as an important tool to encourage economic development and hence Government and Parliament have always been actively involved in accounting regulation. Accounting has been used to try and affect corporate behaviour and encourage parties to act in ways deemed optimal by the Government and Parliament, mainly in the areas of economic growth and efficiency but also in the social aims and objectives of the country. In addition, at independence, the Government were very active in setting up many economic institutions such as a mixed economy, a nationalised banking system and a licensing system for private companies and they chose to issue industrial policies and many pieces of legislation to regulate many areas of social and economic life. Hence legal regulation promulgated via parliament was an accepted and appropriate means of regulation in India and also chosen to regulate the corporate sector via the Companies Act.

Accounting was directly influenced by Parliament, since accounting provisions were included in the Companies Act 1956 which went through the normal parliamentary process of being introduced in Parliament by the Government, reviewed by a committee of Parliament and debated in both Houses of Parliament before receiving assent from the President of India and becoming law. In the case of the Companies Act 1956, an ad hoc committee was set up to review the Companies Act before it went through the parliamentary process and thus the process for promulgating the Companies Act 1956 was longer and more comprehensive than for many pieces of legislation.

During the parliamentary process for promulgating the Companies Act 1956, there was some support for the Bill as many members of parliament felt that it was a much needed strong Bill which introduced many necessary controls into the private sector, gave the Government strong powers over companies, would help curb malpractices in company management, would provide transparency in corporate affairs and, in relation to accounting, would improve the accounting, audit and inspection requirements. However, the Bill was also criticised and there were two broad types of criticisms of the Bill. Some members of parliament argued that the Bill was too restrictive, gave too much power to the Government by introducing too much bureaucracy and too many Government controls over the corporate sector such that the development of the private sector would be jeopardised. Others argued that the Bill did not go far enough as it still left the corporate sector with too much flexibility, that labour had not been fairly dealt with and that the managing agency system would not be adequately controlled. (Report of the Joint Committee 1953; Indian Parliamentary debates on the Companies Bill 1953)

No major changes, including changes to the accounting provisions, were made to the Companies Bill 1953, at either the joint committee stage or the parliamentary debate stage. The Bill that was finally promulgated was very much in line with the recommendations of the Company Law Committee and introduced strong statutory legislation giving Government strong powers of control and inspection over the corporate sector. This was considered appropriate and necessary and fitted in with the general economic, political and social climate in the country at this time since they were expected to contribute to economic growth and support the public sector initiatives

The Corporate Sector and the Companies Act 1956

As well as trans-system activity between the parliamentary system and accounting, trans-system activity was also seen between the corporate sector and accounting. The corporate sector was directly affected by the Companies Act, including the accounting requirements in the Act and hence tried to influence the Act at all stages of its promulgation.

The corporate sector sent written representations to the Government on the Memorandum issued by the Government in 1949. These representations, along with all other written representations received by the Government, were passed to the Company Law Committee for analysis. The Company Law Committee contained members of the corporate sector and hence the corporate sector had the opportunity to put forward its point of view in all the meetings of the committee. The Company Law Committee then invited some parties to give oral evidence to the committee. The corporate sector, both individual companies and chambers of commerce and trade associations operating on behalf of companies, were called to give oral evidence to the committee. 64 % of all the witnesses to the Company Law Committee were from the corporate sector, with most of the witnesses being members of trade and business associations, as shown in appendix 2.

The corporate sector, for the purposes of this exploratory research, are treated as a single entity, and in practice there would have been differing views and different objectives between different organisations within the corporate sector. However, it is expected that, at independence, there were many commonalities in the views and aims of the corporate sector, particularly in relation to the Companies Act and this was to influence the provisions such that the regulations did not become overly onerous and that as much freedom as possible was retained by the management of companies (interviews with senior accounting personnel in the corporate sector).

