ROLE OF PRESSURE GROUPS IN THE PROCESS OF DECISION MAKING : A STUDY OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

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DECLARATION

Certified that the material presented in this dissertation has not been submitted for any other diploma or degree of this or any other University.

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PREFACE

This work is the outcome of research carried out in partial fulfilment of the requirement of the degree of Master of Philosophy of the Jawaharlal Nehru University. It deals with the role of pressure-groups in the process of decision-making. Thus the Federation of Indian Chambers of Commerce and Industry (FICCI) - an organized business organization, have been taken up for investigation. The study is based on the secondary materials and has been inspired by a desire to identify the data available and lacuna in our knowledge about the role played by FICCI in the decision-making process. It is preparatory to a larger study and consequently the conclusions presented here in are tentative in extreme.

I should like to acknowledge the help and encouragement received in the preparation of this study. I am grateful to the Indian Council of Social Science Research for a doctoral fellowship that has made it possible for me to undertake research and to the Centre for Political Studies for providing facilities for it. I am also grateful to my teachers in the Centre who taught me how to do research.

I am deeply indebted to Dr. Balveer Arora, my Supervisor who not only supervised my work but was a constant source of valuable ideas, criticism and friendship during my work on the subject. I acknowledge a special debt of gratitude to Professor

Imtiaz Ahmad for his sound and helpful suggestions. I wish also to thank the Staff of the FICCI, especially the Library Staff under Mr. V.K. Majumdar, who was helpful and patient in assisting me in the use of their reports and newspaper files. Needless to say, I am alone responsible for the many weaknesses from which this study admittedly suffers.

INTRODUCTION

The political system resolves conflict in society by responding to diverse interests reflected through demands. Many of these demands upon which the political system acts are initiated by interest groups. Thus Interest Groups[1] are an integral part of a political system, they express the needs of many segments of the society and exert pressure at various levels of the decision-making process. Because of their close relationship with all elements of the social system, pressure groups are a very effective vehicle for expression of demands.

The study of the existence and operation of pressure groups in every political system, whether democratic or totalitarian, advanced or developing has recently emerged as a subject of great interest owing to the fact that it highlights a new aspect of relationship between individuals organized in groups and the state. Everywhere today 'interest groups' have been recognized by scholars and political analysts as critical centres of power in the political process. It would be fair to say that Lord Bryce in his days laid stress on "parties as the great moving forces" of politics but today interest groups would certainly share this status.[2]

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1 'Interest Groups' and 'Pressure Groups' have been used interchangeably.

2 Eldersveld Samuel J., American Interest Groups: A Survey of Research and Some Implications for Theory and Method, in Betty H. Zisk, American Political Interest Groups, Readings in Theory and Research (California, Wadsworth Publishing Company, 1969), pp. 56-57.

The study of pressure groups has recently gained much importance in the realm of comparative politics because during the last few years political science has lost much of its connections with history and ethics. It has moved closer to the disciplines of economics and sociology. A new meaning of politics has come into use whereby it is regarded as a process by which social values are authentically allocated.[3] Such an approach regards politics not merely as a science of state and Government in the traditional sense of the term, it implies the process of decision-making. Since these decisions are made as a result of group conflict it stretches its scope of study to all such groups that are involved in the process of decision-making. Thus what determines the making of decisions is nothing but a constant struggle between different groups and interests. Viewed in this context a new definition of politics is furnished by the exponents of this theory which can be stated as the Group Theory of Politics'.

For Arthur F. Bently, the exponent of the 'Group Theory of Politics', the study of politics was the study of action aiming at the realization of interest; action is manifested in groups and inter-group conflict. So group activity is interest activity.[4] Bentley based his theory on two facts which are as

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3 See Easton David, The Political System. An Inquiry into the State of Political Science (Calcutta, Scientific Book Agency, 1971), specially pp. 129-41.

4 R.C. Macridis, "Interest Groups in Comparative Analysis", Journal of Politics, 1961, pp. 25-45.

individuals are facts, groups are facts, but individual cannot affect Government except through groups. Therefore, the process of Government must be studied wholly as a group process.[5] The basic proposition is that individuals are held together in groups by interests. The existence of a group depends on an interest held in common. The group exists to get something, its existence is activity therefore it 'presses' on its environment which is in part non-human.[6] For David Truman, an interest group is 'a shared attitude' that makes certain claims upon other group in society. A political interest group is one, "that makes claims through or upon the institutions of Government".[7] According to Harold D. Lasswell and Abraham Kaplan, a group is an "organized aggregate" and an interest group is an "interest aggregate".[8] Charles B. Hagon in attempting to reduce problems of political science to "their simplest terms and the smallest numbers of explanatory principles" defines a group as "activity of human beings".[9] Later on Harry Eckstein, following Bentley

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5 W.J.M. Mackenzie, "Pressure Groups: The Conceptual Framework", Political Studies, vol. 3, 1955, pp. 251-2.

6 Ibid.

7 David B. Truman, The Governmental Process (New York, 1951), p. 37.

8 Harold D. Lasswell and Abraham Kaplan, Power and Society (New Havens, 1950), pp. 31-40.

9 Charles B. Hagon, "The Group in Political Science", in Roland A. Young, ed., Approaches to the Study of Politics (Evanston, 1958), pp. 38-51; especially p. 51.

and others said that, "if we say that politics involves the making of decisions, the decisions are made as a result of group conflict, that groups are the same thing as interests, that both groups and interests are mass of activity, then we say merely that politics is activity".[10]

On the basis of the vast literature available on the subject one can define a pressure group as an aggregation of individuals which attempt to influence policy output by making demands on the political system. The demands expressed by the group reflect the common goal uniting individuals in that group. In every society whether democratic or totalitarian, these groups seek to influence public policy in a desired direction without being ready to accept the responsibility of public office as well as by declining to hold direct responsibility for ruling the country. In other words it is employed to refer to any organized group which attempts to influence Government decisions without seeking itself to exercise formal powers of Government.[11] The latter part of the definition is intended to distinguish a pressure group from a political party or a conspiratorial group while the stress on organization distinguishes it from a mob or other spontaneous collection of individuals.

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10 Harry Eckstein, Group Theory and the Comparative Study of Pressure Groups, in Eckstein and Apter, eds., Comparative Politics (New York, Free Press, 1963), pp. 389-90.

11 This is virtually identical with other widely accepted definitions. See for example, H. Eckstein, Pressure Group Politics (London, Allen and Unwin, 1960), pp. 9-11.

It should be noted that much of the interest group literature till now has focused mostly on developed western nations.[12] There are various reasons to account for this fact. Firstly, many political scientists believed that any extension of such studies to less developed societies whose predominant activity is agriculture would require a search for functional equivalents[13] and secondly it was also felt that in such societies the politics of influence would originate in pressures from family or cliques, unlike in west where the pressure is generated through interest groups in the shape of a complex, bureaucratized associations. Hence in some developing countries the existence of such groups was ignored. A careful study of the business in India (as a pressure group) would call for a radical change in many of these assumptions.

In India since the beginning of the present century, National associations representing both foreign and indigenous

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12 Studies of Business groups like of Joseph La Palombara, Interest Groups in Italian Politics (Princeton, Princeton University Press, 1964); Gerhard Brunthal, The Federation of German Industry in Politics (Ithala, Cornell University Press, 1965); Henry W. Ehrmann, Organized Business in France (Princeton, Princeton University Press, 1957); S.E. Finer, "The Federation of British Industries", Political Studies, vol. 4, 1956, pp. 61-82; Herman Zeigler, Interest Groups in American Society (Englewood Cliffs, N.J., Princeton Hall, 1964); Stewart J.D., British Pressure Groups (Oxford, Clarendon Press, 1958); Allen Potter, Organized Groups in British National Politics (London, Faber and Faber, 1961); H.H. Wilson, Pressure Groups: The Campaign for Commercial Television, Martin Seeker and Warburgh Ltd., London, 1961 have focused on the west except the study made by Chitoshi Yanoga, Big Business in Japanese Politics (New Haven, Yale University Press, 1968).

13 Almond Gabriel A. and Powell Bingham G., Jr., Comparative Politics: A Developmental Approach (Boston, Little Brown, 1966), pp. 73-97.

interest have been existing. The Indian associations representing indigenous capital are at least much developed if not more as those representing foreign capital. Organizationally the business associations are far in advance of other sections of society. Unlike other major functional groups in India such as trade unions, students organizations and peasants groups, the business has developed associations which are autonomous and represents the interests of business community.[14]

The pressure groups do not make the laws of the land. They must devise means for gaining access to and influencing those who are constitutionally empowered to make, administer or otherwise define the law. Thus in the Indian political system there are several points in the political process at which a group can bring influence to bear: public opinion, political parties and election campaigns, the legislative process, the cabinet and bureaucracy and the Judiciary Groups may also resort to direct action and violence.

This study deals with the efforts of one pressure group, The Federation of Indian Chambers of Commerce and Industry (FICCI) as a business organization to secure its objectives during 1967-71. This organization is concerned with attempting to counter policies that adversely affect the business community as a whole and serves as a channel of Goverrment-business relations

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14 As is explained by Kochanek Stanley A., <u>Business and Politics in India</u> (University of California Press, Berkeley, Los Angeles, London, 1974), pp. 156-7.

in general. This study does not attempt to deal with all the events but with certain major decisions taken by the Government of India during that time, the circumstances, under which these decisions were taken and FICCI's reaction towards these decisions. Specifically this study seeks to explore the following questions:

I What factors shape the values, structure and activities of FICCI as an apex business organization? To sort out answer to this question I would also examine the objectives FICCI placed before itself when it was constituted. What sort of interests it represents and what type of role it played in the pre-independence period, who are the persons or leaders dominating FICCI, what are the sources of finance of FICCI? What are the factors which influence the selection of the Presidents of FICCI? How the decisions are made and who dominates the decision-making process, and lastly what is the socio-economic background of FICCI President (only post-independence President's) and to see whether such a background has any impact on the functioning or power-structure of FICCI? Answers to all these questions are attempted in chapter I of this study.

II How does FICCI go about trying to achieve its aims, which in turn refers as to how it attempts to influence Government policy; what methods it uses, whom do the FICCI leadership approach and what means of persuasion are at their disposal. These questions have been dealt with in chapter II.

III How much influence does FICCI have; how effective is it in pursuing and achieving its goals and to what extent has Government been responsive and unresponsive to demands made by FICCI and what has been the consequence? A careful investigation has been done in chapter III.

Here it would be fair to assume that the capacity of any pressure group to influence the decision-making process would be limited by factors like the nature of decisions, the degree of influence it can exert and the general political climate etc. The scope of this study does not allow an analysis of these questions in detail. We shall assume:

(i) The access of FICCI on decision-making process depends on the issue and on the circumstances in which that particular decision has been taken, (ii) it is least influential on fundamental issues of policy which are central to the programme of the party in power, (iii) although it has been able to influence some non-controversial economic issues and has had some success in delaying and modifying legislation, it has had almost no effect on major symbolic redistributive issues like tax policy, banks nationalization and creation of large public sector. As far as possible we shall try to examine these assumptions in the light of available data.

To limit the study to manageable proportions stress has been laid only on the economic and industrial policy of the Government and FICCI's opinion in these issues and the channels which FICCI used in exerting its access (only formal channels have been discussed).

So three major issues have been taken up for investigation. The first issue concerns the industrial policy and the other two are concerned with the economic policy of the Government. The issues are:

(1) Issue of Liberalization of Industrial Licensing Policy;

(2) Nationalization of Banks in 1969; and

(3) Nationalization of General Insurance in 1971.

As regards the first issue, a brief description of as to when and why the Industrial Licensing system was introduced in India, and developments after the introduction of the system till the submission of 'Industrial Licensing Policy Inquiry Committee' report to be known as 'Dutt Committee Report on Industrial Licensing Policy' which was submitted in July 1969. Keeping in mind the initial hypothesis, my purpose is to see the links between FICCI and Government after the submission of the report. What was FICCI's reaction towards the recommendations made by the Committee, what sort of demands FICCI made and how much success it achieved. An effort has been made to sort out answers to these problems in chapter III of this study. Along with this about the second and third issues, the circumstances in which these decisions were taken by Government vis-a-vis FICCI's opinion and the channels FICCI applied in getting the question of compensation to be decided by Government favourably will also be discussed in the same chapter.

The conclusions are based on the formal channels of access utilized by FICCI in order to exert influence on Governmental decision-making process. The data has been drawn from FICCI reports, official publications and newpapers.

Chapter I

THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY
ANATOMY OF AN ORGANIZATION

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ANATOMY OF AN ORGANIZATION

The formation of the Federation, as an apex organization to articulate Indian business interests of national scope, constitutes an important landmark in the history of commercial organizations in India. Although the Federation was formed only in 1927, the idea of having a central organization to represent Indian industry and trade can be traced as far back as the beginning of the present century. The movement for organized activity on the part of businessmen arose as a result of certain historical needs and the forms it took were dictated by the particular conditions prevailing at that time.

The First World War intensified the demand of the subject nations for political independence and economic development. India had an alien Government at that time. The anti-national economic policy of that Government was strongly resented. There was growing political unrest all throughout the country. The commercial community was confirmed in its conviction that without political freedom there could be no economic progress or prosperity. Conversations were going on for some time for the formation of a powerful central organization which could speak with authority in the name of trade, commerce and industry of the country. The idea of forming a central body of all the Indian Chambers of Commerce and Industrial Organization in India was first mooted in 1913 and the trend towards centralized activity initially took the form of annual Industrial Conferences held along with the sessions of Indian National Congress. Subsequently the Indian Commercial Congress was organized in order to provide a separate and more vigorous representation of commercial interests. At the first session of the Indian Commercial Congress, held at Bombay in December 1915, the need for a central body of businessmen was recognized and the Congress approved by a resolution the establishment of an Associated Indian Chamber of Commerce in the country. Subsequently the Indian Industrial Conference and the Commercial Congress were amalgamated to form the Indian Industrial and Commercial Congress At the First Joint Session of the Indian Industrial and Commercial Congress held in January 1920, Sir Fazulbhoy, in his Presidential Address, laid particular stress on the need for strengthening the institution of Chambers of Commerce. He said that public institutions concerning themselves with the development of trade and industries should adopt

> better methods of co-operation and larger perspectives and ideals whereby we shall be able to ensure a constant and careful watchfulness to safeguard the rights and privileges of Indian trade and industries.... Chambers of Commerce must be multiplied and every town of commercial and industrial importance should have its own Chamber of Commerce and if possible also an industrial organization so that all this net-work of bodies can weld together the policy of the Commercial Community.... 1

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1 FICCI, Silver Jubilee Suvenir 1927-51, New Delhi, FICCI, 1951, p. 44.

This feeling found general acceptance among the Indian Commercial Community and concrete steps were taken towards the formation of a permanent central body to co-ordinate the activity of the various Chambers of Commerce and other commercial interests in the country. At the Third Session of the Indian Industrial and Commercial Congress which was held in Delhi in February 1926, the following resolution on the formation of an Indian Associated Chamber of Commerce and the establishment of Indian Chambers of Commerce in all important trade centres was adopted:

> This Congress approves of the proposal to establish an Indian Associated Chamber of Commerce and resolves that a Committee be appointed consisting of one representative each of the Associations and Chambers, affiliated to the Congress, with Lala Harkishen Lal as President and J.K. Mehta as Secretary, to draft a Constitution for this body, to circulate the same amongst the Associations and Chambers concerned and to convene a special session of the Congress for consideration and adopting the same. 2

A subject committee was appointed to draft rules and the bye-laws for the proposed organization. The idea embodied in this resolution was carried to fruition by the fourth session of the Congress held at Calcutta on 31 December 1926 and 1 and 2 January 1927. The Congress approved of a permanent central body, to represent the Commercial Community of India, under the name

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2 Ibid., p. 45.

of the Federation of Indian Chambers of Commerce and through a resolution approved its Constitution and draft rules and regulations submitted by Subject Committee.[3] Thus the Federation of Indian Chambers of Commerce was formally launched, its primary interest being,"to promote Indian business in matters of inland and foreign trade, transport, industry and manufacture, finance and all other economic subjects".[4] Two years later, the name was changed to the Federation of Indian Chambers of Commerce and Industry, thus emphasizing its character as representative not only of commerce but also of industry.

Aims and Objectives of FICCI

As an apex organization of Indian Industrial and Commercial interest the Federation is the mouthpiece of organized business opinion. According to one official definition:

> Legally, the Federation is a company registered under the Companies Act. Structurally, as the name indicates, it is a Federation of Chambers of Commerce and industrial and commercial associations, etc. representing almost all sectors of Indian economy. Functionally, it promotes Indian business community and secures organized action, wherever necessary, on all matters affecting Indian Trade and Industry. Effectively, it serves as a control room keeping the business community in touch with the Government and the Government in touch with the business community. Practically, it serves as the national agency through which the business community crystallizes its views on current problems. 5

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3 FICCI, The Annual Report (Bombay), FICCI, 1928, p. 5.

