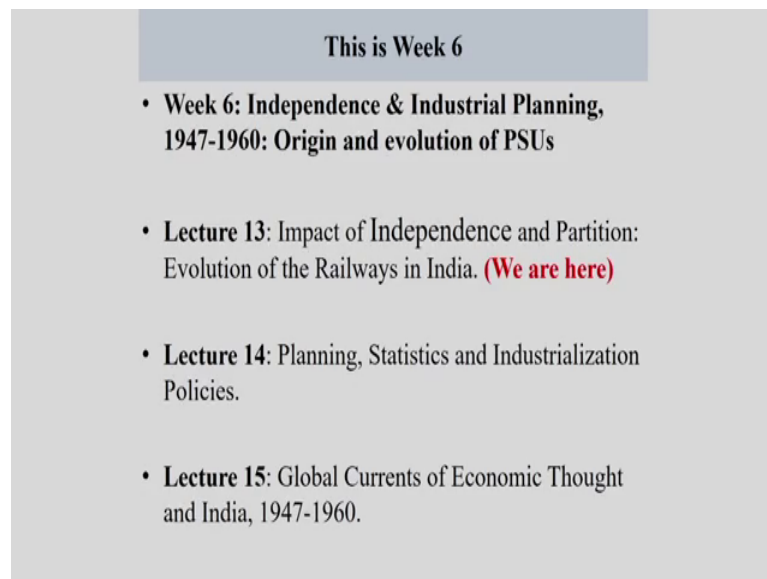


Indian Business History
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Lecture – 13
Indian Business During Independence and Partition: Evolution of the Railways in India

Hello and welcome to lecture number 13 of this online course called “Indian Business History” and the title of this lecture is “Indian Business During Independence and Partition Evolution of the Railways in India”. So, this will be a 2-part discussion where we will assess the impact of independence and the partition of the Indian subcontinent on existing Indian businesses and we will combine this with a brief historical analysis of the way in which the railways have evolved in post-independence India after 1947. As you all know this lecture marks the beginning of the 6th week of this online course.

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This is Week 6

- **Week 6: Independence & Industrial Planning, 1947-1960: Origin and evolution of PSUs**
- **Lecture 13: Impact of Independence and Partition: Evolution of the Railways in India. (We are here)**
- **Lecture 14: Planning, Statistics and Industrialization Policies.**
- **Lecture 15: Global Currents of Economic Thought and India, 1947-1960.**

Week 6 has a distinctive theme and we are also moving chronologically forward in our story. So, week 6 deals with independence and industrial planning from the years 1947 to 1960 and this will discuss the origin and evolution of some key public sector undertakings for example, the railways. The first lecture in week 6 is about the impact of independence in partition and the evolution of the railways which is where we are today and this will be followed by 2 lectures.

Lecture 14, which is the next in this series will discuss planning, statistics and industrialization policies with respect to India and lecture 15 will be a more analytical discussion which will combine some of the themes that we discuss in these 2 lectures and will provide explanations for the global currents of economic thought that impacted India from 1947 to 1960.

I want to offer a brief summary of what was discussed before because the themes discussed in the previous lectures from now on will play an increasingly important role for us to understand our future trajectory and the future concepts and events that we will study in a more detailed fashion.

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Recap from Lecture 12

- Tremendous changes in Indian economy, business and politics.
- Greater integration of Indian economy with global fluctuations: Mixed consequences
- Risk taking appetite of Indian entrepreneurs increases
- **New Indian businesses emerge that are able to sustain beyond wartime economic mobilisation**
- **Economic Institutional Developments:
ASSOCHAM, FICCI**

So, in the previous lecture which was lecture 12 we discussed that there were tremendous changes in the Indian economy, business and politics as a result of the 2 massive global disruptions that took place. These 2 global disruptions were the First World War and the Second World War and not only were they armed conflicts and brought together a vast majority of people from different parts of the world they also had a decisive and transformational impact on India's economy business and the commercial transactions in this period.