At the joint committee stage too, the corporate sector was invited to give oral evidence to the joint committee. Employer's representatives, (the Employers Federation of India) and Chambers of Commerce (The Associated Chambers of Commerce of India) were invited to give evidence on behalf of the corporate sector on the Companies Bill 1953, as shown in appendix 2. The corporate sector also lobbied members of parliament on the joint committee to present their point of view at the joint committee stage and lobbied members of parliament to argue their case in the parliamentary debates. (interviews with senior government officials and with senior accounting personnel in the corporate sector)

The representations to both the Company Law Committee and the Parliamentary Joint Committee and the lobbying of Parliament were made to try and reduce the regulations that the corporate sector had to focusing mainly on the provisions relating to directors and their management of companies. The corporate sector did have some success in this at both the Company Law Committee stage and the joint committee stage.

For example in keeping the ability of directors to refuse to transfer shares, in requiring the registrar to appear before the court if he wanted to point out irregularities in the alteration of a company's memorandum and articles and in increasing the time for companies to submit annual returns to the registrar. (Report of the Joint Committee, 1953)

However, at independence, there was a general feeling that the corporate sector did need strong regulation due to three main reasons. During the war many companies had been run in ways which profited the management but not the other contributors to the companies i.e. capital and labour and this was felt to be unfair, especially with the political ideology of the Government of that time, influenced by the left wing views of Nehru. Secondly, it was felt that some companies were being run dishonestly by their managements and that these abuses needed to be stopped. Thirdly, it was felt that in, addition to the public sector, the private sector had an important role in national economic development and therefore needed to be regulated so that they did indeed contribute to economic development rather than run in ways that were detrimental to the national economic aims. (Report of the Company Law Committee, 1957; Indian parliamentary debates on the Companies Bill, 1953)

The Companies Act therefore contained many provisions which restricted the operations of companies and gave Government strong controlling powers over companies. These clauses were further strengthened at the joint committee stage. For example companies were prohibited from issuing shares with disproportionate voting rights, contracts between directors or their associates and companies were restricted, disclosure of such transactions were required, director's duties were specified in more detail, powers of investigation over companies were introduced and the total remuneration of directors was restricted to a specified percentage of net profits of the company (Report of the Joint Committee, 1953). The Parliamentary debate stage saw no major changes to these proposals (Report of the Joint Committee, 1953; Indian Parliamentary debates on the Companies Bill 1953).

The corporate sector was concerned about many of these provisions and argued that, although they accepted that some control was necessary, the controls should not be so stringent such that they had no flexibility in how they operated. In particular, the corporate sector wanted more control over areas such as who was appointed as directors and how they were to be remunerated, a reduction in the bureaucracy that they had to follow and a reduction in Government powers over companies. However,

the general feeling in India at this time was that strong regulation of the private sector was needed and that the best means for this was through statutory legislation which gave strong powers to the Government, a means of regulation that was widely used in India at this time. On the whole therefore, the corporate sector was unable to have most of the provisions of the Companies Bill 1953 changed in their favour and had to accept that Government would be involved very directly in many areas of corporate life. Indeed, the corporate sector did, to some extent, also accept that regulation was unavoidable due to the political scenario and the public perception of abuses in the corporate sector. In addition, the Government of India had indicated in their early industrial policies that there would be some protection for Indian companies against international competitors, for example tariff protection and licensing, and there was some feeling by companies that regulation in the Companies Act and by Government was acceptable in return for this protection. There was also some feeling of national pride in the corporate sector and the socialist ideals were accepted as worthy causes by some companies and regulation of the corporate sector was acceptable in order to achieve these aims (interviews with senior accounting personnel in companies; Financial reports of Indian companies; Indian parliamentary debates on the Companies Bill, 1953).

The Reaction phase

Both intra-system activity and trans-system activity are seen in the reaction phase of the promulgation of the Companies Act 1956. Intra-system activity occurred mainly between the Government via the Department of Company Law Administration and accounting regulation and between the accounting profession (individual accountants, accounting firms and the ICAI) and accounting. Trans-system activity occurred mainly between the parliamentary and corporate systems and accounting in the Companies Act 1956. These are discussed below.

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Intra-system activity

The Department of Company Law Administration and the Companies Act 1956

The Department of Company Law Administration was set up under the Ministry of Finance in 1957 and immediately assumed responsibility for the administration of the Companies Act. The Department of Company Law Administration was important in the revision of the Companies Act 1956.