4 Frank Moraes, SIR Purshotamdas Thakurdas (Bombay: Asia Publishing House, 1957), p. 42.

5 FICCI, Organization and Functions, New Delhi: FICCI, 1965, p. 1.

The main objects of the Federation inter-alia are:

> the encouragement of friendly feeling and unity among the business community and associations on all subjects connected with the common good of Indian business in matters of inland and foreign trade, transport, industry and manufacturers, finance and all other economic subjects. Great stress has been laid on securing organized action and the need for united action has been emphasized in the rules and regulations and bye-laws of the Federation. The collection and dissemination of statistical and other information and making all efforts for the spread of commercial and economic knowledge are some of the other objects of the Federation. 6

The Federation offers a wide range of services. The Federation is represented on over sixty-five advisory boards and committees appointed by Government and other leading institutions.[7] The Federation's representatives on such bodies are generally nominated in consultation with members. Besides, the suggestions of the members are invited on various matters coming up for discussion before the committees and the business community's point of view is effectively put forward at such meetings by the Federation's representatives.

The Federation organizes seminars and conferences on many

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6 FICCI, Memorandum and Articles of Association, 1970, New Delhi, FICCI, pp. 1-4.

7 These include: Advisory Committee on Capital Issues, Board of Trade, Central Advisory Council of Industries and its Committees, Coal Transport Advisory Committee, Customs and Central Excise Advisory Council, Direct Taxes Advisory Committee, Export Promotion Advisory Council, Import Advisory Council, Iron and Steel Advisory Council, National Shipping Board, Oil Advisory Committee and Purchase Advisory Council.

subjects of National importance. The main object of such seminars is the provision of a useful forum where different interests could express their points of view and make suggestions embodying maximum amount of agreement that could be transmitted to Government. Besides written representations on the problems and difficulties faced by businessmen, close liaison is maintained by the Federation with Government and other official organizations so that the decisions may be expedited. The Federation has set up a Tribunal of Arbitration which can be effectively utilized not only for settlement of disputes arising in the course of international trade but also in commercial disputes between Indian businessmen. With a view to effectively demonstrate the industrial progress in India and abroad, the Federation organizes international fairs and to promote India's exports and economic development, the Federation, inter alia organizes from time to time trade and industrial delegations. It also provides facilities for the discussion and exchange of views between Indian businessmen and foreign businessmen visiting India.

The Pre-independence Period - Evolution and Policies

From its very inception the Federation began representing to the authorities concerned, "the Indian point of view on matters of economic and financial and safeguarding the interests of Indian Commerce and Industry".[8] Although the FICCI likes to

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8 FICCI, Silver Jubilee Souvenir, 1927-51, op. cit., p. 52.

portray itself as the economic arm of the freedom movement whose leadership and policy were "wholly in conformity with the views of the Indian National Congress".[9] Conflicting objectives and political divisions within the business community ensured that the relationship was not always quite so harmonious. The FICCI was primarily concerned with economic issues. It conceived of its role in negative terms as the voice of the views of the Indian business community in its dealings with the British Government. Its primary objective was to counter the influence of foreign capital on the Government of India and so to win concessions for Indian industry. As a result of this primarily economic focus, the Federation appeared at times to take an ambivalent attitude toward both the Congress and the British Government. The alternating periods of attraction and repulsion conformed, to a very large extent, to the political condition of the nationalist movement and the attitude and policies of British Government.

Referring to the political and economic renaissance in India, Purshotamdas Thakurdas in his presidential address on 28 December 1928, stated: "We can no more separate our politics from our economics than make the sun and moon stand still". He traced the intimate association of Indian commerce and industry with the national movement and stated that, "the idea of National Movement in the political sphere, namely to make the

9 Ibid., p. 13.

Indian nation united, prosperous and progressive, is also the idea of Indian commerce and industry in the economic sphere".[10]

The growing political struggle in the country soon put to test the faith and strength of conviction of the Federation. It was announced in 1930, that a Round Table Conference would meet in London for the purpose of discussing the problem of Indian constitutional advance: the Federation called upon the government to declare that the proposed conference would frame a Constitution for the establishment of such a status of independence as was enjoyed by Australia and Canada. It took the bold decision that none of its representatives should attend that conference, unless Mahatma Gandhi was released from prison and would attend it as a free man.[11] Later on, when Gandhi and the Working Committee were released from jail, in January 1931, the Congress negotiated the Gandhi-Irwin Pact. An agreement was reached to convene a second Round Table Conference; and the FICCI established a three-man committee to represent the FICCI with instruction to follow the lead of Gandhi.[12] In April of the same year, Gandhi was even invited to inaugurate the fourth annual session of the FICCI. At this time he was asked for a pledge to consult the FICCI in the formulation of Congress

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10 Ibid., p. 54.

11 FICCI, Report of the Proceedings of the Executive Committee, New Delhi, FICCI, 1930, pp. 5-6.

12 The Government at first accepted only Thakurdas but after a fight agreed to accept the three-man delegation.

Economic Policy. Further, the Federation did not recognize the Simon Commission and took no part in its deliberations. G.D. Birla, the President of the Federation opposed the Public Safety Bill in the Legislative Assembly in 1929.

Close co-operation between the Congress and the FICCI, however, was ended by the historic decision of the Congress to resume civil disobedience on 4 January 1932. The resumption of civil disobedience sharply divided the FICCI and the Indian business community as a whole. Not only did the Bombay mill-owners withheld financial support[13] from the Congress, they went so far as to conclude a separate agreement with British industry. This agreement, the Lees-Mody Pact, was tantamount to treason according to Nehru, who later wrote in his biography:

> The Bombay mill industry in a body, during the continuance of civil disobedience and when we were preaching the boycott of British goods, had the temerity to conclude a pact with Lancashire. From the point of view of Congress, this was a gross betrayal of the National cause, and it was characterized as such. The representative of the Bombay mill-owners in the assembly also consistantly ran down the Congress as extremist while most of us were in goal.

Even the Federation condemned the mill-owners action, calling it a 'sectional' act lacking the seal of National approval[14] and also condemned its attitude towards the Congress.

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13 D.R. Mankeker, Homi Mody: A Many Splendored Life (Bombay: Popular Prakashan, 1968), p. 101.

14 Quoted in Stanley A. Kochanek, Business and Politics in India, op. cit., p. 163.

When Mahatma Gandhi and other leaders were arrested in 1942, the Federation remarked that it viewed with grave concern and anxiety the political situation in the country and warned the government that "their repressive policy involving suppression of the rule of law had so accentuated the growing feeling of bitterness and estrangement between the people and the authority that it was unsurpassed in the history of British Administration".[15] When Churchill made the charge that manufacturing and financial interests were behind the Congress, G.L. Mehta, the then President of the Federation, with characteristic brevity and revealing frankness, told the British people that "they were an integral part of the movement and were fully in accord with the essentials of the Congress demand for freedom and transfer of power".[16]

Despite disagreements with the Congress over strategy and tactics, most of the top Federation leaders prior to independence were closely associated with the national movement and were among its chief financial backers. This close association with the Congress, however, was contrary to the views of a large sector of the old Bombay business aristocracy, who argued that business should remain aloof from political controversy and concentrate its attention on furthering the economic

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15 FICCI, Silver Jubilee Souvenir, 1927-51, New Delhi, p. 219.

16 Ibid.

interests of the business community. These political differences kept a large number of Bombay mill-owners out of the Federation.

Membership and Financial Resources of FICCI

Since its inception in 1927 with a membership of 24 Chambers of Commerce, Trade and Industrial Associations, it has steadily grown in strength and status. In 1975, it had on its roll over two hundred and fifty trade and industrial associations and over eleven hundred individual firm members with six honorary members and four overseas members.[17] Many of the Chambers of Commerce and Industrial or trade associations which are members of the Federation are themselves large organizations, with membership in some cases in thousands.[18] Thus, as B.M. Birla once said, "I think it is the largest party, in a sense, next to the Congress Party, which is so well organized".[19]

The membership of the Federation is of four classes Ordinary, Associate, Honorary and Overseas. Chambers of Commerce and industrial associations are eligible to become Ordinary Members. The annual subscription for Ordinary Members is Rs.1,000 and an admission fee of Rs.500 is also charged. Individuals, firms and companies in the membership of an Ordinary

17 FICCI, The Annual Report, New Delhi, FICCI, 1974, pp. 102-21.

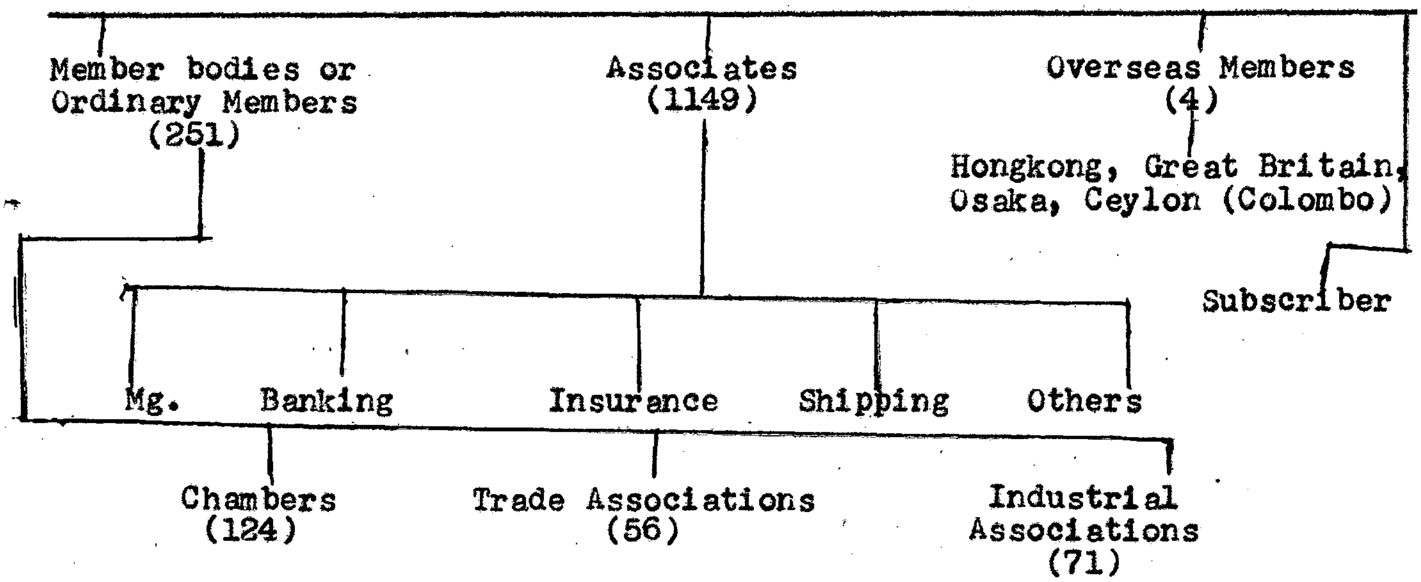
18 FICCI, Proceedings of Executive Committee, New Delhi, FICCI, 1974, pp.

19 FICCI, The Annual Report, 1955, p. 12.

Table 1

Membership of the Federation (The FICCI)

(As on - 1975)



Source: FICCI, Organization and Functions, New Delhi, FICCI, 1965, p. 6.

Members of the Federation are eligible to become Associate Members. The subscription payable by Associate Members is determined on the basis of turnover, the minimum subscription being Rs.1,500 and the maximum of Rs.10,000. Persons distinguished for public service are elected as Honorary Members at the General Meeting of the Federation. Indian Chambers of Commerce operating outside India are eligible to become Overseas Members. It is clear from Table 1 that of the 251 Ordinary Members in January 1975, 124 were chambers, 56 trade associations and 71 industrial associations. In addition 1149 associate members came from variety of interests like manufacturers, Banking, insurance, shipping and others. Hongkong, Great Britain, Osaka and Ceylon (Colombo) are Overseas members.

The resources of the FICCI has increased from Rs.131 lakhs in 1947 to Rs.33,10,542.59p in 1974. This income is being spent on the development of specialized Secretariat of FICCI to carry out the expanding activities of the Federation. The Federation witnessed a substantial alteration in 1951, when, in order to ensure a steady source of revenue, a new category of membership was introduced. Before that only chambers of commerce and industry, or trade associations could be direct members of the Federation. The Federation found that these members were hesitant to pay the costs of the organization.[20] Every attempt to increase subscription fees was resisted and the leadership has to make up deficits from its own sources. These financial crisis were finally overcome by the creation of an associate membership which permitted individual firms to join the Federation directly instead of depending entirely on representation through various constituent trade associations. Some 66 per cent of the Federation's income now comes from associate membership contributions.[21]

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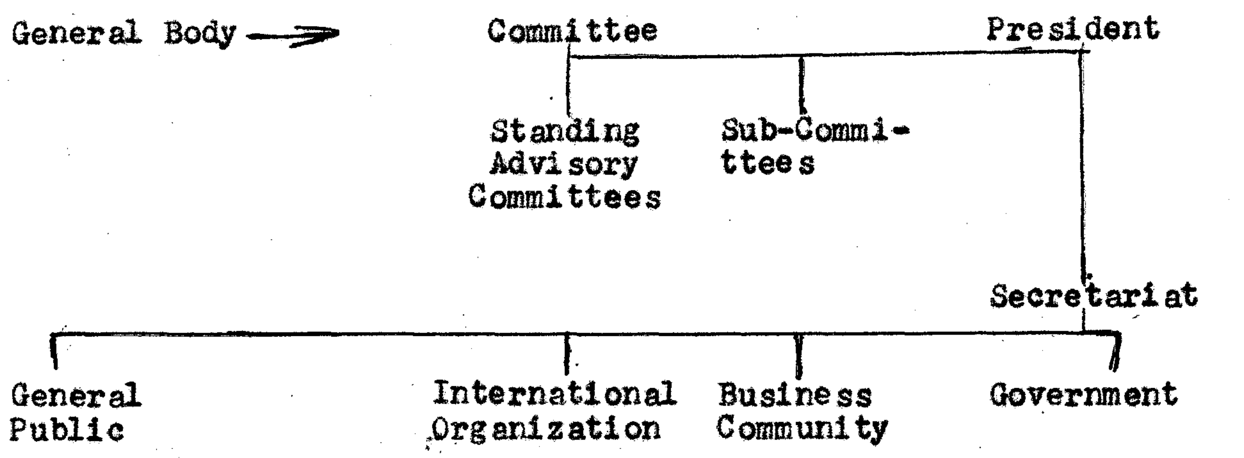
20 FICCI, The Annual Report, 1949, pp. 90-92.

21 FICCI, Report of the Proceedings of the Executive Committee, 1927-74, New Delhi, FICCI.

Table II

Federation: How It Functions



Source: FICCI, Organization and Functions, New Delhi, FICCI, 1965, p. 7.

The Power Structure and Patterns of Decision-Making in FICCI

The formal structure of power in FICCI is very elaborate and plays an important role in its functioning. As is clear from Table II, in theory the power flows from General Body or Annual Meeting of the Committee, The Standing Advisory Committee, President and the Secretariat in that order. The General Body consists of delegates nominated by the member bodies and associat members. Each member body is entitled to nominate eight delegates depending ultimately upon firms gross sales. In all, there were over 1690 (813 member bodies and 877 of Associate Members) delegates to the annual meeting of the FICCI in March 1975. The programme or agenda of the annual meeting is prepared by the Committee. The annual meeting must formally adopt the annual report of the Committee, approve the budget, elect the President, treasurer, auditor and members of the Committee and consider resolutions submitted by the Committee as well as "such other resolution as may be brought forward in accordance with rules".[22]

The Committee of the FICCI, which is elected by the annual meeting, has an impressive list of formal powers which make it the most powerful body in the Federation. As such, it is the centre of control. The Committee is composed of 61 members; a President who presides over its meetings, 36 representatives of the ordinary members, 17 representatives of the associate members and 7 co-opted members. Of the 36 committee members representing the ordinary membership, 20 must be from industry and sixteen from trade, banking, insurance and transport. The 17 representatives of the associate members are elected by the associate members as a separate constituency.

The members of the Committee remain in office until retired under a complex system of rotation, the effect of which is to give each member a term of three years. Having retired from the Committee, a member is, however, eligible for re-election. In order to qualify for election, a candidate must be among the delegates nominated by a member body for attending the next annual meeting; he must be actively engaged in commerce and "he or the firm he represents" must have at least once during

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22 FICCI, Memorandum and Articles of Association, New Delhi, 1970, pp. 28-31.

the previous five years paid income-tax on an income of 5,000 rupees derived from commerce or "the company he represents has a paid-up capital and reserve aggregating at least rupees 50,000.[23] In short, though the formal criteria for committee membership exclude representation from the smallest business firms, they do represent an attempt to insure, in theory at least, an equitable distribution of seats which is not so in practice.