As a result of these disruptions there was greater integration of the Indian economy with global fluctuations and these global fluctuations had mixed consequences on the Indian economy and business landscape there were a few stakeholders who stood to benefit

immensely from the demands generated by wartime mobilization. So, those features expanded industrial and factory production in India whereas, at the same time colonial misrule and the mismanagement of services and food distribution also led to tragic and unwarranted episodes like that of the Bengal famine of 1943.

So, overall after the end of the Second World War the moral, political and institutional legitimacy of colonial rule in India was severely challenged by instances of their indifference and misrule as far as the Indian subcontinent is concerned. At the same time as far as entrepreneurship and business is concerned the risk taking appetite of Indian entrepreneurs increases massively and there is now an emergence of new kinds of businesses in different parts of the country where industries are able to sustain themselves beyond wartime economic mobilization.

So, while there was a phase in India's economy whereby a slew of different industries grew in response to the demands of the First World War or the Second World War. By the coming of Indian independence in 1947 there arose a set of industries that may have originated in response to the demands of the wartime economies of Europe and elsewhere, but they were able to out draw this demand and were established industries even after independence because they found their footing and economic sustainability beyond the confines of warfare.

Even more significantly the early years of the 20th century saw the building up of significant economic institutions in the Indian subcontinent. So, the coming up of bodies such as the ASSOCHAM and later the federation of Indian chambers which was an organization of purely Indian business interests represented the nationalization of the Indian business community at this point.

So, the coming up of economic institutions that also partly acted as lobbying organizations also acted as pressure groups to convince the colonial government to enshrine business friendly policies or simply act as a platform for the articulation of the business communities voice on Indian affairs was a significant institutional development of this period.

Moving on to this present lecture which is lecture 13 we have a couple of focused themes that will form the basis of our discussion in this lecture today and these 4 themes are as follows.

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Focus themes for Lecture 13

- Political significance of Indian independence
- Events leading up to and after 1947.
- Bombay Plan: Its scope and significance.
- Legislative pieces relating to economic, commercial and business activities and their role in certain key sectors.

The first theme will of course, be an assessment of the political significance of Indian independence. The victory of the Indian nationalist movement and the independence coming to India in 1947 is not just an Indian milestone, but it was also a significant event as far as global history is concerned.

In addition, to that we will also assess and take into account some of the important events leading up to and after the year of 1947. So, for our ease of comprehension and to be able to remember certain historical facts clearly the year 1947 will be treated as an important historical milestone. Therefore, in addition to assessing the importance of 1947 for Indians today, we will also discuss the context surrounding 1947 and in that context there will be certain events there will that will be given due importance.

We will also discuss a new concept or a new document in this lecture and this is the Bombay Plan this was a document signed by some of the leading industrialists of India in the 1930s and 40s and we will discuss its scope and significance as far as it is support for planning is concerned.

The fourth pillar of our discussion in this lecture will be an assessment of a few legislative pieces relating to economic, commercial and business activities and we will examine their role in certain key sectors such as the railways. So, these will be the 4 pillars of our discussion as part of lecture 13 today. The political history of India after 1947 may be a familiar story to most of you because India is proclaimed as an independent country in

1947 this is a red letter day in the history of anti-colonial movements across the world especially.

So, in India because under the leadership of some of the tallest leaders of the national movement India was able to win independence for itself on the principles of non-violence, passive resistance and the development of an intellectual discourse against the unjust colonial rule. However, the euphoria of independence was also tempered by the partition.

So, the Indian subcontinent when it was made free independence dawned on not one, but 2 independent nation states. So, the 1947 partition marked the arrival of India as well as Pakistan has 2 new nation states in this region. (Refer Slide Time: 08:20)

Political Developments: 1947 and later

- Partition
- Refugee Crisis: Massive rehabilitation and resettlement operation undertaken by India
- Re-organisation of State structures
- Linguistic re-organisation of Indian states

As a result of the partition crisis, there was a resulting refugee crisis that was witnessed upon India and Pakistan. There was a massive exchange of population that took place across this new border and in response to this massive refugee crisis a hectic rehabilitation and resettlement operation was undertaken by India. In the context of this relief and rehabilitation program which was a massive logistical exercise prosecuted by the newly independent Indian state. You also see the re-organization of state structures within the new state of independent India.