The Department of Company Law Administration set up the Company Law Amendment Committee and set its terms of reference. These were to suggest amendments to simplify the Act, remove loopholes and clarify ambiguities. The Joint Secretary of the Department of Company Law administration was one of the four members of the Company Law Amendment Committee and as such was able to directly influence the first revision of the Companies Act 1956 by presenting the Government's point of view. In their review of the Companies Act, the Company Law Amendment Committee recommended changes to many of the provisions to try and make them work as had been intended and as desired by the Department of Company Law Administration. On the whole, changes were recommended to tighten the provisions where the provisions were not precise enough, such that Government powers could be exercised more effectively and companies regulated more strongly. For example the loophole of companies delaying their AGM in order to delay submitting returns to the registrar was removed and it was clarified that it was the directors responsibility to maintain company records for eight years. This was in response to records being destroyed by companies and increasing the powers of the Registrar for example empowering the Registrar to compel companies to provide documents and explanations within reasonable time periods (Report of the Company Law Amendment Committee, 1957).

However, the Governments view was not always accepted. For example the Department of Company Law Administration wanted the right to inspect companies at any time, wanted companies to have uniform year ends and wanted to have the power to appoint auditors for companies (Clauses 88, 89, 95 of the Report of the Company Law Amendment Committee, 1957). These proposals were all rejected by the Company Law Amendment Committee as they considered that they were too onerous on the corporate sector, would give unnecessary powers to Government and would introduce too many rigidities into the system. But in most cases the Company Law

Amendment Committee did accept the wishes of the Government, and clarified many provisions of the Companies Act 1956 to stop companies interpreting the Act in ways which were not deemed desirable by the Government and to stop outright abuses of the Act.

The Company Law Amendment Committee reported back to Government in 1959. Based on their report, the Department of Company Law Administration drafted the Companies Bill 1960, which was the first amendment Bill to revise the Companies Act 1956. The Companies Bill 1960 was reviewed by a joint committee and then debated in both Houses of Parliament. At both these stages only minor changes to the Companies Bill 1960 took place. The Bill received assent in 1960 and became law, amending the Companies Act 1956 on 1 April 1960, once again showing legal authority for accounting as accounting regulations were included in the Companies Bill, 1960.

The Institute of Chartered Accountants of India and the Companies Act 1956

The accounting profession, as represented by the ICAI was again influential in the reaction phase of the promulgation of the Companies Act 1956. A senior member of the ICAI was one of the four members of the Company Law Amendment Committee and hence was actively involved and influential in the review of the Companies Act and in making suggestions to improve the operation of the Act.

As for the diffusion phase, individual chartered accountants, accounting firms and the ICAI sent written representations to the Company Law Amendment Committee and some accountants were invited to give oral evidence to the Company Law Amendment Committee. As shown in appendix 2, 5% of the written representations and 8% of the oral representations were from the accounting profession, the second largest lobbying group after the corporate sector, excluding individuals whose associations could not be identified. In addition, at this stage, the ICAI sent a memorandum to the committee which contained a review of the accounting provisions and schedules with suggestions for amending these. The ICAI recommended minor changes to the format and wording of the balance sheet and recommended two extra disclosures in the directors' report (Report of the Company Law Amendment Committee, 1957). Some changes to the auditing provisions were

also proposed. For example, audit firms were allowed to sign audit reports in their own name and auditors were required to give reasons for qualifications in audit reports (Report of the Company Law Amendment Committee).

The recommendations of the ICAI were fully accepted by the Company Law Amendment Committee. The changes proposed by the ICAI became part of the recommendations in the Company Law Amendment Committee report and later part of the Companies Amendment Bill 1960.

The accounting profession was also influential in preventing some provisions from being promulgated for example they stopped the government gaining powers to appoint company auditors and stopped provisions whereby auditors would not be allowed to provide other services such as tax advice and consultancy to companies which they audited. The ICAI also managed to remove a section which would have allowed accountants trained before the ICAI was set up to become members of the ICAI without passing the examinations and other requirements of the ICAI, thereby keeping control of who could become chartered accountants (Report of the Company Law Amendment Committee, 1957).