The formal powers of the committee are quite extensive. The committee manages the business of the Federation. As the chief policy-maker, it draws up resolutions for annual meeting. It performs all executive duties and exercises all powers and functions not exclusively conferred upon the General Body. It is responsible for issuing the standing orders for carrying out the work of the FICCI and may establish sub-committees to advise the committee a policy. In addition, the committee elects the Vice-President from among its elected members which means, since the Vice-President by tradition automatically succeeds the President by acclamation at the time of annual meeting, the committee has *de facto* power of electing the President.

The President in theory is the chief executive head of the Federation and is responsible for supervising and directing the work of the Secretariat.[24] Though there is no constitutional

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23 Ibid., Appendix B, pp. 31.40.

24 Ibid., pp. 21-22.

limitation on his term of office, the President, by tradition, serves for one year. This tradition prevents the development of an executive authority independent of the committee. The President presides over all meetings of the committee and the annual meeting. In consultation with the committee he may appoint a Standing Advisory Committee of not exceeding 15 members including the President and Vice-President to meet once a month. This committee is appointed for one year and may include up to five persons who are not members of the committee. The members of the Standing Advisory Committee are eligible for re-nomination. Since final authority continues to rest with the committee itself, the Standing Advisory Committee, as its name implies, is charged solely with an advisory role. The same is true with the various other sub-committees.

In theory then the power in the FICCI flows up from the annual meeting to the committee, the Standing Advisory Committee, to the President and Secretariat. The annual meeting elects the President and the committee, receives reports of the committee's activity, must endorse the annual budget, passes policy resolutions and ratifies changes in the Constitution. The committee and the President are responsible to the annual meeting for the day-to-day activity of the Federation.

The Analysis of Socio-Economic Background of FICCI Presidents

Here the focus of our analysis in brief would be (A) on placing the FICCI Presidents in their socio-economic setting; and (B) on exploring a differential pattern in the background characteristics of FICCI Presidents. The period covered is 1947-75. This phenomena has been tested in several ways: (a) Does the age factor have an impact on their functioning and their conception of the role of FICCI. (b) Does their family background or the type of interests they represent affect their attitudes towards FICCI. (c) Does their educational background and other public activities affect their functioning? It has been assumed that the background characteristics of an individual play a role in shaping his attitudes, perceptions and decisions. An attempt would be made to find out a relationship between the background characteristics of post-independence FICCI Presidents and their attitudes towards the FICCI.

To investigate this we would analyze the demographic characteristics of FICCI Presidents during the period 1947-75, a period of 29 years. To examine the socio-economic background of these Presidents emphasis have been laid on five variables which are: age, family background or the type of interests they represent, education, their public activities and travel abroad. To see whether there has been any change in FICCI Presidents from 1947 to 1975 in relation to these variables time factor has been divided into two phases. First phase is from 1947 to 1960 (i.e., 14 Presidents) and second is from 1961 to 1975 (i.e., 15 Presidents). The socio-economic background of FICCI

Presidents with the help of all these variables have been discussed below.

Data has been collected from sources such as: official FICCI reports, various editions of Who's Who, and from informal talks with the FICCI officials as well as officials of other business or industrial concerns.[25]

I Age

Under the age factor we have to find out to which age group majority of the FICCI Presidents belong before 1960's and after 1960's and to see is there any shift to younger presidents in the later period. As has been mentioned in the Table below:

Table III

Distribution of FICCI Presidents According to Age Factor at the Time of Assuming Office.

Age Group		Year 1947-60 %	Year 1961-75 %
40-50		50.0	6.7
51-55		14.3	53.3
56-60		7.2	20.0
61-65		21.4	13.3
66-70		NIL	6.7
Not known		7.1	NIL
	Total:	100.00	100.00

25 Source of data: (i) The Men of FICCI - Who's Who, FICCI, New Delhi, 1966-67; (ii) The Times of India Directory and

(Contd. on next page)

It is clear from the above Table that it was only before 1960's that the largest number of persons in the age group of 40-50 were selected FICCI presidents. There were only 6.7 per cent presidents in the same age group during the period 1961-75 in comparison to 50 per cent during the period 1947-60. More significant shift have been seen in the age group of 51-55. There were only 14.3 per cent FICCI presidents in this age group before 1960's but after 1960's majority of the FICCI presidents belonged to the same age group, that is about 53.3 per cent were from middle age group. It can also be pointed that in the before 1960's period maximum number of presidents were in the age group of 40-50 whereas in the post-1960's period maximum number of them belonged to the age group of 51-55. In both the periods very few presidents were from the age group of 56-60 and 61-65. As has been shown in the Table that only 7.2 per cent and 21.4 per cent of them were from the age group of 56-60 and 61-65 respectively before 1960 and only 20 per cent and 13.3 per cent were from the same age groups in the post-1960's period. Data about 7.1 per cent of them from the period 1947-60 is not available. It can also be revealed from the above Table that only 6.7 per cent of them during the period 1961-75 came from the age group of 66-70.

Yearbook including Who's Who, 1947-1974/75; (iii) India, Who's Who, INFA, INFA Publications, Parliament Street, New Delhi, 1969-75; (iv) Lok Sabha, Who's Who, 1956 onwards; and (v) Rajya Sabha, Who's Who, 1956 onwards.

II Family Background

The focus of investigation would be on how many FICCI Presidents came from business families and how many from professional families and also to see what type of interests they represented? Whether there has been any change during the period 1947-60 and post-1960's.

Table IV

Distribution of FICCI Presidents According to Family Background:

		Year 1947-60 %	Year 1961-75
A.	Business	85.7	100 %
	Professional	7.2	
	Not known	7.1	
	Total	100.00	100.00

		Year 1947-60 %	Year 1961-75 %
B.	Business Interests		
	(i) Jute, Tea, Textiles and Sugar	57.1	66.7
	(ii) Shipping, Chemicals, Fertilizer, Cement and Automobiles	35.7	33.3
	Not known	7.2	
	Total	100.00	100.00

It is significant to note from the above Table IV that most of the FICCI Presidents both before and after 1960's belonged to business families. The exact number of them before 1960's was 85.7 per cent from business families and only 7.2 per cent from professional families who started their own business whereas after 1960's all of them came from business families Regarding the business interests which these people represented in FICCI was 57.1 per cent of them represented the interests of Jute, tea, textiles and sugar industries before 1960's which was further increased by 66.7 per cent after 1960's. The interests of more modernized industries such as shipping, chemicals, fertilizers, cement and automobiles were also represented but there number was comparatively less. As is clear from the Table that before 1960's 35.7 per cent of FICCI Presidents were concerned with more modernized industry. The representation of these interests was again lowered after 1960's i.e., 33.3 per cent. Thus it would not be an exaggeration to say that the majority of top leadership in FICCI whose main business interests have been jute, tea, textiles and sugar kept themselves busy in problems relating to their own concerns, paid little attention towards problems of more modernized industries and to some extent completely ignored the general problems of small-scale industry.

III <u>Education</u>

The FICCI Presidents have a variance of educational status

The Table below shows the educational status of all FICCI Presidents.

Table V

Distribution According to Educational Qualifications

A. Level of Education	Year 1947-60 %	Year 1961-75 %
High School	14.3	6.7
B.A./B.Sc	71.4	60.7
M.A.	7.2	13.3
Not known	7.1	13.3
Total	100.00	100.00

B. Type of Education*	Year 1947-60 %	Year 1961-75 %
1. Law	33.3	NIL
2. Science	25.0	NIL
3. Engineering	NIL	21.4
4. Arts	33.4	64.3
Not known	8.3	14.3
Total	100.00	100.00

* Graduation and above. Those who did not go beyond high school, i.e.;

(2) in the period 1947-60 and (I) in period 1961-75 has not been included.

Table V

		Year 1947-60 %	Year 1961-75 %
C.	Indian	85.7	66.7
	Foreign	7.2	20.0
	Not known	7.1	13.3
		100.00	100.00

It is revealed from the Table V that majority of FICCI Presidents both before 1960 and past-1960 period who dominated FICCI are University educated persons. As has been shown in the Table that 71.4 per cent of them during the period 1947-60 holded graduate degrees though their number was decreased in post-1960 period to 60.7 per cent but still then degree holders were in majority. Some 7.2 per cent of them were master's degree holders before 1960's whose number was increased to 13.3 per cent after 1960's. In both phases few persons discontinued their education at high school level, i.e., only 14.3 per cent before 1960 and 6.7 per cent after 1960. In the before 1960's and post-1960 period the level of education of about 7.1 per cent and 13.3 per cent is not known respectively. It can also be revealed from the Table that FICCI Presidents holded variety of specialized degrees such as in law, science, engineering etc. Some 33.3 per cent of them were law degree holders, 25 per cent science degree holders and 33.4 per cent arts degree holders, though there was no engineering degree holder in the period 1947-60. Data about 8.3 per cent of them is not known. More significant point to be noted is that after the 1960 period no President of FICCI holded law as well as science degree but 21.4 per cent of them were engineering degree holders. A further shift has been seen in arts degree holders as 64.3 per cent of FICCI Presidents after 1960's period holded arts degree in comparison to 33.4 per cent before 1960's period. It is also revealed that the single largest group (i.e., 85.7 per cent before 1960 and 66.7 per cent after 1960 period) got their education from Indian Universities. Another change mentioned in this Table is, the number of foreign educated persons as FICCI Presidents have been increased from 7.2 per cent during 1947-60 to 20 per cent after 1960's period. Data about 7.1 per cent of them during 1947-60 and 13.3 per cent during 1960-75 is not known.

IV <u>Public Activities</u>

FICCI Presidents were engaged in various types of public activities. Here we have to find out (1) how many FICCI Presidents were holding influential posts in educational institutions in both periods, (2) how many of them were elected M.Ps and M.L.As in both periods and lastly how many were holding important positions in public offices. The Table below shows that.

Table VI

Distribution According to Public Activities

Categories		Year 1947-60 (a) No.	Year 1961-75 (b) No.
1.	Banking and Financial Institutions (1)	2	6
2.	Trade, Commerce and Shipping (2)	2	6
3.	Industrial, Planning and Development (3)	3	9
4.	Educational Institutions (4)	6	5
5.	Members of Parliament and Members of Legislative Assemblies (5)	5	3
	Total No.	18 (c)	29 (c)

(a) During this period there were 14 Presidents but the data presented here pertains to 11 of them. It was not available for K.D. Jalan, FICCI President during the year 1949-50, Shanti Prasad Jain 1952-53 and Madan Mohan M. Ruia 1959-60.

(b) During this period there were 15 Presidents but the data presented here pertains to 14 of them. It was not available for H.C. Mahindra, President during 1975-76.

(c) Because some Presidents were active in more than one field, the total does not tally with the number of Presidents analyzed.

(1) This category includes membership at various levels of responsibilities in organizations such as: Fiscal Commission appointed by Government of India, West Bengal Financial Corporation, Industrial Finance Corporation of Rajasthan, Central Board of Reserve Bank of India, Banking Commission, etc.

(2) This category includes membership at various levels of responsibilities in organizations such as: Central Excise Advisory Committee, Export Promotion Committee, Customs and Central Excise Advisory Board, Import-Export Advisory

(Contd. on next page)

The largest number of FICCI Presidents, i.e., 6 Presidents (out of total of 11 Presidents) before 1960's period were members of popular educational institutions such as All India Council for Technical Education, Governor, Administrative Staff College Hyderabad and were also fellows of the Senate of various Universities. The number of FICCI Presidents member of important educational institutions was little low, i.e. 5 (out of total of 14 Presidents) in comparison to the period 1947-60. In the political sphere also some very active politicians remained FICCI Presidents. As has been shown in the Table that before

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Board, Board of Trade, Advisory Council of Trade, Indian Standards Institution, Central Board of Tea, Indian Institute of Foreign Trade, Shipping Corporation of India, Commissioners of Port of Calcutta, etc.

(3) This category includes membership at various levels of responsibilities in organizations such as: Central Advisory Council of Industries, Advisory Board of Planning Commission, Industrial Advisory Councils of various states such as Gujarat, Rajasthan, West Bengal, Board of Industries, Governing Body of Council of Scientific and Industrial Research and State Planning Board U.P., Industrial Credit and Investment Corporation of India, etc.

(4) This category includes membership of organizations such as All India Council for Technical Education, Education Panel of Planning Commission, Board of Commercial Educatic West Bengal, Board of Governors of Institute of Economic Growth, Administrative Staff College, Hyderabad; Indian Institute of Technology, Kanpur and Fellow of the Senate of various Universities like University of Baroda, of Calcutta, of Madras, of Gorakhpur and Chemical Society of London.

(5) This category includes those persons who are politically active, who have been elected Members of Parliament and Members of various State Legislative Assemblies.

1960, 5 of them were elected Members of Parliament and Members of Legislative Assemblies although their number was decreased in the post-1960 period to 3 only. Not only this many of the FICCI Presidents holded influential posts in many of public offices such as Banking and Financial Corporations of India, Trade Commerce and Shipping and Industrial, Planning and Development. The number of FICCI Presidents holding important posts in Banking and Financial institutions and trade, commerce and shipping was 2 in each category in the before 1960 period which was significantly increased in the post-1960 period. It is clear from the above Table that during the period 1960-75 the number of them have been increased from 2 to 6 in both the categories. The most significant change to be noted from this Table is that maximum number of FICCI Presidents, i.e. 19 (out of total 14) in the post-1960 period holded many important posts in industrial, planning and development offices. The number of which was quite less, only 3 Presidents, during 1947-60.

V <u>Travel Abroad</u>

Under this variable we will examine the pattern on which the FICCI Presidents travelled to different countries in both the periods and to see whether their trend is towards socialist countries or capitalist countries of the world, is there any change in their trend before 1960 period and after 1960 period? The Table below shows:

Table VII

Pattern of Travel Abroad of FICCI Presidents

Country	Year 1947-60[a]	Year 1961-75[b]
1. U.S.A.	5	9
2. U.K./ West Europe	4	9
3. Japan	4	10
4. U.S.S.R./ East Europe	3	1
Total No.	16[c]	29[c]

Most of the trade delegations led by FICCI Presidents to other countries in the before 1960 period were to U.S.A. During this period, as is revealed from the above Table 5 Presidents out of total of 11 Presidents visited U.S.A. which was further increased during the period 1961-75 such as in this period 9 Presidents out of 14 Presidents visited U.S.A. as heads of various trade delegations. Regarding U.K./West European countries

(a) During this period there were 14 Presidents but the data presented here pertains to 11 of them. It was not available for K.D. Jalan, the FICCI President during 1949-50, Brij Mohan Birla, President during 1954-55 and Lakshmipat Singhania, President during 1956-57.

(b) During this period there were 15 Presidents but the data presented here pertains to 13 of them. It was not available for Karam Chand Thapar, President during 1961-62 and Gujar Mal Modi, President during 1968-69.

(c) Because some of the Presidents visited more than one country as heads of various delegations, the total does not tally with number of Presidents analyzed.

4 Presidents went to these countries before 1960's whereas more than double of their number, i.e. 9 Presidents went to U.K. and West European countries during the period 1961-75. The most significant shift have been in the visits of FICCI Presidents to Japan. During the before 1960's period the largest number of FICCI Presidents visited among other countries was U.S.A. but during the period 1961-75, as the above Table shows, the maximum number of FICCI Presidents, i.e. 10 out of total of 14 Presidents visited Japan, whereas only 4 Presidents visited this country before 1960's. Another important point to be noted is that only 3 Presidents out of 11 Presidents before 1960 period visited to East European countries and U.S.S.R. whose number was again decreased to only 1 President visited to East European country in the period 1961-75. Such a pattern of travel abroad shows that FICCI Presidents have moved more towards the capitalist countries like U.S.A. and U.K. and less towards the socialist countries like U.S.S.R. It can also be revealed that after 1960 FICCI Presidents have sent very few delegations to socialist countries.

On the basis of the above analysis of five variables taken up to examine the socio-economic status of FICCI Presidents and their impact on the functioning of FICCI, the following conclusions emerge:

One can say that these variables play a role in shaping their attitudes, perception and decisions as Presidents of FICCI;

secondly, distribution of FICCI Presidents according to age variable shows that before 1960's FICCI Presidents represented both the age groups (i.e., young and middle) but after 1960's very few young persons were selected FICCI Presidents. Most of them during this period came from middle age group. Thirdly, data on family background of FICCI Presidents in both the periods indicates that all of the FICCI Presidents except one or two belongs to business families and most of them represented the interests of jute, tea, textile and sugar industries and kept themselves busy in problems relating to their own concerns. As a result they completely ignored the problems of small-scale industry and more modernized industries. Fourthly, it can be revealed from the data on educational qualifications of FICCI Presidents that most of them in both the periods were University educated. Moreover all of them excepting one or two have got their education from Indian Universities. Fifthly, it is quite significant to note from the analysis of data on public activities of FICCI Presidents that many of them holded very influential posts in educational institutions and public offices such as banking, financial institutions, trade, commerce and shipping and industrial development and planning. Some of them were also elected Members of Parliament and Members of Legislative Assemblies. Data on public activities indicates that FICCI Presidents would have enough opportunities to influence Government decision-makers both at the executive and legislative levels. And Finally, analysis of data on pattern of travel abroad shows that FICCI Presidents in the both the periods led their delegation to capitalist countries like U.S.A. and U.K. especially during the period 1961-75 and less towards socialist countries like U.S.S.R. and East Europe.