As part of this reorganization of state structures there was also a linguistic reorganization of Indian states. This did not just take place in 1947, but it was a gradual political process and that continued to take place well until the decades of the 60s and 70s and later. So, the independence that was won by Indian nationalists or the anti-colonial movement was also

taking place in a context of parallel movements whereby state structures were getting reorganized or restructured and also a parallel logistical exercise was being conducted to stabilize the country after the partition ravages of 1947.

A few more political developments are worthy of our attention and they form important landmarks in our study.

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Political Developments after 1947

- Unification and merging of “Princely states” into regular Indian provinces
- Drafting of the Indian Constitution
- 1950: India becomes a Republic
- **1952: First General Election in India:** Successful projection of a stable country and institutions.
- In the context of political and economic upsurge: Planning was considered essential.

So, the unification and merging of princely states into regular Indian provinces was one of the most significant political acts that were undertaken after independence. I have already mentioned that the role in this played by individuals like Sardar Patel and several others like V P Menon is notable. The modern identity of the Indian republic today as a cohesive united country owes much to the efforts of these luminaries.

While the country was coming together as a modern political unit, there was also the drafting of the Indian Constitution taking place at this point and this was culminated in the year 1950 when India is proclaimed as a republic. 1950 is also the year when the constitution is adopted and it gives a modern constitutional identity to the Indian state. Shortly after India is proclaimed as a republic in 1952 the first general elections take place

in India. This was a remarkable feat not only for Indian history, but also for the newly independent countries around the world.

The first successful general election in India that took place in 1952 was also a successful projection of a stable country and its institutions. To be able to mount a massive logistical exercise relating to the election practices and for the incumbent governments to accept the rules and results of those elections was a significant feature for the newly independent state of India that was emulated by most other countries in this period.

So, the successful organization of the first general elections was a strong political signal that was radiated to the world and that projected a picture of internal stability and the strength of Indian institutions in its ability to organize elections on a firm and robust footing. Therefore, it is in this context of reorganization, restructuring, rehabilitation and the parallel conducting of exercises such as general elections on a universal franchise. Planning as an idea took a firm hold in the imagination of Indians during this period.

So, in the context of political and economic upsurge as I have just highlighted in a few examples in these slides the idea of planning was considered essential. Planning as a concept then did not just extend its scope to economic activities alone, successful planning for Indian lawmakers, Indian bureaucrats during this period also meant a strategy to stabilize the country in the context of its partition and the resulting reorganization of its internal institutions and structures of governance.

Relief and rehabilitation and the effort to provide a meaningful livelihood to recent refugees coming from across the border was seen as an effective strategy to put the newly independent country on a firm footing and to make this experiment successful it was felt that planning was to be an important strategy for the new government.

Now, the birth of planning as an idea may have grown in response to the crisis that witnessed upon the Indian state after 1947, but as an intellectual idea itself as a concept planning has international origins. (Refer Slide Time: 13:15)

The Birth of Planning as an Idea

- Wide-ranging discussions on Indian economy from 1930s: **Ideas from USSR, Japan**
- **Karachi Session of INC 1931:** Regulation of Economy
- **1938:** Jawaharlal Nehru sets up National Planning Committee (NPC)

Therefore, way beyond the 1947 year of independence coming to India from the 1930s there had been wide ranging discussions on Indian economy from the 1930s onwards. These ideas were international in scope. So, they arose in countries such as the USSR or erstwhile USSR and also a few ideas relating to planning were also taken from countries as far as Japan.

More importantly in the Karachi session of the Indian National Congress or INC in the year 1931 there were also significant proposals advanced for the regulation of the Indian economy in its future trajectories. So, the Indian involvement with the ideas of planning or economic reorganization of the business landscape or the commercial landscape of India had historical origins, but they were given renewed focus after the 1947 independence here.

More importantly in the year 1938 which is one year before the eruption of the Second World War in Europe and almost a decade before Indian independence would become a reality Jawaharlal Nehru sets up the National Planning Committee or the NPC. This was a constituent body of the Indian National Congress and it was devoted purely to matters of economic commercial and business importance to the Indian subcontinent.