Not all the proposals made by the Company Law Amendment Committee were in line with the wishes of the accounting profession and the ICAI. There were some restrictions placed on the accounting profession. Even though the audit firms were allowed to sign audit reports with the name of the firm, they still had to inform the registrar of the individual auditor who was responsible for the audit. It was also expressed by the Government that the ICAI would be expected to ensure the independence of auditors. However, on the whole, the accounting profession, especially the ICAI, influenced the revision of the Companies Act 1956 in their own favour quite considerably at the Company Law Amendment Committee review stage. They argued strongly that accounting and auditing matters should be left to the ICAI which would ensure that accounting was of a high standard and that auditors would be tightly regulated. At this time, the ICAI was still a relatively new institute and most people generally agreed that accounting and auditing should be left in the hands of the Institute wherever possible (Report of the Joint Committee, 1953; Report of the Company Law Amendment Committee; Kapadia, 1972; interviews with senior accounting personnel in the corporate sector, senior government officials and senior members of the accounting profession).

There were some indications that the ICAI were not without critics. There were some criticisms of the ICAI by the Department of Company Law Administration in the areas of auditors giving clean audit certificates when they should not have and not adequately dealing with the requirement for accounts to give a true and fair view (Editorial, Chartered Accountant, 1960). However, these criticisms were not wide spread and were made outside the processes which were directly related to the reaction phase of the promulgation of the Companies Act 1956 and did not affect the influence of the accounting profession in the reaction phase. Thus the mixed authority for the accounting system is once again seen with a role for the accounting profession in amending accounting regulations incorporated into law.

Trans-system activity

Parliament and the Companies Act 1956

In India, accounting regulation has always been directly influenced by Parliament since key accounting provisions have been included in Companies Acts which have promulgated through the parliamentary system. This influence was also seen in the reaction phase of the promulgation of the Companies Act 1956 since the changes to the Companies Act 1956 were included in an amendment Bill to the Act which was promulgated through the parliamentary process. The Companies Bill 1960 was drafted by the Department of Company Law Administration, and then went through the normal parliamentary process. The Bill was introduced in Parliament in 1959, was reviewed by a joint committee and then debated in both Houses of Parliament. Members of Parliament had the opportunity to influence the provisions of the Bill at both the joint committee stage and at the parliamentary debate stage of the promulgation of the Bill. However, only minor changes were made to the Bill during the joint committee review and the parliamentary debates, and it received assent and became law on 1 April 1960 (Das Gupta, 1977).

Therefore, in common with the promulgation of the Companies Act 1956, the promulgation of the first Companies Amendment Bill to the Act, a direct reaction to the problems and criticisms of the Companies Act 1956, went through the parliamentary system. The parliamentary system therefore had the opportunity to directly influence the provisions of the Companies Bill 1960 and the Companies Act 1956.

The Corporate Sector and the Companies Act 1956

As in the diffusion phase, the corporate sector influenced the changes made to the Companies Act in the reaction phase of the promulgation of the Companies Act 1956.

The corporate sector influenced the changes both directly, with a company director being one of the members of the Company law Amendment Committee and indirectly by sending representations to the Company Law Amendment Committee. Representations were sent by both companies and trade associations and chambers of commerce and some of these parties were called to give oral evidence to the Company Law Amendment Committee. The corporate sector was the largest lobbying group and they lobbied both directly and through chambers of commerce and other trade associations. 37% of the written representations and 31% of the oral representations, excluding individuals whose associations could not be identified, came from the corporate sector. Some of these representations came from individual companies, but most of the representations came through chambers of commerce and trade associations such as the Federation of Indian Chambers of Commerce and the Associated Chambers of Commerce, as shown in appendix 2.