Table VIII

Distribution of FICCI Presidents By Business House (1927-74)

No. of Presidents from each house	No. of houses	Names of houses
5	1	Birla (1929, 1936, 1954, 1967, 1974).
3	1	Scindia (1932, 1942, 1947).
2	6	Thakurdas (1928, 1953); Shri Ram (1930, 1963 and 1973); Singhania (1936, 1956); Dalmia Jain (1952 and 1962); Goenka (1945, 1964); Kothari-Madras (1951, 1970).
1	15	Lalbhai (1934); Kumararajah Mutiah Chettiar (1943); Jalan (1949); Kilachand (1950); Mangaldas Jai Singh Bhai (1955); Chinai (1957); Ruia (1959); Murugappa Chettiar 1960); Thapar (1961); Kirloskar (1965); Amin (1966); Modi (1968); Podar (1969); S.S. Kanoria (1971); Madanmohan Mangaldas (1972).
	23	Total number of FICCI Presidents from 1927 to 1974 drawn from the top 75 business houses is 36.

Source: FICCI, The Annual Report, New Delhi, 1927-74.

The selection of presidential candidates within each region is based mainly on the size of the business house in the area. Although pre-independence procedures also provided for the selection of leading business personalities as such, FICCI Presidents since 1947 have been drawn from the major business family groups which dominate the Federation. Table VIII shows that twenty-three houses have provided a total of thirty-six of forty-eight Presidents since 1927. It is clear from this distribution that there are three levels which monopolized the oligarchy in the FICCI.

The Birla House, ranked highest by supplying five Presidents since 1927. Birla, was instrumental in founding the Federation, remains the largest financial contributor, and traditionally had two seats on the FICCI Executive Committee.

The second level of oligarchy is composed of six houses, each of which has elected at least two Presidents since 1927. All except Purshotamdas Thakurdas were elected from among the top sixteen houses in India.

The third level of fifteen houses which have provided at least one President each depended for support on the upper two levels. Two of the houses, Thapar and Jalan, were among the top ten business houses in India. They rank among the major financiers of the Federation and were considered to be allies of Birla Two others Kirloskar and Amin, represent the younger generation of Indian businessmen who were elevated to the presidency in an attempt to give the FICCI a more dynamic image.

Some of the largest and oldest business houses, such as

Tata, Mafatlal, Associated Cement and Sarabhai are absent both from the membership and leadership levels of the Federation. Right from the beginning, their absence reflects continuing differences over political strategies, organizational style and levels of modernization, as well as caste, regional and family rivalries. The Tatas and Mafatlal had joined the Federation in the 1950s but resigned in protest against the refusal of the Federation leadership to take a strong stand on the Dalmia-Jain scandal.[26]

The Dalmia-Jain case created strong differences especially between Birlas and Tatas. Politically the Tatas believe that business in India must become more politically active, must openly express the necessity of private sector, and must remove the anti-social elements in the business community. The Tatas have provided strong support to organizations like the Fair Trade Practices Association, the Forum of Free Enterprise and the Swatantra Party which are organized specifically to explain these views. The continued aloofness of the Tatas has weakened

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26 The Dalmia-Jain group was accused by a specially appointed government investigating commission of damaging irregulartіes and stock manipulations. Shriyans Prasad Jain, one of the leading figures in the Dalmia-Jain Group, happened to be President of the FICCI in 1962-63, when the scandal became public. The Tatas and Mafatlal argued that Jain should resign immediately, but the top leadership held that a hasty resignation would damage the prestige of the Federation. The Tatas and Mafatlal strongly disagreed with the decision and resigned.

Kochanek Stanley A., Interest Groups and Interest Aggregation, Changing Pattern of Oligarchy in FICCI, Economic and Political Weekly, 1970, vol. 5, p. 1303.

the Federation in terms of men, money and resources.

In short, it can be said, though the continued control over the Federation by some top business houses has proved a source of strength for it, at the same time it created some negative implications for the maintenance of organizational cohesion. There is general feeling among the businessmen that FICCI reflects the views of big industrialists rather than the business community as a whole. On the contrary, as a result of government encouragement to new industrial development throughout the country as well as the increase in number and size of medium and small industry has brought a change in the composition of FICCI. Federation leadership has witnessed a strong opposition from new enterants who are demanding broader representation on the Committee, larger participation in the Federation affairs and policy-making. The leadership has slowly responded to these demands with the result that the FICCI is becoming broad-based organization expressing the views of the Indian Business Community as a whole. The reorganization of FICCI in 1962 and again in 1971 was largely a response to these pressures.

In order to express truly, effectively and efficiently, the views of Indian Business Community, Federation uses certain channels to influence the government decision-makers. An attempt has been made in the next chapter to explain them.

APPENDIX

After the completion of the foregoing analysis, H. Venkatasubbiah's study of 50 years of FICCI entitled Enterprise and Economic Change (New Delhi, Vikas Publications, 1977) has been published. Since the conclusions of this important work could not be incorporated in the text of the chapter, they are given below:

The focus of investigation in this book has been on the major economic developments which the Federation of Indian Chambers of Commerce and Industry - as an apex business organization have witnessed since its inception. This book is a contribution to business history.

The author's main targets of investigation in the first four chapters have been on the 20 years of Federation's life from 1927 to 1947. In this I chapter the author explains in detail FICCI's position on Indian Trade and Industry in the first 20 years *vis-a-vis* the national movement. His arguments that FICCI's position on Indian Trade and Industry in the first 20 years (1927-47) ran parallel to that of the national movement for eventual independence under the Congress leadership and the Federation's opinion that Indian enterprise can not flower without political freedom for the country are based on the statements of some of the influential figures in the Federation. The author has also examined in detail the rupee ratio question and tariff protection - the problems faced by Federation during

1930's and the Federation's failure to get the Government return to the 1s. 4d. ratio was total.

The focus of investigation in the second chapter is on what were FICCI's views on Planning and Industrialization. FICCI did not take much interest in both these fields till the establishment of the Planning and Development Department by Government of India, the setting up of Post-war Reconstruction Committee and the Publication of Bombay Plan. Some of the prominent members of the Federation like Purshotamdas Thakurdas were members of the National Planning Committee. Industry being a provincial subject, the Federation had hoped that popularly elected Governments which took offices in the provinces when provincial autonomy under the 1935 Act was inaugurated in 1937, would take energetic steps to promote industrialization. Safeguarding and promoting Indian interests in shipping was a major concern of the FICCI before the war. A good account of how FICCI safeguarded the interests of shipping industry have been given by the author in this chapter.

The Federation's attitude to post-war reconstruction and planning was ambivalent. It kept on urging the Government to take initiative in these fields but continued to maintain that no real progess in them was possible without a National Government in full control of Indian affairs. A department of planning and reconstruction was established at the Centre late in 1944. The publication of Economic Plan for the economic development of

India was a landmark. Many of its authors were directly involved in Federation activities. In 1944-45 the International-currency plans which eventually led to the Brettenwood Conference and establishment of World Bank and the International Monetary Fund attracted much interest but the Federation concentrated on Industrialization, Tariff and Trade Policy and the Sterling Balances. A detailed account of all these developments have been given by the author in chapters III and IV. The problems which FICCI faced during the period 1927-47 are discussed by the author with the help of unpublished letters written by heads of FICCI to the authorities concerned.

The author in the next five chapters examined the major problems in the relationship between the Government and Federation from 1947 to the present day. The main targets of investigation in these chapters were: A change in FICCI's approach towards national policies, public policy, i.e., planning and FICCI's reactions, issues - economic issues decided by the Government and criticized by FICCI and lastly his conclusions that FICCI, in such a changing situation, is also facing a challenge of change.

After independence, a beginning was made - to approach as many MPs as possible and furnish them with facts and figures relating to industry and trade. In this connection, the author cited an instance, that of Tulsidas Kilachand, when he became President in 1950, his first move was to arrange a tour of some

Members of Parliament to important industries of the country. In the same chapter it has been mentioned that FICCI reacted guardedly to Government's policies like the Industrial Policy Resolution of 1948 and its re-endorsement by Parliament in 1954, the setting up of bodies like Advisory Council of Industries for periodical exchange of views on policy between Government and business but liaison between Government and business did not produce the trust which both had hoped for.

A detailed account of the three five year plans and FICCI's approach towards these plans have been discussed in chapter VI. The issue of nationalization of life insurance was commented by FICCI by saying that nationalization of life insurance was not part of a 'philosophy of approach' as maintained by Nehru but it would augment funds for the Second Plan. Lakshmipat Singhania (President in 1956) suggested that 'Government saw the insurance industry as economic power in the hands of private enterprise. The reason could also be political he said, but the fact has to be recognized that industry has been nationalized. The Federation made some demands. But unfortunately no mention has been made to what extent Government acceeded to the demands made by the FICCI. Only one side of the picture has been presented by the author in this chapter.

Chapter VII 'Expansion under Planning' has been very vaguely attempted by the author. The problems which the author attempted such as FICCI's opinion on the state of economy and deteriorating administrative machinery, corruption and bribes, Federation and foreign economic policy of India, in this chapter were not much appealing.

In chapter VIII 'On Fighting Losing Battles', first section has been devoted to the changed political role played by Business in 1967 Elections in which business supported the opposition candidates and opposed the Congress. In the second part the author examined in brief FICCI's opinion on the question of rupee devaluation to which FICCI Committee took the view that the step taken by Government was an admission of the failure of financial and fiscal policies pursued over the preceding 15 years and therefore, a drastic revision for such policies was called for. A very realistic outlook has been presented in this chapter on the issue of social control over the Banks and nationalization of Banks and FICCI's reaction before social control and after as well as before nationalization of Banks and after.

In chapter IX 'Facing the Challenge of Change', the author's conclusion is that in the changing political situation Business bodies also faced a situation where they had to see economic and social change as inter-related phenomena. Agriculture, development of backward regions, housing, family planning and consumerism for example, call for a social as well as economic awareness, is quite acceptable. His suggestion that the Business Organization's foremost task was to strengthen and broadbase the forces of development rather than serve only as 'grievance-ventilating' bodies, that they must develop a positive outlook is very sound.

The author. has explained all these economic developments and the major problems faced by FICCI with the help of unpublishe(letters and reports and a very simple and lucid language.

Chapter II

TECHNIQUES, TARGETS AND CHANNELS OF INFLUENCE

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The activities of a pressure group are a response to, as well as a possible influence upon, the policies of the Government. At its simplest this means that pressure groups try to influence Government at those points of its structure which are most yielding in terms of favourable decisions. The group always take into account the functions and the organization of Government, the policies of Government, and the goals it wishes to achieve. If however, a group cannot get through the Government machinery, it will direct its efforts to the other points which may be accessible to the group. The functions and the organization of Government, the resources of group and of the group's relationship to the channels of access within the system all are interlinked. An attempt has been made here to describe the channels of access used by FICCI in relation to the Indian Parliament.

A. FICCI and Parliament: Channels of Access

In India, legislation on all the important issues is initiated by the Executive. Executive initiation gets prior consideration in the cases of legislation dealing with taxation and fiscal issues and also sometimes in the case of legislation derived from the recommendation of some special commission of investigation. A legislative proposal consists of a various ministerial political considerations and bureaucratic administrative compromises, before it goes to Parliament for approval. In most cases Government becomes publically committed to that proposal in principle by the time it has been submitted to Parliament for its assent. At this stage it is very difficult for business organization (such as FICCI) to approach the Government to bring modifications in the legislation far from blocking it. At the same time, there is almost no prior consultation between groups and government on the form and content of legislation. So whatever influence FICCI exerts in the legislative process tends to be exerted either during the select committee phase or through the congress party members in Parliament. In most cases FICCI resorts to none of these two channels unless efforts to persuade the Executive have failed.

In India, there is a system of Parliamentary consultative committees which are constituted primarily to arrange meetings between MPs and Government thus enabling the government to explain the details of its policies to small groups of MPs. The Congress Party in Parliament has established a system of specialized committees which do not play any active role in the legislative process but are used only as study groups. In the absence of any effective system of Standing Committees on legislation (there are a few Standing Committees such as the Committee on Subordinate Legislation, the Estimates Committee and so on, but they do not deal with the legislation), a select committee of the Lok Sabha, or a joint select committee of both Houses i.e., the Lok Sabha and Rajya Sabha, may be appointed to consider important legislative proposals submitted by Government. It is the usual practice that select committee requests outside groups to provide both oral and written testimony. FICCI takes the responsibility to ensure that legislation affecting commerce and industry is referred to a select committee and thereby gain direct access and formal consultation.

The members of the select committee are appointed by the House which is in fact a nomination by the Speaker. Its membership is broad-based and members of different political parties in the Lok Sabha are selected through proportional representation. Although the size of the select committee is not fixed, it is usually small enough for a fairly intimate discussion. During the discussion members are free to express their views. In other words they are not subject to party whips and directives, but in case if Government considers a bill, of high priority, it is always in a position to pressure its party members to expedite the action. The composition of the select committee is very important for all those interested in influencing the committee. FICCI, has been able to make an impact through its representatives on occasions when the size of the committee is small and it is composed of more articulate influential MPs. It also finds favour with MPs who have some expertise in the subject under consideration. The members of the select committee can be influenced either through direct contacts, or sometimes indirectly through the Chief Ministers, especially when the MP is dependent for a party ticket. In order to satisfy groups and at the same time to avoid strong criticisms, Government usually allows to make minor changes in a legislation provided such changes do not affect the major objectives of the legislation. In most cases these changes are made during the select committee phase in direct response to criticism leveled at the proposals. For example, the decision of Government on Nationalization of General Insurance on 13 May 1971 was strongly attacked by FICCI authorities. President of FICCI said in a press statement that the takeover of General Insurance cannot help to achieve the priority objectives of providing employment and giving better deal to the poor section of the community.[1] The Bill was referred to the select committee on 31 May 1972.

Later on 18 July 1972, eight representatives of Federation including Shri Ram Nath A. Podar[2] and Charat Ram gave evidence before the joint committee. Prior to that, a meeting was held between the Finance Minister and FICCI President in Delhi. A

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1 <u>The Tribune</u> (Chandigarh), 15 May 1971.

2 He was President of the Federation of Indian Chambers of Commerce and Industry during 1969-70, and Indian Cotton Mills Federation from 1963-65; and remained <u>Chairman</u> of Podar Mills Ltd., Bombay. He was one of the founders of Bank of Jaipur, was its Vice-Chairman from 1943-49 and Chairman from 1949-57; He was member of the Constitutional Reforms Advisory Committee for Jaipur State in 1942; Bombay Assembly from 1946-56 and Treasurer of Congress Legislative Party, Parliament, during 1952-54.

memorandum was also addressed to the Finance Minister and to the select committee of the Parliament. In the memorandum, the committee of FICCI, drew the attention of the joint committee of Parliament on certain basic issues regarding Nationalization. One of the issues related to Nationalization was regarding quantum of compensation. According to FICCI compensation should be just fair and equitable. The committee also made the point that the shareholders of the General Insurance Companies should in all fairness be paid some additional amount towards goodwill of the Companies.

In response to pleadings of FICCI, the select committee of Parliament on General Insurance Business (Nationalization) Bill, recommended an additional Rs.5 crores by way of compensation to the Indian Insurance Companies. The committee had also made amendment with a view to clarify, that the amount payable to Indian Companies should be paid in cash - the payment of the amount will fall due on the appointment day and interest will be payable on all delayed payments.[3]

The case of General Insurance illustrates the fact that FICCI resorted to lobbying in Parliament only after efforts at the Executive levels had failed. But a great deal depends on the composition of the select committee and the nature of the issue. Select committees are also known for having made the bills even

3 Hindustan Times (New Delhi), 22 August 1972.

more stringent than originally proposed by Government. Once an issue becomes more controversial then it becomes difficult for the representatives of the organization to achieve any changes in the proposal. One of the most important checks on business lobbying in Parliament, is the existence of a strong-left-of centre group in Parliament. On numerous occasions that group has acted as a check on business, both within the Parliament and in the Congress Party in Parliament.

Methods of Lobbying Used by FICCI

The most effective method of lobbying in India is direct personal contact.[4] But the individual businessmen are hesitant to use their personal contacts for collective benefits. Business associations (FICCI) adopt different techniques. One such technique used most frequently is inviting the select groups of MPs at the tea parties, dinners, luncheons and cocktail parties, where association's presidents and committee members, may explain the problems of the particular group. The group may ask the MPs for favour which usually involves making specific references in their speeches in Parliament or at party meetings, moving specific amendments in legislation before select committees or raising question in Parliament, party committee meetings, and consultative

4 Direct personal contacts here means when individuals want things done, they try first to tap the loyalties of family, caste and region. One of the most effective means of lobbying to influence MPs is "to see those you have helped in the Election". See Kochanek, op. cit., pp. 256-64.

committees and finally by pressing the case in private conversation with ministers and other MPs. For that matter, MPs are often provided written memoranda and other necessary data to press for the position advocated by the organization.