So, the intellectual engagement with the idea of planning and the formal and informal discussions surrounding the idea of planning have far more historical origins, but they were given renewed focus after 1947. Just to give you a few more insights on centralized planning and the institutions that were responsible for making planning an official idea or

ideology after 1947 I want to offer a brief history of the idea of planning as far as the Indian conditions are concerned. (Refer Slide Time: 15:11)

Centralised Planning: Institutions & Ideas, A Brief History

- **Goals of the NPC (1938)**
 - National Self-sufficiency
 - Doubling living standards in 10 years
- **Planning:** “Technical” coordination by experts
- “Social objectives” set by the “nation”
- **Late Industrialisation makes State intervention vital**
- “Service before Profit”

So, as I have highlighted before Jawaharlal Nehru became responsible for the establishment of the NPC in 1938 and the NPC was given 2 ideas to reorganize or produce ideas to that effect. So, the 2 nodal ideas that justified the formation of the NPC in 1938 were as follows. One of the goals for the NPC or at least in it is discussions and deliberations was to be the idea of national self-sufficiency.

This would be self-sufficiency in industrial, economic and resource matters. So, the goals of the NPC over of the early goals of the NPC as soon as it was established in 1938 was to chart measures, draft policies or deliberate upon issues that could foster the environment in which national self-sufficiency could be attained.

The second idea that was the driving spirit behind the NPC was that they needed to be steps that would be undertaken, that could double living standards in 10 years. This was an abstract idea there were no specific policy proposals attached to this idea, but the articulation of principles or policies that were aimed at lifting this massive section of humanity out of grinding poverty was seen as one of the early aims of the NPC.

So, the official engagement with planning as a tool for poverty alleviation or to provide meaningful livelihood to scores of Indians living in the subcontinent was something that was taken early on by the nationalist leaders in the Indian subcontinent.

The idea of planning itself was to an extent defined also by the NPC and its members and planning as discussed in their official deliberations was largely seen as technical coordination by domain experts. So, in the post-independence scenario when the planning commission is set up and which brings together a host of brilliant academic minds to apply their knowledge on some critical Indian problems.

The idea itself had historical origins whereby NPC in 1938, envisioned a group of experts who could be brought together and their knowledge could be used to solve some of the complex economic and commercial problems that the Indian subcontinent were facing in this period.

In addition, to defining planning as largely a technical coordination by experts driven towards problem solving there were also a few social objectives that the NPC had defined and according to the NPC these social objectives were to be set by the future independent state of India. So, the constitutional basis to social welfare principles or the commitment

of the Indian state towards poverty alleviation to its citizens after 1947 was enshrined early on unofficially through the musings of the NPC.

One of the other crucial deliberations that were pored over by the members of the NPC was the fact that late industrialization would make state intervention vital. Because the NPC was aware that Indian independence was imminent in the next couple of years, it was also conscious of the late start that India would make as far as greater industrialization and the revival of economic activities is concerned.

So, being a late entrant into the industrialized club of elite nations meant that Indian leaders had to take a call on making state intervention a vital force in reviving India's economy or taking a greater active interest in deciding what economic activities were best suited for the larger population of the Indian state.

The years preceding 1947 had been years of colonial rule as far as the Indian subcontinent is concerned. So, the new government has a took shape after 1947 was extremely conscious of the policies, measures and legislative acts they will have to enshrine in order to ensure the maximum benefit to its citizens who had been at the receiving end of colonial rule. Another important idea that came out of these discussions of the NPC during the 1930s was that there would be an idea of the government rendering critical services without keeping an eye on the profits.

This was enshrined in the development and consolidation of different public sector undertakings in India after 1947, but a crucial feature of India's post-independence economic journey which was discussed during the years of the 1930s and 40s was the idea that the Indian state would be constitutionally responsible for rendering critical services to its people, but would not expect a profit in return. So, the social welfare is principles of the Indian state of the 1947 were being discussed before 1947 in the deliberations of the National Planning Committee.