The recommendations made by the Company Law Amendment Committee did take into account some of the concerns of the corporate sector. For example some of the administrative burden in sending information to the registrar was reduced, the government was not allowed to have the right of inspection of company records at all times, companies were allowed to store records away from the registered office and were allowed to hold general meetings away from the registered office (Report of the Company Law Amendment Committee, 1957).

However, at this time, there was still a general feeling that the corporate sector had to be tightly controlled. The recently formed Department of Company Law Administration, who were represented on the Company Law Amendment Committee, was more influential than the corporate sector. Most of the recommendations of the Company Law Amendment Committee were in line with the wishes of the Department of Company Law Administration and generally increased their control over companies. The corporate sector did try to influence the revision of the Companies Act through making representations to the committee but had limited success in this.

Summary and Conclusions

In this paper, an exploratory framework which extends the work of Gray (1988) and Mckinnon (1986) is used to analyse the influence of culture and politics on accounting change and development in India. In the framework, accounting change is broken down into source, diffusion and reaction phases. The source phase is expected to comprise of mainly exogenous activity. The source and the diffusion comprise of intra-system activity and trans-system activity. It is posited that culture and social context and political processes will influence all phases of the change. The paper is also informed by the sociology of professions literature, in particular, the importance of the state in the development of accounting professions and extends this to the analysis of other accounting changes, in this case the promulgation accounting regulations in the Indian Companies Act 1956.

In this paper, the promulgation of the Companies Act 1956 which includes major accounting regulation, is analysed, using the proposed exploratory framework, into three phases, a source phase, a diffusion phase and a reaction phase. In the source phase, changes to the accounting system are initiated by events and institutions outside the accounting system, in this case, due to government initiatives to try and improve the economy and achieve certain social and political objectives, in particular to stimulate strong economic growth, facilitate accounting processes to improve information for national economic planning, encourage fairer distribution of wealth amongst labour, capital and management and encourage the corporate sector to contribute successfully to a mixed economic system. The diffusion and reaction phase of the change are composed of intra-system activity and trans-system activity. Intra-system activity occurs between the Government and accounting and the accounting profession, mainly through the ICAI, and accounting in both the diffusion and reaction phases of the change. Trans-system activity occurs mainly between the parliamentary system, the corporate sector and accounting, again in both the diffusion and reaction phases of the change. In addition, international factors are important in influencing accounting change in the diffusion phase of the change. The Companies Act 1956 was very much influenced by the Cohen Commission review of company law in Britain and the British Companies Act 1948.

Culture, social and economic context is seen to be important in all three phases of the change and the whole process of change is surrounded by political processes and significantly influenced by the Government. The change is initiated for social and

economic reasons which determine what problems need to be tackled and the institutions and processes used to tackle these processes. Culture is seen both to influence accounting regulations and the Companies Act and the legal system, introduced into India by the British is also seen to have influenced the cultural and social context in India as before the period of colonisation, no such legal system existed and after colonisation became regarded as a major means of regulating economic and social systems in India, post independence. The cultural values of India do not clearly indicate the nature of authority for the Indian accounting system and this research provides some insight into the authority for the accounting system in India. With strong hierarchy being an important cultural value together with low uncertainty avoidance high masculinity and low individualism, it is expected that there is likely to be a combination of legal and professional authority for accounting, with legal authority being the stronger of the two. This is what is seen at independence in India, when India chose to include accounting provisions in the Companies Act and with the ICAI influencing the provisions but not promulgating regulations themselves or being involved in the process of initiating regulations which is the role of the Government.

Accounting is seen to be a political process with accounting change being influenced by the Government and in being the result of interactions between the different parties interested in accounting. These parties are identified as the Government, Parliament, the corporate sector and the accounting profession. All of these try and influence accounting change in both the diffusion and reaction phase and the most successful is the Government with a smaller role for the newly set up Institute of Chartered Accountants of India. In particular, the role of the Government is seen to be the most important influence on the process of accounting change, initiating change, determining the processes and mechanisms of change, in this case use legislation, and in influencing the committees and the parliamentary processes used to promulgate the Companies Act, 1956 and the Companies Bill 1960.