It is only the parliamentary wing of FICCI which takes the responsibility of building and maintaining through daily contact a relationship of trust with friendly MPs. Its main function is to establish direct contacts, with MPs and to explain the Federation's position to particular items pending legislation or executive action. The FICCI representative on the one hand acts according to the wishes of its members and on the other hand communicates the necessary information to the members of Parliament. The FICCI office supplies background notes and briefs on legislation, policy issues and the budget to a select group of members of both Houses of Parliament, for all parties. Along with this it also prepares questions and supplementaries[5] for use during the question time and draft amendments to pending legislation. Members of Parliament who use these materials, in the whole or in part, are in a position, to raise issues which might otherwise be neglected. Another technique has been used by FICCI in order to influence public opinion, i.e., by organizing public relations campaign, accompanied with press releases,

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5 That is additional question raised to supplement the original question's and force Government to explain its position and provide information.

advertisements and public speeches. It is difficult to assess the impact of these efforts. FICCI not only employs direct techniques for influencing MPs, but also uses some indirect techniques. One such technique is the establishment of a separate cell in FICCI, i.e., the Reorganization of the Diwan Chand Institute of National Affairs. This institution is financed partly by a trust, partly by the FICCI and also through business advertisements placed in its Journal, The Economic Trends. This Institute arranges public discussions on important issues, invites speakers from Government, Parliament, and the News media to address its members and to discuss the issue with its staff. The basic objective of all these activities, is to educate members of Parliament by attracting their attention to important issues.

In spite of its vigorous efforts to influence Parliament during the past decade, the FICCI has enjoyed limited results. Legislative attitudes have proved unfavourable not because they are anti-business but because MPs are allergic to the FICCI's ways of approaching an MP.

B. Executive and FICCI: Formal Channels of Access

It is the Executive in India which plays a dominant role, not only in determining new policies but also in administering the vast powers delegated to it by the legislature. So Business Organizations naturally concentrate their influence on the centre of power in Indian political system - the Prime Minister, the Cabinet and the top Bureaucrats. The business organization in India enjoys a variety of direct formal channels of influence.[6]

In India many commissions, committees and advisory councils are to be constituted to serve as channels of communication between business and Government. Many of these bodies are considered important for there are some which are specialized. These specialized bodies are approved by the government to perform executive role as well as to act as an instrument of expertise. These organizations include such groups as the Federation of India Export Organizations; the nineteen Export promotion councils and various commodity boards. Among the Advisory and Consultative bodies used as channels of communication with the business, six of them are of particular importance: The Advisory Council of Trade, the Board of Trade, The Customs and Central Excise Advisory Council, the Direct Taxes Advisory Council, the Advisory Committee on Capital Issues, and perhaps the most important of all - The Central Advisory Council of Industries (CACI). The CACI is a statutory body created under the Industries (Development and Regulations) Act of 1951. The CACI has specific functions to perform.

The CACI, is composed of members drawn from open business associations, employee groups and consumer organizations. The

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6 Due to non-availability of information, patterns of informal access have not been discussed here.

bulk of its membership is derived from the businessmen, the President's of FICCI, Assocham (Associated Chambers of Commerce) and AIMO (All India Merchants' Organization) are also its members. Under the Industries Act, CACI must be consulted with respect to the making of rules in relation to industries, consultation on other matters is discretionary. The CACI meets about once a year. "It is customary at these meetings to have on the agenda a review of the general economic situation and also a review of one or two specific industrial sectors".[7] It also provides opportunity to members to raise any issue which may be of concern to them, in addition to the items on the formal agenda.

The CACI performs very useful functions. They are used by Government to determine the views of business representatives pertaining to policy issues, especially the specific issues of particular importance at that time. Secondly the CACI forces both sides to think about issues and to build opinions. This enables both business and Government to clarify their views for themselves and for one another. By testing new ideas and policies at CACI meetings, Government can generate policy alternatives. Thirdly, ideas raised in Government speeches are examined and criticized by the business at the session and in subsequent forums,

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7 Government of India, Report of Ministry of Industrial Development and Company Affairs, Speech of F.A. Ahmad before the Ninteenth Meeting of Central Advisory Council of Industries, New Delhi, Government of India Press, 1967. Kochanek, op. cit., pp. 275-8.

meetings and in correspondence with Government. This reaction in turn enables the Government to check the weak points in their proposals. CACI no doubt provides an opportunity for business organizations to influence Government and vice-versa although it is not a decision-making body. It is a consultative body constituted to enable the business representatives to criticize the Government policy and raise pertinent questions about its implementation. Government in turn can explain its policies, gets new ideas to remedy the weaknesses in its policies.

The advisory bodies like CACI also function at another level, through its Standing Committee, it meets periodically. It offers advice on major problems of development and reviews the working of Sub-Committees, "to review all industrial licenses issued, refused, varied, amended or revoked from time to time and to advice the Government in general principles to be followed in the issue of licenses for establishing new undertakings or substantial expansion of existing undertaking".[8] The Standing Committees of the CACI and other advisory bodies, enable business people to have an indirect influence on Government policy. It is only through these bodies, that FICCI by sending its representatives expresses the concern of business community and persuades the Government of its point of view.

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8 Government of India, Ministry of Industrial Development and Company Affairs, 1967-68, New Delhi, Government of India Press, 1968, pp. 26-27.

Along with this (by representing on CACI and other consultative bodies) FICCI tries to exert its influence through other channels also. FICCI expresses its opinion on Governmental policies freely without waiting for the government to call on a meeting. It invites ministers to address its meetings, it sends delegates of its business members to meet the ministers and secretaries and provides Government offices with memoranda and briefs of correspondence. Along with these contacts FICCI has adopted another method of exerting influence i.e., by conducting public seminars on major policy problems, and maintaining daily contacts with the working levels of ministries concerned through its professional secretariat.

The annual meetings of FICCI plays an important part so as to keep in touch with the Executive, especially through these meetings, views have been exchanged between FICCI and Government. The Prime Minister of India is invited every year to address India's apex business association, the FICCI. There is a long standing practice that in the inaugural speech of its annual meeting, the President of FICCI raises major points concerning broad government policy and Prime Minister generally responds to them. On both sides the script is carefully prepared, several weeks before the annual meeting. The association forwards the President's address to the Goverrment for study. The minister's speech is then written to answer those specific concerns raised by the association and to present those points the Government wishes to raise. Because the FICCI association is informed of the content's of the minister's speech before it is delivered, business has a chance to express its point of view at last through its tradition vote of thanks. The FICCI pass a series of four or five resolutions each year at the annual meeting to explain their major grievances. At the passing of these resolutions, the discussions of the members of FICCI, expressing their concern is forwarded to Government along with their comments. In addition to this, another channel used by FICCI is the written memorandum followed by personal discussions with ministers and secretaries. As in connection of liberalization of licensing procedures FICCI submitted a memorandum to the Government on 22 April 1971 which was followed by a meeting between the FICCI President, S.S. Kanoria and Minister for Industrial Development Monul Haque Choudury. Later on it submitted a note on the specification of licensing procedures on 21 May 1971 to B.B. Lal, Secretary, Ministry of Industrial Development.[9]

Memoranda's presented by FICCI deals with three types of issues: policy issues and legislation, administrative decisions and matters of administrative detail; and the impact of administrative rules and regulations. Policy issues and legislation may refer to planning, the managing agency system, delicensing, company law and issues of allied nature. Administrative decision

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9 FICCI, Correspondence and Relevant Documents, New Delhi, FICCI, 1971, pp. 230-47.

embrace the whole field of delegated legislation dealing with import policy, price policy, the issuing of licenses or problems dealing with idle capacity. Administrative rules and regulations deal with the interpretation of existing law, the development of rules and regulations under the law, demands for modification of rules and regulations and complaints of abuse of authority under the law'.[10]

Apart from the foregoing direct channels of access used by FICCI, it also uses other tactics in exerting its influence on government decision-makers. One such course employed by it is that small groups of five or six FICCI members meet several times in a year with the Prime Minister. Relying primarily on prepared agenda, these interviews involve broad policy issues rather than a rule-making or administrative policy making. Usually the Prime Minister gives the group thirty minutes to one hour. Each member of the delegation is briefed to handle the specific item on the agenda. On 26 November 1964 for example a delegation met with the Prime Minister to discuss the food situation, capital market and industrial policy. This meeting was followed by a note to the Prime Minister "recaptulating the main points raised in the meeting in light of the observations and suggestions made by the Prime Minister on some of them".[11] One

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10 Kochanek, op. cit., pp. 282-3.

11 Ibid., p. 287; FICCI, Report of the Proceedings of the Executive Committee, New Delhi, FICCI, 1964, p. 115.

of the contributions of the Prime Minister, which the FICCI followed up, was the suggestion that a liaison committee be created at important commercial centres, to bring about better understanding between the administration and business community.

Finally the FICCI, has also initiated a system of organized seminars on special topics such as managing the agency systems, current Five Year Plans, and import substitution. These seminars which are attended by the ministers and by their secretaries have proven quite useful. Some have resulted in emergence of valuable concrete proposals. In order to convince Governmental authorities about the need for liberalization of industrial policy FICCI organized such seminars on 21 November 1970, i.e., 'Industrial Development Its Challenge and Potentiality' and on 31 August 1971 on 'Maximization of Capacity Utilization and Productivity' at New Delhi. The latter seminar was inaugurated by Monul Haque Choudhury, the Minister for Industrial Development and attended by about 200 delegates from Government, private and public undertakings and financial institutions.[12] These seminars brought expected results from the Government.

From the foregoing discussion it is clear that FICCI plays both an advisory and advocacy role in its relationship with the bureaucracy and the ministers concerned. There is little doubt that business organization in India has achieved extensive

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12 FICCI, Correspondence, op. cit., 1971.

access to Government policy-makers, but mere contact does not guarantee acceptance of advice. Much depends upon the issue as well as the circumstances under which the decision is to be taken. In certain issues FICCI achieved success in persuading the authorities in revising the decision but in some others, it completely failed. In next chapter an attempt is being made to find out certain achievements and failures secured by FICCI and the channels used by it in exerting the influence.

Chapter III

LIMITS OF INFLUENCE: CASE STUDIES

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The Federation is interested in promoting the interests of its constituents on all matters which are of concern to them. Consequently it uses its channels of access in relation to the organs of Government - the Parliament, Executive and Bureaucracy and tries to influence their decisions on matters of direct concern to its members. This does not, however, mean that FICCI succeeds in influencing governmental decisions on all matters. Governmental decision-making processes are usually controlled by a variety of factors arising out of political considerations. Therefore, we can easily assume that a pressure group like FICCI can be ultimately successful in influencing governmental decisions in favour of its constituents is likely to depend upon the nature of the issue and its critical significance within the particular political situation at any time.

To test this assumption with regard to the activities of the FICCI, we consider three issues and shall try to assess the extent of influence exerted by the FICCI over them. The issues are the nationalization of banks, industrial licensing policy and the nationalization of general insurance. These issues were of considerable importance to the FICCI constituents and FICCI took active interest in all three of them. Through a discussion of these issues, we shall try to demonstrate the variations in the effectiveness of FICCI as a pressure group.

The Overall Political Situation

The three issues we have selected for detailed discussion arose within the specific context of the political situation which evolved in the country after the General Elections of 1967, though they had often been raised earlier. Therefore, it would be useful to briefly review the political situation and to form some idea of the background against which they emerged.

The General Elections of 1967 represented a definite watershed in the history of independent India. It marked the end of Nehru era. It also marked the end of a long countrywide rule of a single party and the beginning of a period when different parties shared the responsibility of Government in different parts of the country. In the Fourth General Elections to the Lok Sabha held on 15-21 February 1967, the National Congress retained power but its majority was reduced. In the election of State Assemblies held at the same time, it retained its majority in seven states; opposition parties, alone or in alliance, obtained a majority in three and no party had a majority in other five states.

Public opinion polls suggested that the fall in Congress support was particularly marked among three groups:

(1) The voters under 35 had intended to move both to the left and to the right; this fact was believed to have contributed to the defeat of Congress leaders by younger opposition candidates. (2) The poorer literates and the lower-income groups

generally who were particularly affected by the rising prices had also reacted against the Congress. (3) The religious minorities which in the past had regarded Congress as their protector against Hindu communalism, had largely voted for opposition parties except in states such as Haryana, Madhya Pradesh and Uttar Pradesh, where the Jan Sangh was making headway. This tendency was noticeable among the Muslims in Assam, the Christians in Kerala and the Sikhs in Punjab.[1]

Mrs Gandhi said at a press conference on March 12 that the food situation and spiralling prices were among the main causes of the Congress setback. Kamaraj suggested in an interview on March 16 that "we have been talking of socialism without doing anything substantial. All this frightened the rich and they went against us. But in practice, we failed to carry out many of these decisions. This created frustration among the masses - on paper we had a better programme than many other parties, but its imperfect implementation chilled the enthusiasm of party workers.[2]

At a series of meetings of the Congress Working Committee held between February 27 and April 11 the following were among the reasons suggested for the party's reverses:

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1 Keesing's Contemporary Archives: A Weekly Diary of World Events, Keesing's Publications Limited (London), vol. XVI, 1967-68, p. 22011.

2 Times of India (New Delhi), 16 March 1967.

(1) Weaknesses in the Government's economic policies, especially its failure to ensure both a remunerative price to the producer and a reasonable price to the consumer. (2) The Government's reluctance to inquire into allegation of corruption, (3) The failure of the administration especially at the lower levels to redress the people's day-to-day grievances. (4) Internal dissensions and factionalism inside the Congress Party; and (5) The ineffectiveness of the party machinery.[3]

<u>After 1967 Elections</u>

One of the consequences of the Congress debacle at 1967 elections had been considerable soul searching within the Congress to regain part of the last appeal of the organization for the electorate. Caught between parties of the ideological left and the ideological right, the Congress had made its first moves towards left measure to redeem its image. The move was the Working Committee resolution on nationalization of general insurance. Not to be outdone, the A.I.C.C. went a step further and had called for abolition of privy purses and other privileges of princes, and the call for social control of Banks included in the Congress election manifesto as a sop to the left wing, had suddenly emerged as a measure of prime importance in the economic programme of the new government. Details of these developments and their repercussions inside the Congress Party are given below:

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3 <u>Keesing's Contemporary Archives</u>, <u>op. cit</u>., p. 220011.

A Congress party committee headed by late Nehru decided in favour of nationalization of banks in 1948; the Reserve Bank of India was nationalized in the same year and the Imperial Bank of India which became the State Bank of India in 1955. The demand for full implementation of this policy was intensified after the Congress setback in 1967 elections, which the left-wing of the party attributed to its failure to carry out its socialist policy. After a debate in which many members spoke in favour of nationalization, the A.I.C.C. adopted on 24 June 1967, a resolution calling for "social control" over bank credit. Moving the resolution Jagjivan Ram (Minister of Food at that time) said that Desai was studying the banking industry and that if after examination he found that social control could not be achieved without nationalization, he would not hesitate to take this step On Desai's recommendation, the Congress Working Committee decided on 27 October 1967, in favour of social control in preference to nationalization. Desai stated, however, that if this scheme did not yield the desired results within two years, he would be prepared to recommend nationalization.

The Banking Laws (Amendment) Bill was introduced in the Lok Sabha on 23 December 1967, and was subsequently referred to a select committee. As amended by the committee the bill was passed by the Lok Sabha on 6 August 1968 and by Rajya Sabha on 5 December 1968.

Social Control Over Banks Credit and FICCI's Reaction

FICCI expressed its opinion through its various channels both before and after the adoption of the resolution on the social control over banks. In a course of statement on 4 May 1967 to the press, on the Resolution of Congress Working Committee G.M. Modi, Vice-President of the Federation, expressed surprise that such measures would only lead to dissipation of our limited resources which could be used for more urgent and vital tasks. The statement pointed out that Banks were already subject to a number of regulations and directives issued by the Reserve Bank of India. The rate of interest, the liquidity of ratio of banks, margins on advances, distribution of credit, advances to directors etc. were governed by Reserve Bank. This being the position it was difficult to imagine whether any further resolution would be in the interest of sound Banking.[4] The Banking Laws (Amendment) Bill, as mentioned above was introduced in the Lok Sabha on 23 December 1967. The Bill along with the Resolution setting up of National Credit Council was discussed by the Standing Advisory Committee held in New Delhi on 14 January 1968. A delegation of FICCI consisting of L.N. Birla G.M. Modi, Bharat Ram, S.L. Kirloskar, D.C. Kothari and S.S. Kanoria met Deputy Prime Minister and Minister of Finance on 7 February to discuss some of the provisions of the Bill and the Resolution on National Credit Council. A communication was also addressed to the Government on 19 April saying that Banks were already subject to strict supervision and inspection of the

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4 *Times of India*, 18 May 1967.