The exploratory framework used is shown to be useful in analysing the accounting changes in the Companies Act 1956 but does have some criticisms, relating to the concept of culture and the process of accounting change. Culture is a complex concept with many different facets. In the research, a decision on the most important facets of culture relevant to the study had to be made. This is an issue relevant to any research, which involves cultural considerations. Accounting change is also complex and

the framework used to analyse data can only provide a simplified analysis of reality. This is a problem, which is present in any framework or model. A further criticism is that the accounting viewpoint and the corporate sector viewpoint are presented as united and by professional bodies and not as made up of differing views.

However, the framework, on the whole, does appear to show promise in analysing the process of accounting change, and in particular in investigating the influence of culture and politics on accounting change. Further research, using the framework to analyse other major changes to the accounting system in India is now needed to assess further the usefulness of the exploratory framework in analysing the influence of culture and politics on the process of accounting change in India.

Appendix 1 – details of data sources

1 Reports analysed on the Companies Act 1956

The Companies Act 1956

Report of the Company Law Committee (known as the Bhahbha report), 1952

The Companies Bill 1953

Report of the parliamentary committee on the Companies Bill 1953

Report of the Company Law Amendment Committee (known as the Shastri report), 1957

Parliamentary debates on the Companies Bill 1953 and 1960

2 Parliamentary debates on the Companies Bill 1953 and Parliamentary debates on the Companies Bill 1960

3 Interviews between September and November 1998

Organisation	Number of interviews
Senior accounting personnel in companies	6
Stock exchanges and stock exchange regulators	4
Professional accounting institutes (members of the accounting profession)	4
Auditing firms (members of the accounting profession)	3
Accounting Academics	2
Government officials - the Department of Company affairs and the Central Bureau of Direct Taxes	3
Total number of interviews	22

Appendix 2 - representations received by company law committee, parliament joint committee on the companies bill 1953 and the company law amendment committee

Representations made to the Company Law Committee of 1952

Association	Number of representations	%
Chambers of commerce and trade associations	72	55.4
Stock exchanges	13	10.0
Companies and business owners	11	8.5
Law associations and representatives	7	5.4
Registrar	6	4.6
Employees representatives	5	3.8
Government	4	3.1
Shareholder associations	4	3.1
Individuals (no associations given)	3	2.3
Banks	2	1.5
Journalist	2	1.5
Liquidator	1	0.8
Total	130	100

Witnesses to the Parliamentary Joint Committee on the Companies Bill 1953

Association

The Associated Chambers of Commerce of India, Calcutta
The Bombay Incorporated Law Society, Bombay
The Bombay Shareholders Association, Bombay
The Employers Federation of India, Bombay
The Federation of Working Journalists, New Delhi
The Incorporated Law Society, Calcutta
The Indian National Trade Union Congress, New Delhi
The Institute of Chartered Accountants of India, New Delhi

Representations made to the Company Law Amendment Committee

Association	Written Evidence	%	Oral Evidence	%
Individuals not identified	89	36.5	1	2.0
Companies and firms	45	18.4	3	6.1
Chambers of commerce	27	11.2	12	24.6
Trade and business associations	17	7.0	2	4.1
Representatives of Chartered Accountants	12	4.9	4	8.2
Representatives of the Law	10	4.1	9	18.4
Representatives of Investor associations	9	3.7	4	8.2
Banking and insurance	5	2.0	2	4.1
Stock Exchanges	5	2.0	3	6.1
Millowners associations	4	1.7	2	4.1
Other	4	1.7	0	0
Company Secretaries	3	1.2	1	2.0
Advertising associations	2	0.8	0	0
Colleges	2	0.8	0	0
Cost and Works accountants	2	0.8	1	2.0
Import/ export associations	2	0.8	0	0
Audit	1	0.4	0	0
Businessman	1	0.4	0	0

Employee associations	1	0.4	0	0
Journalist	1	0.4	1	2.0
Official liquidator	1	0.4	1	2.0
Registrar of companies	1	0.4	1	2.0
Dept of company law administration	0	0	2	4.1
Total	244	100.	49	100.
		0		0

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