Reserve Bank. It was pointed out that further legislation may weaken the very foundations of the banking progress and thus affect the development of the rest of economy.[5]

After Social Control

At the annual session of the Congress Party Desai opposed the continued demand for nationalization of the banks on 27 April 1969, stating that the social control was working well and the banks had shown themselves responsible to the Government's direction.

On 9 July 1969, Mrs. Gandhi submitted to the Committee a list of proposals on economic policy, which she described as "stray thoughts". In this she stated that "either we can consider the nationalization of the top five or six banks or issue directions that the resources of the banks should be reserved to a larger extent for public purposes".[6] Other proposals in the note included, the nationalization of the general insurance, and the import of raw materials, the imposition of a ceiling on landholdings and urban property, changes in industrial licensing policy to curb the power of monopolies; the appointment of a permanent monopolies commission; the earmarking of all consumer industries for small entrepreneurs; curbing restrictive trade practices which resulted unhealthy trends in industry the sharing

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5 FICCI, Proceedings of the Executive Committee, New Delhi, FICCI, 1968, p. 65.

6 Keesing's Contemporary Archives, vol. XVII, 1969-70, pp. 23595-600.

of industrial profits by workers a minimum wage for workers hitherto uncovered by law and the vigorous implementation of land reforms.

Opinion in the Working Committee was deeply divided on Mrs. Gandhi's proposals for banks nationalization which was supported by Kamaraj but strongly opposed by Nijalingappa, Patel and Desai. In a letter to Desai, Mrs. Gandhi informed him on July 16[7] that she had decided to take over the finance portfolio from him although he would retain the deputy premiership. Before Desai had replied to this letter of Mrs. Gandhi's assumption of the finance portfolio was officially announced and Desai accordingly tendered his resignation from the Cabinet in a post-script to his reply and announced his resignation to the press before sending it.

Shortly after accepting Morarji Desai's resignation, Mrs. Gandhi summoned a cabinet meeting at short notice in the evening of July 19, which unanimously approved the nationalization of banks. The Acting President V.V. Giri issued the Banking (Companies Acquisition and Transfer of Undertakings) Ordinance on the same evening to put this decision into effect.[8]

Mrs. Gandhi's action was widely acclaimed throughout the country and welcomed by both leftist and centrist political

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7 <u>Indian Express</u> (New Delhi), 17 July 1969.

8 <u>The Hindustan Times</u> (New Delhi), 20 July 1969.

parties and groups including the so-called "Young Turks" and other left-wing members of the Congress Party. The only major parties which announced their opposition to the measure were the right-wing Swatantra Party and the Jan Sangh. FICCI was also among those who strongly opposed the government's decision of nationalization of banks.

Nationalization of Banks and FICCI's Reaction

Ram Nath A. Podar, President FICCI issued a press statement on 19 July saying that even hearing the Prime Minister's speech on nationalization of banks he felt that it was a hasty step, particularly when social control on banks was working successfully.[9] He thought it would have its repercussions on the country's economic growth. Expressing his views before Films Division of the Government of India, on 24 July, he said the Federation did not feel that there was any economic justification or pressure of circumstances for such a drastic measure. The banking laws amended in 1968 gave enough powers to government to control banking operations. It was difficult to accept that nationalization had been a well considered decision. There should have been a detailed discussion between Government and monetary authority and organizational arrangements should have been made before taking such a step.[10]

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9 FICCI, Correspondence, op. cit., 1969, p. 108.

10 Ibid., pp. 109-10.

A deputation on behalf of FICCI and Associated Chambers of Commerce which *inter alia* included the Presidents of the two organizations, Ram Nath A. Podar and J.M. Parsons respectively met the Prime Minister on 25 July 1969,[11] and conveyed the concern of the business community over the nationalization of banks. They stated that whatever was sought to be achieved by this measure was already being done under the scheme for social control of banking. The Prime Minister, however, expressed the view that the purpose was not fully served and therefore, nationalization was considered necessary.

The representatives of the two organizations further suggested that the Banking Companies (Acquisition and Transfer of Undertakings) Bill, 1969 as presented to Parliament should be referred to the select committee so as to enable those who had some views on the various provisions of the Bill, get an opportunity of presenting them. The FICCI President in another communication addressed on 26 July[12] to the Prime Minister Mrs. Indira Gandhi suggesting that the nationalized banks should be run in accordance with 'business principles'. All directives should be given to banks through the Reserve Bank of India in writting. The nationalized banks should be allowed to work independently of each other to ensure profitability and competition, so vital to efficiency and courteous service. Provisions

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11 Ibid., pp. 110-12.

12 Ibid., p. 112.

should be made in the bill that custodian of the Bank will call meetings of shareholders with respect to each bank. The committee would look after the interests of the shareholders when agreements are negotiated for compensation; the entire compensation should be paid in cash and not central bank promissory notes or stock certificates.

The Prime Minister in her reply dated 29 July said that there was no reason to fear that the legitimate needs of industry and trade would be disregarded in seeking to meet the requirements of other priority areas, like other sectors of the economy, industry and trade also contributed to material production, employment and self-reliance.[13]

Regarding the credit policy of nationalized banks the FICCI President met the Governor of Reserve Bank of India (RBI), L.K. Jha on 9 September 1969 to discuss the credit policy of nationalized banks. The Governor assured that he did not envisage any reduction in advances to trade and industry.

To be sure, the FICCI must have involved itself on the issue of nationalization of banks before Government's decision on the issue which was being raised with growing force by the left-wing members of the Congress organization. The precise moves made by the FICCI to safeguard the interests of its members in respect of this issue are unfortunately difficult

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13 FICCI, Proceedings of the Executive Committee, op. cit., 1969, pp. 60-61.

to explain from the available data. Quite contrary to the initiative taken by FICCI in representing the concern of its members following the nationalization of banks, the FICCI did not initiate any explicit dialogue with the Government on the question. For example, the presidential address at the FICCI annual meetings during 1968 and 1969, when the matter was under the active consideration of the Government and was being debated publicly, did not make any reference to the question of nationalization of banks; nor did the FICCI issued any public statements or addressed any formal representations to the Government on the question. However, judged from the explicit response of the FICCI to the issue after nationalization of banks, it would appear that the FICCI might have used behind the scene approach to influence the decision. The FICCI seems at the time, as the subsequent statement of the FICCI after nationalization, would indicate, to have been favourable to the policy of social control over the banks - the policy which was strongly advocated by Desai, Patel and other syndicate members.

Evolution of Industrial Licensing Policy

Almost immediately after independence the first attempt at working out an overall policy guidelines for development was made by the Economic Programme Committee of the All India Congress Committee in 1947 under the chairmanship of Prime Minister Nehru. The Committee's recommendations were broadly in line with the spirit of the Karachi Resolution (1931) of the Congress and covered various basic policies and measures for the purpose of attaining the objectives of a national minimum standard, full employment and the establishment of a just social order. For this purpose, in the field of industry a number of important policy proposals were made including the demarcation of industries for development through the decentralized sector and those which were to be developed on large scale and the possibility of integrated development of the two. It was suggested that new undertakings in defence, key and public utility industries as also those which were in the nature of monopolies or because their scale of operation would cover a large part of the country were to be started under public ownership, while existing undertakings in these fields were to be nationalized gradually after a gap of five years. Control on investment and licensing of new undertakings were envisaged for the purpose of effective coordination and harmonious development of different types of industries. It was also recommended that all resources available for investment should be subject to State control and direction. At the same time banking and insurance should be nationalized, and the State should set up a Finance Corporation for financing industries.

The report of the Economic Programme Committee of the A.I.C.C. raised considerable controversy and spokesmen of the private sector expressed their concern at the recommendations.

The Government of India then called an Industries Conference to consider various problems relating to the future policy for industrial development, and on the basis of deliberations at this Conference the Government of India formulated its Industrial Policy Resolution which was announced in April 1948.

The main features of this policy resolution were almost similar to the recommendations in the Economic Programme Committee's report. A distinction was made between the respective roles of public and private sector and the fields for the two were demarcated. It was emphasized that the state must play a progressively active role in the development of industry. At the same time it was agreed that private enterprise properly directed and regulated would continue to play an important role.

Following the Industrial Policy Resolution and as a first step towards implementing an important part of it, the Industries (Development and Control) Bill was introduced in the legislature. The object of the bill was to declare certain industries of all-India importance and to provide machinery for their development and regulation. The bill was expected to help planning for industrial development as the national basis through the use of the instrument of licensing. The bill became law in 1951 after the appointment of the Planning Commission but before the First Five Year Plan had been finalized. Some changes were made in the bill at the instance of the Planning Commission, an important one among them being the provision for the development council for industries. However, no clear directions were laid down about the manner in which the regulatory provision could be operated within the overall framework of a national plan.

As a part of the preparation of the Second Five Year Plan, a revision was effected in the industrial policy. Another important development of this time was the passage of the Companies Act in 1956 which provided another instrument to enable Government to regulate more effectively the organization and functioning of the private sector in social interest. After this Jawaharlal Nehru while moving in the Lok Sabha, on 22 August 1959 said that the Draft Outline of the Third Five Year Plan, be considered, referred to the oft-raised question about who had benefited from the additional income that had been generated in the country as a result of development efforts.[14] He mentioned that in his view it was desirable to have this matter enquired into by an Expert Committee. In pursuance of this suggestion, the Planning Commission appointed in October 1960, a Committee under the Chairmanship of Professor P.C. Mahalansbis: one of its terms of reference was "to ascertain the extent to which the operation of the economic system has resulted in the concentration of wealth and means of production. The Committee submitted its report in February 1964.[15] Among

14 Lok Sabha Secretariat, Lok Sabha Debates, 11th session, vol. 45, col. 3986.

15 Government of India, Planning Commission, Report of the Committee on Distribution of Income and Levels of Living, Part I, New Delhi, 1964.

its many conclusions the Committee observed, that "the working of the planned economy has contributed to the growth of big companies in Indian history. The growth of the private sector in industry and especially of the big companies has been facilitated by the financial assistance rendered by public institutions like the Industrial Finance Corporation, the National Industrial Corporation (NIDC) etc.".[16] The Committee further referred to the various other measures including tax incentives and pointed out that the big enterprises were evidently in a better position to take advantage of such facilities. It also drew attention to the use of bank credit for industrial expansion of which the near beneficiaries had been the big and medium enterprises. The Committee's conclusion was, that "despite all the countervailing measures taken - concentration of economic power in the private sector is more than what could be justified as necessary on functional grounds".[17] The Committee had specifically drawn attention to the fact that industrial licensing was an important instrument for preventing the emergence of Industrial Monopolies. "Though this objective has to be constantly balanced against the equally imperative need of promoting efficiency and productivity.[18] Pointing out its

16 Ibid., p. 30.

17 Ibid., p. 54.

18 Ibid.

own limitations, the Committee emphasized the importance of collecting "mere comprehensive and detailed information regarding the many aspects and ramifications of economic power and controls in the private sector",[19] so as to help formulate an appropriate policy.

In pursuance of this recommendation of the Committee, Government appointed the Monopolies Enquiry Commission (MEC) in April 1964, "to enquire into the existence and effect of concentration of economic power in private hands".[20]

Distinguishing between "productwise concentration" and "country-wise concentration" the Commission pointed out that "the planned economy which the Government decided to accept for the country as the quickest way of achieving industrialization on the right lines has proved to be a potent factor for further concentration".[21] Among the reasons responsible for concentration an important one, in the Commission's view, was that "big business was at an advantage in securing the licensing for starting new industries or for expanding the existing capacity". "We are convinced" the Commission stated further that the system of controls in the shape of industrial licensing, however necessary from other points of view, has restricted

19 Ibid., p. 55.

20 Government of India, Report of the Monopolies Enquiry Commission, 1965, vols. I and II, Delhi, 1966, p. 1.

21 Ibid., p. 6.

the freedom of entry into industry and so helped to produce concentration". The Commission also drew attention to the advantage which big business has over small people in obtaining assistance from banks and other financial institutions as another factor helpful in the growth of concentration.[22]

Following these studies and the discussions on them, the Planning Commission in July 1966, requested Professor R.K. Hazari, of the University of Bombay, to conduct a study so as to review the operation of the industrial licensing system over the previous two plan periods, including orderly phasing of licensing with reference to targets of capacity - with a view to suggesting where and in what direction modifications might be made in the licensing policy. R.K. Hazari submitted an interim report in December 1966.[23] One of his conclusions was that the large and medium sized business groups enjoyed a higher ratio of appraisal in licensing application as compared to others and that their share in the investment applied for and approved had tended to rise over the period. This was specially true of certain business houses, the most important of which according to him was the House of Birlas. On this report there was a debate in the Rajya Sabha in May 1967, during which the Minister of Industrial Development made an announcement

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22 Ibid., pp. 7-10.

23 Hazari, R.K., Interim Report to Planning Commission: Industrial Planning and Licensing Policy, Bombay, 1966.

that Government would appoint a Committee to go into the basic question regarding the functioning of the licensing system and any advantage obtained through it by some of the larger Industrial Houses.[24]

In pursuance of this assurance the Committee came to be appointed on 22 July 1967 as an "Expert Committee to inquire into the working of the Industrial Licensing System during the past ten years".[25] The Committee submitted its report in July 1969.

The terms of the reference of the Committee were set out as follows:

(i) To enquire into the working of the Industrial Licensing System in the last ten years with a view to ascertaining whether the larger industrial houses had, in fact, secured

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24 <u>Rajya Sabha Debates</u>, vol. LX, nos. 1-8, 22 May to 1 June 1967, col. 1591.

25 The composition of the Committee is as follows:

1) M.S. Thacker, Member Planning Commission, New Delhi - Chairman.

2) H.K. Paranjape, Indian Institute of Public Administration, New Delhi - Member

3) S. Kumaramangalam - Member.

M.S. Thacker, Chairman of the Committee resigned on 22 April 1968. Subimal Dutt, who was appointed to succeed him as chairman joined the Committee on 4 May 1968. It is commonly referred to as the "Dutt Committee" after its chairman Subimal Dutt. The Committee was originally called the "Expert Committee in Industrial Licensing". Subsequently it was designated as the "Industrial Licensing Policy Enquiry Committee".

undue advantage over other applicants in the matter of issue of licences; and if they have received a disproportionately large share of such licences, whether there was sufficient justification for this;

(ii) To assess to what extent the licences issued to the larger industrial houses have been actually implemented and whether the failure to do so has resulted in pre-emption of capacity and the shutting out of other entrepreneurs;

(iii) To examine to what extent the licences issued have been in consonance with the policy of the government as laid down in the Industrial Policy Resolution of 30 April 1956, particularly in regard to the regional disposal of the industries, the growth of small scale and medium industries and the policy of import substitution.[26]

All this is about the introduction of the system of industrial licensing in India. Keeping in mind the initial hypothesis, my purpose is to see the links between FICCI and government, after the appointment and submission of the Committee report. What was FICCI reaction towards the recommendations made by the Committee, what sort of demands FICCI made and how much success it achieved.

<u>FICCI and Industrial Licensing</u>

On 7 December 1967,[27] in a circular letter, the Secretary

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26 Government of India, <u>Report of the Industrial Licensing Policy Inquiry Committee</u>, New Delhi, 1969, pp. 23-41.

27 FICCI, <u>Correspondence</u>, <u>op. cit</u>., 1968, pp. 260-64.

of Inquiry Committee requested the FICCI to submit its views and suggestions on the terms of reference of the Committee. After due consideration by the FICCI Committee and its Industrial Development subcommittee, a memorandum was addressed to the Secretary of the Dutt Committee on 21 March 1968.[28] The following major points were made:

(1) The large number of controls on setting up of industries proved a major deterrent for many new entrepreneurs.

(2) The general economic outlook had not been conducive to the industrial progress and the uncertainties involved in licensing and the none too bright prospects for many industries had been discouraging many entrepreneurs from making investment in new projects.

(3) The Federation suggested a detailed and carefull review of the whole range of industrial licensing procedure with a view to doing away with the licensing system. In case the system was to be retained, it was suggested that the licensing policies should be dovetailed to the needs of securing accelerated development and assisting the establishment of industrial capacity in a proper time sequence.

(4) On the question whether some entrepreneurs obtained undue advantage on the issue of licences it was pointed out that under the existing systems of rigours controls and scrutinies the need to obtain the inter-departmental clearance for licences

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28 Ibid.

prevented any entrepreneurs from taking an undue advantage. Moreover, the issue of licences was generally based upon consideration such as whether earlier licences were implemented and whether schemes proposed were feasible.

(5) There were many industries of the sophisticated nature which, by and large, attracted only entrepreneurs with sufficient experience and it may not be advantageous to place any limit on the entry in the field even where originally there was only one producer, instances had not been lacking, when new units entered in due course and conditions of competition thus ensured. This had happened in industries like dry batteries, metals, electrical equipments, etc.

(6) As regards non-implementation of licensed projects and consequent pre-emption of capacity, it was pointed out that the problem was equally applicable to both private and public sector units. There were instances of applications from private sector being rejected on account of the fact that the same were proposed to be manufactured in the public sector undertakings. Difficulties of raising rupee finance, delay in obtaining power and other facilities, etc., prescription regarding selling prices of products at time of grant of a licence and the recessionary conditions in many industries also discouraged entrepreneurs for speedily implementing the licensed projects.

(7) Regarding the implementation of industrial policy, it was pointed out that the development of large scale industry itself had been providing opportunity for the simultaneous growth

of small-scale sector. It was suggested that the best way by ensuring infra-structure facilities and incentives rather than by licensing mechanism. Such facilities might also induce entrepreneurs to move away from congested urban areas.

(8) On the working of financial institution, it was pointed out that application for loans should be judged by the financial viability of the projects and the prospects of the industries. If a project involved a large outlay, naturally there might be need for seeking a larger quantum of assistance from the financial institutions and it should not be construed from this that some industrial houses had been obtaining an undue advantage over others in getting loans.

After considering FICCI's suggestions the Committee had recommended certain radical changes in the industrial licensing policies and procedures such as, *inter alia*, adoption of a meticulous system of licensing including those industries which have been delicensed ban on entry of larger industrial houses in a considerable segment of industry, comprehensive planning for core industries, long term product bans, area bans etc. The Committee had also recommended that the financial institutions should have a say in the management of assisted enterprises and that the loans extended to the latter should be converted into equity. The creation of a joint sector was another idea proposed by the Committee.[29]

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29 *Report of the Industrial Licensing Policy Inquiry Committee*, Government of India, Ministry of Industrial Development and Company Affairs, July 1969.

FICCI's Reaction

At the meeting of the Reviewing Subcommittee of the Central Advisory Council of Industries on 14 July,[30] on behalf of the Federation, the Secretary-General suggested that the report of the Committee as and when it was ready should be placed before the Central Advisory Council of Industries (CACI) and its Subcommittee.[31] After the report was placed before Parliament on 21 July 1969, the FICCI President Ram Nath A. Podar wrote to Fakhruddin Ali Ahmed, Minister for Industrial Development, International Trade and Company Affairs requesting that the report be placed for detailed discussions by all concerned with the implementation[32] of its recommendations. Along with this on 2 August FICCI Secretary-General, G.N. Bansal[33] wrote to N.N. Wanchoo, Secretary, Department of Industrial Development, inviting his attention to the discussions at the meeting of the Review Subcommittee of the CACI and suggesting that the report be placed before the Subcommittee and CACI

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30 Report of the Proceedings of the Executive Committee, op. cit., 1969, p. 122.

31 For meaning of CACI and its subcommittee, its function and formation see chapter II, pp. 60-63.

32 Correspondence, FICCI, Federation House, New Delhi, 1969, pp. 322-23.

33 Secretary-General of FICCI, since 1954, he joined FICCI as Assistant Secretary in 1942 and became Secretary in 1948, he was member of Lok Sabha during 1952-57 and member of the Governing Body of Indian Institute of Foreign Trade and Executive Committee of Indian Council of World Affairs.

and also sufficient time be given for those who were interested in submitting their comments on the report.

Accordingly a meeting of the Standing Committee of CACI was convened by Government on 21 August 1969,[34] to seek the views of members on various recommendations of the Committee.[35] The FICCI Industrial Development Subcommittee met on 20 August to consider the recommendation. The President expressed the broad reaction of the Federation's on various recommendations at the meeting of the Standing Committee of CACI held on 21 August.

Again on 28 August Government asked the Federation to submit in addition its detailed comments, and views on the report.[36] Accordingly the FICCI's comments were finalized by the Indistrial Development Subcommittee at its meeting held on 16 September in Bombay and submitted comments to Government on 15 September.[37] The Federation in its comments pointed out

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34 FICCI, Report of the Proceedings of the Executive Committee, op. cit., 1969, p. 113.

35 FICCI, Report of the Industrial Development Subcommittee (The Subcommittee was reconstituted with S.S. Kanoria as chairman, Arvind Narotham as vice-chairman and a total of 32 members. During the year there were four meetings of the subcommittee held on 24 July, 20 August, 6 September and 2 January 1970, respectively. All the meetings were presided over by S.S. Kanoria. FICCI, Proceedings of the Executive Committee, op. cit., 1969, pp. 119-20.

36 FICCI, Correspondence, New Delhi, FICCI, 1969, p. 324.

37 Ibid., pp. 324-36.

certain incongruities in the report and suggested that the prime need of the country was development for which licensing policies and procedures should be liberalized and bans and restrictions were not the answer. As many industries as possible should be exempted from licensing. The Federation also pointed the administrative and other implications of the proposals to convert loans extended by the financial institutions into Equity holding and participation in management of assisted enterprises. On behalf of the President of Federation Charat Ram who attended the meeting of CACI on 21 September which considered the Dutt Committee Report once again also placed before Government the Federation's comments on the recommendations of the Committee.

Taking into consideration the Dutt Committee report and comments of FICCI and other interested bodies, the Government of India announced a revised industrial licensing policy through a press note issued on 18 February 1970.[38] The main features of the policy were: Relicensing of 41 industries which were exempted from licensing, raising of general exemption limit for the purpose of licensing from Rs.25 lakhs to Rs.1 crore, delineation of various sectors of industry such as core sector, heavy investment sector and middle area industries for the purpose of licensing, adoption of the concept of joint sector and the introduction of a separate criteria for licensing

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38 The Hindustan Times, 18 February 1970.

of industries belonging to categories like "larger industrial houses"[39] as defined by the Monopolies and Restrictive Trade Practices Act of 1969 (MRTP) Act of 1969,[40] and foreign concerns viz., those in which the foreign equity participation exceeded 50 per cent of the total paid up equity capital. It was also announced by the Government that in respect of items included in Schedule A of the Industrial Policy Resolution of 1956, development will be exclusively in public sector; that in industries like jute and other agro-based items, the cooperative sector would be given preference that certain industries would continue to be exclusively reserved for the development in the small scale sector, that Government might venture into quick matúring projects including consumer goods industries and that in respect of industrial finance in future public financial institutions might stipulate a condition regarding conversion of loans into equity in loan agreements.

Through a notification dated 19 February 1970 Government

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39 Under Section 2(d) of MRTP Act of 1969, 'dominant undertakings' means an undertaking which either by itself or along with interconnected undertakings - (i) produces, supplies or otherwise controls not less than one-third of the total goods of any descriptive that are produced, supplied or distributed in India or any substantial part there or (ii) provides or otherwise controls not less than one-third of any services that are rendered in India or any substantial part thereof, MRTP. Report, Government of India, Ministry of Industrial Development, 1969.

40 The MRTP Bill of 1967 was introduced in Parliament on 18 August 1967 and referred to the Joint Select Committee afterwards. It became an Act in 1969.

announced the raising of exemption limit for the purpose of licensing to Rs.1 crore subject to the condition that the proposal envisaged not more than 10 per cent of the investment or Rs.10 lakhs which ever is less, by way of foreign exchange outlay on capital goods imports. The industries reserved for small scale sector and core sectors as also undertakings belonging to larger industrial houses, dominant undertakings and foreign concerns would not be eligible to avail of the exemption.[41]

The Federation's concern was expressed by its President Ram Nath A. Podar in a press statement issued on 19 February 1970. He described the Government's decision of industrial licensing policy 'a mixed bag'.[42] While welcoming the raising of the limit of the exemption from Rs.25 lakhs to Rs.1 crore, he said that qualifications that industries falling under this exemption limit will not have any assurance of foreign exchange even for marginal imports of some capital goods not manufactured in India and raw materials detracts considerably from the usefulness of the new approach of liberalization. He also expressed his doubts in regard to the provision relating to equity participation by financial institutions. This will not only have the effect of freezing some of the funds of these

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41 FICCI, <u>Correspondence</u>, <u>op. cit</u>., 1970, pp. 317-18.

42 <u>Economic Times</u> (Bombay), 19 February 1970.

financial institutions and the borrowing company becoming over capitalized but may also shy away prospective investors for fear of undue interference and the company coming under the control of the financial institutions and/or Government. The policy also excludes a large number of business houses from participating in the process of industrializing the country. The results would be that the experience and expertise and the resources of these business houses will be a loss to the community.

The implication of the revised licensing policy were considered in detail by the Committee of the Federation[43] on 4 March. Under another notice Government exempted from licensing substantial expansion of existing undertaking by a maximum of Rs.1 crore subject to the condition that the foreign exchange outlay on capital goods is not more than 10 per cent of increase in assets or Rs.10 lakhs which ever is less. In a press note dated 13 March,[44] Government also announced that exemption from licensing will be applicable to industrial units even where they required marginal import of raw materials, except steel and aluminium, should not exceed three per cent of the estimated annual ex-factory value of production of Rs.3 lakhs, which ever

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43 FICCI, Proceedings of the Executive Committee, op. cit., 1970, p. 107.

44 Press Note dated 13 March 1970, issued by the Ministry of Industrial Development, Internal Trade and Company Affairs. FICCI, Correspondence, 1970, pp. 319-23.

is less for the purpose of exemption. Similarly for the purpose of component imports, the phasing should be completed within three years from the date of starting production. On the recommendations of the Committee, a communication was addressed to government on 30 March in that connention. In another attempt, pertaining to simplification of licensing policies and procedures under MRTP Act, FICCI organized a seminar on "Industrial Development: Its Challenge and Potentiality" on 21 November 1970. After the seminar, the President D.C. Kothari, along with the Secretary-General and Secretary met B.D. Pande, Secretary of the Ministry of Industrial Development. At this meeting the latter was appraised of the various conclusions reached by the seminar.

On 19 January 1971, the Ministry of Industrial Development forwarded to the Federation a background note on simplification of the licensing procedures.[45] The note outlined certain alternative methods of reducing delays in licensing within the framework of existing licensing policy. The point for consideration of industry included, among others the stipulations that the Licensing Committee should consider cases within a specific period of three months even if no chances were forthcoming from the concerned departments and ministries and

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45 <u>Background Notes on Simplification of Industrial Licensing Procedures, Research and Development</u>, FICCI, <u>Correspondence</u>, <u>op. cit</u>., 1971, pp. 217-19.

secondly that the practice of preparing detailed summaries of consideration of Licensing Committee be discontinued in order to save time. The note was circulated among the constituents for their views and on the basis of this a memorandum was submitted by the Federation to the Government on 22 April 1971.[46] The main points made in FICCI's memorandum were:

Entrepreneurs intending to set up industrial ventures and expand are required to go through various stages of administrative clearances such as letters of intent licensing, collaboration, imports, foreign exchange clearance, MRTP Act clearance wherever these were involved. It took about two to three years period for completing all these formalities. It was therefore necessary, to attempt at simplification of all the varied procedures. The stress should be to enlarge the area of exemption from licensing subject to certain clear-cut guidelines and criteria such as location of industries, foreign exchange components and raw materials permissible, etc. The various clearances at present followed step by step and separate processes one following the other where industries were not eligible for exemption, the effort should be made to give simultaneous clearance to applications. It was also suggested that the 10 per cent limit on foreign exchange outlay on capital goods and

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46 FICCI, <u>Correspondence</u>, <u>op. cit</u>., 1971, pp. 230-41. On 23 April these suggestions were also forwarded to Ministry of Industrial Development, Ministry of Company Affairs, and also the Secretaries of various Departments/ Ministries concerned with the subject.

3 per cent limit on import of raw materials prevented even some smaller units from availing of exemptions from licensing and therefore should be released. The idea should be to exempt from the need to get prior sanction in respect of each and every aspect of the scheme. A single ministry or department should be made responsible for clearing applications and all applications should be disposed of within a period of 8 weeks. In regard to imports greater reliance be placed on tariffs as against quantitative regulation foreign collaboration approvals should be subject to certain guidelines and should be speeded up. The procedure for intercorporate investment should be simplified in order to facilitate more fruitful investment in expansion of new units.

The suggestions of the Federation were considered at the meeting of the Central Advisory Council of Industries on 12 May.[47] The meeting was attended on behalf of the Federation by the President S.S. Kanoria,[48] and it was presided over by the minister for industrial development, Moinul Haque Choudhury. The discussions centred round simplification of industrial licensing procedures and industrial research and development. The notes

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47 FICCI, Proceedings of the Executive Committee, op. cit., 1971, pp. 110-12.

48 Managing Director, Kanoria Chemicals and Industries Ltd. and Director of Ratnakar Shipping Co. Ltd.; India Jute Company Ltd., New Gujarat Cotton Mills Ltd. and others. He was President of Indian Chambers of Commerce (Calcutta) Indian Sugar Mills Association, Indian Council of Arbitration and President of FICCI, 1970-71.

submitted by the Federation on these two subjects were also placed before the meeting. Kanoria suggested that Government should liberalize licensing and a procedure for simultaneous clearance of application be adopted in order to avoid the delays involved in stage by stage process of consideration and disposal of licences, imports, collaboration, etc. It was also necessary to allow existing units to expand and diversify since in many cases production could be considerably increased by installation of balancing equipment, there should not be any need for prior government sanction in the case of private sector participation on a minority basis in projects licensed in the name of State Industrial Development Corporations. After the meeting the President submitted the note on simplification of licensing procedures on 21 May 1970[49] to B.B. Lal, Secretary, Ministry of Industrial Development.

Further efforts were made by FICCI at the thirteenth meeting of the reviewing subcommittee held on 22 June 1971, under the chairmanship of Bashir Ahmed Sayeed. When, FICCI President S.S. Kanoria suggested that the only way to speed up the disposal of applications received by Government was to raise the exemption limit for licensing and to liberate licensing without reference to the Licensing Committee in the case of applications envisaging investment up to Rs.5 crores. Licensing was only the first major step towards establishing industrial

49 FICCI, Correspondence, op. cit., 1971, pp. 242-7.

units, what was more significant was the basis on which effective steps were taken. He said that establishment of industrial capacity would be greatly speeded up if the simultaneous procedure for clearance and disposal of applications was adopted.

So to convince government authorities about the need for liberalization of industrial policy, FICCI organized a seminar in collaboration with the Bureau of public Enterprises on 30 and 31 August on 'Maximization of Capacity Utilization and Productivity' at New Delhi. The seminar was inaugurated by Moinul Haque Choudhury, Minister for Industrial Development. About 200 delegates from Government, private and public sector undertakings and financial institutions, participated in the seminar.

All the efforts made by FICCI regarding the liberalization of licences came true at a meeting of the CACI held on 10 November 1971.[50] When the Minister for Industrial Development, Moinul Haque Choudhury said that Government had taken a decision to permit existing units to increase production by 100 per cent of their licensed capacity and those units which had been licensed on single shift or double shift might be permitted to operate on maximum capacity utilization basis. Following this announcement, Government of India in a press note dated 1 January 1972, announced various steps on that behalf. In respect of 54

50 FICCI, Proceedings of the Executive Committee, op. cit., 1971, pp. 109-10.

important industries,[51] it was decided to allow additional production to the extent of and subject to the condition, viz. (a) wherever licences issued to a party was mentioned a certain capacity specifically on the basis of one or two shifts working, the party would be allowed to increase its licensed capacity on the basis of maximum utilization of plant and machinery and (b) in other cases the present relaxation up to 25 per cent of licensed capacity had been enhanced to 100 per cent.

In a press communique issued by the FICCI President S.S. Kanoria, on 3 January 1972,[52] welcomed the decision of the Government and also urged upon Government to take speedy action to dispose of the applications pending before them and also quickly to sanction those which would be forthcoming in future.

Further Government in another attempt to simplify the licensing procedures announced through a press note on 19 February 1972[53] the establishment of a 'Task Force' to consider cases regarding endorsement for higher capacity from larger houses and foreign majority concerns which were not eligible for automatic endorsement of higher capacity as in other cases. Along with that, through a press note dated 3 October[54] government added 11

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51 Industries listed in Annexure I - FICCI, <u>Correspondence</u>, <u>op. cit</u>, 1971, pp. 258-9.

52 <u>Indian Express</u>, 3 January 1972.

53 <u>Economic Times</u>, 19 February 1972.

54 Press Note issued by Government of India, Ministry of Industrial Development, New Delhi, <u>Indian Express</u>, 4 October 1972.

more industries to the earlier list of 54 eligible for increasing capacity by 100 per cent or maximum utilization basis.

Commenting on Government's decision in a communication dated 9 March 1972[55] to the Secretary of the Ministry of Industrial Development, the Federation pointed out that the industrial licensing procedure was still a major factor retarding the growth of industry even though government had liberalized the procedure for capacity utilization in 54 specific industries, there were still many aspects in the licensing procedures which stood in the way of the rapid revival of industrial activity. Therefore some rethinking on licensing and related procedures was necessary. It was suggested *inter alia*, that considerable time could be saved if licences were issued straightway instead of letter of intent in all cases in which no foreign collaboration and capital goods imports were involved. The disposal of applications could be speeded up if increasing resort was made to the practice of conducting across the table discussions. Government should review the feasibility of increasing the exemption limit for licensing to Rs.5 crores and that the definition of assets for the purpose of licensing policy should be the same as adopted under the MRTP Act.

Again FICCI got success when on 2 February 1973,[56] Government announced a number of decisions through classifications on

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55 FICCI, *Correspondence*, *op. cit.*, 1972, pp. 212-14.

56 Ibid., 1973-74, pp. 37-42.

industrial policy and licensing under the Industries (Development and Regulations) Act.[57] In a press note dated 2 August, Government announced the revised procedure for registration of industrial unit with the Directorate-General of Technical Development (DGTD) or other concerned technical authorities. This procedure was applicable to all undertakings which were not required to obtain an industrial licence but required on import licence for capital goods, for approval of foreign collaboration should first obtain capital goods clearance and foreign technical collaboration approval prior to applying for registration with the concerned technical authorities. In addition to that Government took another decision on 31 October 1973[58] in regard to the schemes envisaging investment up to Rs.1 crore, the entrepreneurs would be permitted to apply straightaway for capital goods import licences if involved irrespective of the value of such import without having to get a letter of intent in the first instance. Government also announced the formation of a combined secretariat for 'Industrial Approvals and Project Approval Board'[59] in order to facilitate simultaneous considerations and disposals of industrial application envisaged in

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57 Press Note issued by Government of India, Ministry of Industrial Development on 2 August 1973.

58 Press Note dated 31 October 1973 issued by Ministry of Industrial Development, New Delhi. FICCI, Correspondence, op. cit., 1973-74, pp. 65-71.

59 The project approval Boards and other approval committees will be supervised by a Secretariat for Industrial Approval (SIA) which has been formed as a separate division in

(Contd. on next page)

various clearances, like letters of intent, foreign collaboration, capital good, MRTP clearances, etc. The disposal would now be based up time bound programme under which Central Government licences and foreign collaboration proposals would be issued within 90 days of the receipt of application in each case in MRTP cases, the clearance will be given within 150 days and a target time of 120 days was laid down for clearance of composite cases.

The President of FICCI, Charat Ram[60] reacting to the procedural simplification announced on 31 October 1973[61] by Government expressed the hope that the new set up for consideration and disposal of applications would substantially cut down delays and thereby help accelerate the process of industrialization.

It appears from the decision of the Government on step by step liberalization of Industrial Licensing Policy *vis-a-vis* FICCI's approach, that (1) There is regular contact or links

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the Ministry of Industrial Development. The SIA will be responsible for receipt of applications, processing them through the concerned approval committees and for issuing of final orders of government in each case to the applicant within the prescribed time limit. It will also monitor the implementation of approvals by entrepreneurs and assist them in procedural matters.

60 Managing Director, Cloth and General Mill Company Ltd., Delhi, has held managing responsibility for Chemical Division of DCM since 1942; Director, Bharat Steel Tubes Ltd., Tamil Nadu Chemical Products Ltd. He was President of FICCI in 1973-74 and member of Board of Trade, Government of India, Governing Bodies of Indian Institute of Management, Ahmedabad Administration College of India, Hyderabad and Sri Ram College of Commerce, New Delhi.

61 *Indian Express*, 1 November 1972.

between FICCI and Government. (2) That FICCI applied all the formal channels (that is by attending the CACI meetings, by personal contact with the Minister, the Secretary of the Ministries and by organizing seminars and issuing memoranda) and convinces Government of its point of view. (3) As the private sector contributes 90 per cent of the production, Government could not consider the private sector as pariah and also by liberalizing the licensing policy will not affect its party position.

D. The Case of General Insurance

Similarly on the issue of nationalization of general insurance FICCI maintained its contacts with the governmental authorities on various levels. Even before nationalization of general insurance, the *ad hoc* committee of the FICCI met the representatives of the General Insurance on 10 January 1970,[62] and discussed with them the question of nationalization. In view of the discussions held the Federation circulated to the Members of Parliament a note indicating the adverse impact of nationalization of general insurance. The President of Federation also addressed a communication dated 15 January 1970[63] to R.K. Khadilkar, Minister of State in the Ministry of Finance, suggesting that before any drastic step was taken, Government

62 FICCI, *Proceedings of the Executive Committee*, *op. cit.*, 1969, pp. 60-61.

63 *Financial Express Bureau*, 17 February 1970.

should appoint a commission to enquire into the issue. The President pointed out that nationalization of general insurance would be uneconomic to government and injurious to the insured.

In support of his contention, Ram Nath A. Podar mentioned four important reasons:

Firstly, there is no reason why General Insurance particularly after the imposition of social control should invite such a drastic step. The economic factors involved are clear and more or less well known.

Secondly, General Insurance constitutes a very small segment of economy and involves at present an investment of about Rs.61 crores. These resources already been invested in various types of securities in accordance with the regulations laid down by the government. This business which is handled by 130 companies fetches a profit of less than Rs.3 crores per year.

Thirdly, in the field of General Insurance, there is keen competition and therefore the service to the clients has been efficient. In the last fifteen years for instance the premium rates have been reduced four times involving a net reduction of 40 per cent in case of five rates, 30 per cent in case of marine rates and 10 per cent in other cases. It is worth noting that in this period the life insurance has not made any similar reduction.

Finally, nationalization is probably less harmful when the service that is rendered is more or less uniform and is not personalized in character. General Insurance unlike life insuranc is complicated business making each claim a potential case of litigation. Besides, General Insurance with its limited business, has to settle about 5 lakh claims a year as against 2.5 lakh claims by life insurance.[64]

In another communication dated 15 July 1970[65] addressed to Y.B. Chavan, Minister for Finance, the President, D.C. Kothari, said that general insurance was by no means a crucial sector of the economy to call for complete ownership of Government. So in spite of keeping links on all levels of governmental authority, FICCI failed to convince the government of its point of view on the question of nationalization of general insurance and by a presidential ordinance promulgated on 13 May 1971, the management of all general insurers - Indian as well as foreign - doing business in India was taken over by government.

The Finance Minister Y.B. Chavan, told newsmen, "we are taking one more step to implement the mandate of the people. This was one of the major planks of our election manifesto".[66]

Industrial and business circles were taken by surprise by the announcement on nationalization of general insurance. President of FICCI said in a Press Note, that the takeover of

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64 A similar communication was also addressed to P.C. Sethi, Minister for Revenue and Expenditure, Government of India, New Delhi.

65 FICCI, Correspondence, op. cit., 1970, p. 114.

66 Times of India, 14 May 1971.

general insurance 'cannot help achieve' the priority objectives of providing employment and giving a better deal to the poorer section of the community. The decision had come as a 'surprise' particularly in view of the fact, there were a number of more pressing issues before the people and the government, S.S. Kanoria said.[67]

Further he stated it would not only place unnecessary additional burden on the financial and administrative resources of government but also 'adversely affect' the climate of foreign investment.

The Ordinance promulgated provided for the payment of compensation to insurers whose management had been taken over. The Bill was passed by the Parliament on 30 May 1972 and was referred to the select committee on 31 May.

In order to get favourable decision on the quantum of compensation, which was to be decided by the Joint Select Committee set up by the Parliament, FICCI made its first attempt in its communication on 13 July[68] to the chairman of the Joint Select Committee on General Insurance (Business) Nationalization Bill, 1972. The Committee drew the attention of the Joint Committee of Parliament on certain basic issues relating to nationalization. One of the issues related to the nationalizatio

67 Economic Times, 14 May 1971.

68 FICCI, Proceedings of the Executive Committee, op. cit., pp. 67-68.

was the quantum of compensation that was paid to those who were dispossessed of their interests in industry or business. According to FICCI it should be just fair and equitable failing which investment in industry would be seriously affected. The Committee also made the point that the shareholders of the General Insurance Companies should, in all fairness be paid some additional amount towards goodwill of the companies.

Subsequently on 18 July 1972, the following representation of the Federation gave evidence before the Joint Committee. Madan Mohan Mangaldas, Charat Ram, Tulsidas Kilachand, Ram Nath A. Podar, S. Narayanaswamy, G.L. Bansal, P. Chentsal Rao and N. Krishnamurti.

During the course of evidence the representation amplified the points made in Federation's memorandum regarding the quantum of compensation.

As a result of pleadings of FICCI representatives and after considering other needs of industry, the Joint Select Committee recommended[69] an additional Rs.5 crores by way of compensation to the Indian Insurance Companies. The report of the Committee was presented to the Lok Sabha by Darbara Singh, the Committee Chairman and afterwards passed by both the Houses of Parliament.

Keeping in view the correspondence between FICCI and Government, on issues of nationalization of banks and General

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69 <u>Hindustan Times</u>, 22 August 1972.

Insurance it appears that FICCI could not persuade the government to revise its decision because (1) the issue of banks nationalization was definitely related to the internal power struggle in the party; and (2) there was strong pressure from the left-wing of Congress Party members, for implementation of the policy, step towards socialism, along with this position of Congress Party in Parliament was also weak. All these events compelled the Government to take the major decision. Regarding nationalization of General Insurance, Congress Party wanted to implement the Congress Party Resolution of 1969, and to build the image of Congress Party. As is clear from Y.B. Chavan, the Finance Minister's statement of 14 May 1971.

But on the issue of compensation to be paid to those who were dispossessed of their property, FICCI got success in convincing the Government of its view.

In conclusion it can be said that FICCI will be least influential on fundamental issues of policy which are central to the programme of party in office, in other words, although it has not been able to influence some non-controversial economic issues and has made some success in delaying and modifying legislation, it has had almost no effect on major symbolic redistribution issues, like Banks nationalization and nationalization of general insurance and creation of large scale public sector.

CONCLUSION

CONCLUSION

It would seem from the foregoing discussion that FICCI is not concerned with public policy in its entirety. It is concerned almost exclusively with influencing regulatory and developmental policies of the Government. It would also seem that it has succeeded, albeit moderately in regard to distributive issues. It has had no success worth mentioning in influencing the redistributive policies of the Government. It has not taken any explicit interest in foreign policy though its concern for import and export policy and the international market might justify its manifesting an interest in foreign policy also.

Why has FICCI not been able to block or even modify a redistributive policy? Why has it failed completely in its endeavours in this direction? There are various reasons to account for this fact. First of all there is the indecision within the FICCI itself. Secondly, the Government is more anxious to burnish its own popular image than to oblige the business. Thirdly, FICCI has not taken pains to present its case before the Prime Minister in proper perspective or press the merits of its case on appropriate occasions. Lastly, FICCI has not organized effective lobbying at the Congress Party level, at the ministerial level and in Parliament.

To cite an example, it could not delay or modify the decision to nationalize life insurance and general insurance, although it was the basic programme of the party in power during the 1950s to bring all major credit facilities under Government control. It could not stop the levy of a variety of taxes on wealth, income, expenditure etc. - taxes levied with a view to raising the resources needed for development and redistributing income in fulfilment of the Congress Party's commitment to socio-economic change. At the various party sessions the Congress has committed itself to socialism, development and distribution of wealth and resources. It is not that the Government raises such redistributive issues on its own. The Government does so under pressure. Distributive justice enables the Government to make a bid for public support and secure a new lease of life. What FICCI can do at best in the circumstances is to convert a redistributive policy into a regulatory one. In such efforts it should so project its aims as to make them seem not incompatible with the interests of the nation rather than merely self-serving. Sometimes to safeguard business interest, FICCI finds it advantageous to support the Government in exercising greater regulation and control and thereby delay total nationalization. For example, on the issue of nationalization of banks and general insurance, it threw its weight behind the policy of social control, thinking it to be better than total nationalization of banks. By backing the Government in choosing a regulatory policy rather than the policy of total nationalization, FICCI succeeded in preventing total loss of business control over credit. It has generally succeeded in convincing the Government of the need to make credit allocation through a committee of experts, so as to avoid (or steer clear of) any possible opposition from members of the ruling party on the basis of their party programmes.

In areas other than redistributive policy issues, FICCI has been somewhat more successful in modifying or delaying Government action if not in blocking it altogether. It is true that it could not stop the enactment of the Industries (Development and Regulations) Act of 1951, which almost brought all private sector activity under strict Government regulation and control. However, it did succeed in getting some useful modifications introduced in the Industrial Licensing Policy and Procedures. While discussing the issue of liberalization of the industrial licensing policy in the third chapter we have seen how by using all formal channels of access[1] FICCI succeeded to a large extent in persuading the Government of the need to liberalize industrial licensing policies and procedures.

It is generally accepted in India that FICCI is the only apex business organization capable of taking bold action and of establishing continuous day-to-day contact with the Governmental authorities at all levels. How far it has been able to exploit

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1 That is by keeping personal contacts with the Ministers and with the Secretaries of the Ministries, attending the CACI meetings, submitting memoranda to the Government, and organizing seminars on the subject.

its access to the Government and the decision-makers, it is hard to tell. There are some internal (organizational) and external (systemic) restraints which inhibit its functioning. Industrial business houses have been successful in gaining for themselves specific distributive benefits directly from the Government, but business collectively has not been able to influence the direction of public policy in India effectively.

Does FICCI possess adequate persuasive machinery to cope with its task of influencing the Government? FICCI has impressive headquarters; it owns a staff of professional analysts; and yet their level of professional knowledge is completely inadequate. The leadership in FICCI, right from its inception has been in the hands of individuals noted for their big economic holdings rather than for their personal and professional competence. Speaking generally, the leadership has so far been lacking in adequate articulation. The process by which the leadership is selected is clearly designed to perpetuate oligarchy. Naturally selfish interests take precedence over collective leadership and the organization's interests. All the contacts of the leadership with the Government and the larger society seem to be calculated to project the particular point of view of this oligarchy rather than the point of view of the business community as a whole. For example, the leaders of the Federation have often kept themselves busy with the problems relating to jute, tea and textiles and completely ignored the general development of big and small industries. No wonder, therefore, that the

FICCI leadership has had to face strong opposition from a minority group which wants to emphasize the need to project a united stand. As a result, FICCI underwent a major re-organization in 1962. This was followed by some other changes in 1971. These changes were meant to curb the power of large houses to exercise large control through their financial contributions and the voting power of associate members.

One may agree with Kochanek[2] when he says that most members of Parliament have reservations about the lobbying practices of business. This is, however, a situation for which business itself must take the blame; for, generally speaking, it is true, as Members of Parliament often allege that most of the material supplied by business associations is one-sided, unimaginative, and easily refuted. Why must FICCI use "a bull-headed approach" and attack every clause of a legislation? It should display discrimination and choose its targets carefully. It should concentrate on those aspects which hurt business interests and be specific as regards the clauses to which it is opposed. It is also true that the memoranda and reports and other material that FICCI supplies to Members of Parliament are much too bulky and contain a good deal of redundant and unnecessary information. Members of Parliament are already flooded with a variety of literature on the legislative business before them, and they hardly have the time or the patience to read the material supplied by the

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2 Kochanek Stanley A., op. cit., pp. 256-64.

FICCI. FICCI should, therefore, prepare its material carefully, highlighting the areas where its interests needed protection and summarizing or eliminating altogether the other portions. The business associations must exert themselves much more imaginatively if they wish to the most of the lobbying opportunities available to them in Parliament and outside.

We now pass on to a consideration of the particular criticism made of the operation of FICCI as representing business in India.

FICCI organizes every year a valuable annual meeting in which the resolutions of member bodies are presented, a meeting of chamber secretaries is held, elections are conducted, and important resolutions concerning FICCI as a whole are adopted. Apart from this function, FICCI acts on a day-to-day basis through its representatives on a variety of bodies. It has, on the whole, successfully resolved the controversy over the question of representation of different States. However, a number of complaints are still heard. We may cite one such complaint by way of illustration. K. Sundaram, President of the Indian Chamber of Commerce, Coimbatore, stated on 27 June 1965, that FICCI was not able to render effective service to all of its constituents. He proposed the formation of a Federation of Chambers of Commerce in all the four Southern States and the creation of inter-connected chambers at town, district, and State levels. FICCI has not been able to do much through its liaison officers posted in different States or through the zonal meetings of the secretaries of important chambers which it has encouraged. If FICCI is to play a role in modern planning, information collection, and overhead development it must go all out to encourage specilization and co-operation among chambers and rationalize its regional coverage. Its role in guiding industrial associations may have to be even more decisive and it would have to take into account any negative prohibition that the Monopolies Commission may lay down as well as initiate positive measures on the basis of the recommendations of the industries concerned so as to develop a sense of participation in those industries.

In general one may summarize the role of pressure groups in a political system by saying that the influence of any pressure group and the part played by the pressure system as a whole depend on the general policy of the Government, the parties in Parliament, and the structure of Government. When a party is permitted constitutionally and administratively to exercise effective guidance over the general conduct of Government and over the formulation and implementation of decisions, it tends to affect pressure group participants in different ways and in varying degrees. Our study shows that pressure groups are least influential on issues of policy which clash with the programme of the party (or of any coherent coalition of parties) in office.

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