So, we have discussed some of the political events, contexts and individuals that were responsible for garnering more support for the idea of planning in India. This ranged from partition to institutions set up before 1947 or the need to provide a meaningful livelihood to refugees in India in order to stabilize India's political economy. In addition to these factors there are also certain other sectors and individuals who were also directly or

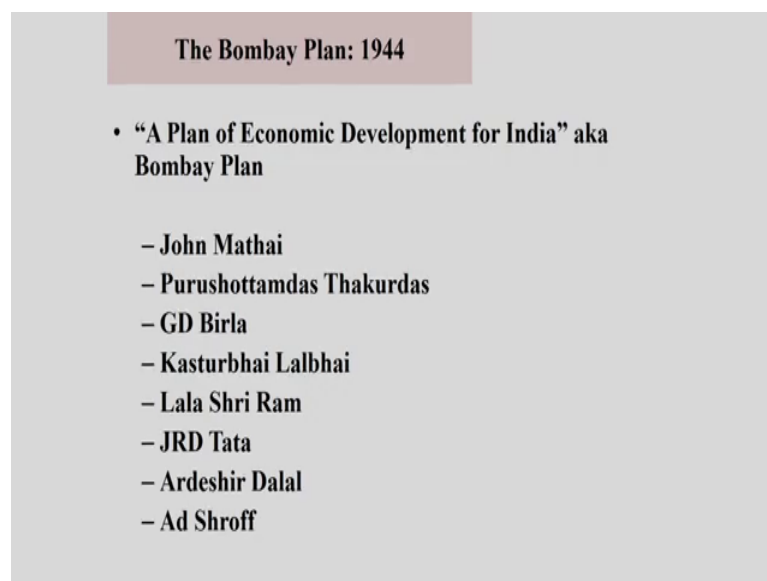
indirectly responsible for giving their support to the idea of planning and this also garnered official support after 1947. (Refer Slide Time: 21:07)

**How did other factors favour the onset of
planning in India ?**

So, how did other factors favoured the onset of planning in India. As I said, apart from political conditions and economic conditions and governmental priorities and they need to stabilize this newly independent state in order for it to be able to take part in the committee of nations and a stronger footing there were certain other individuals, groups of individual's institutions that also came together at a critical time to make the government aware of its responsibilities that it will have to take on after formal independence was given to India.

So, apart from the political contexts that visited upon the Indian state after 1947 that made it very crucial for planning to be made an important strategy for successive governments. There were other plans, institutions and platforms that also conveyed their formal support for planning. One such example of how structures and individuals came together to support the idea of planning comes to us in the form of what is now known as the Bombay Plan of 1944. This was a 2 volume report a part of which was tabled in 1944 and the other part in 1945.

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The Bombay Plan: 1944

- **“A Plan of Economic Development for India” aka Bombay Plan**
 - John Mathai
 - Purushottamdas Thakurdas
 - GD Birla
 - Kasturbhai Lalbhai
 - Lala Shri Ram
 - JRD Tata
 - Ardeshir Dalal
 - Ad Shroff

But the formal name of the Bombay Plan which was an economic document signed by the leading industrialists of this period was a foundational document which compelled different stakeholders to take up the idea of planning in a most serious way. The formal name of Bombay Plan was a plan of economic development for India also informally

comes to be known as Bombay Plan in successive years and this is a term that may be familiar to you from your formal or in formal readings.

But I want to spend some time on its composition and also detail its scope and significance as far as the idea of planning is concerned. So, the Bombay Plan of 1944 was a document that envisioned economic development for India in the coming years and especially so in the year after independence. So, there was also politically speaking a gradual realization that the authority and legitimacy of the colonial state was at its lowest and independence to India was now imminent.

So, with a view towards the future political development of India and the new government that would be in place and therefore, be in a commanding position to put forward its ideas of economic organization and regulation some of the leading industrialists and owners of big businesses in the Indian subcontinent came together and signed a document which is the Bombay Plan. Who were the signatories to this plan? Some of the prominent names as part of the Bombay Plan were as follows.

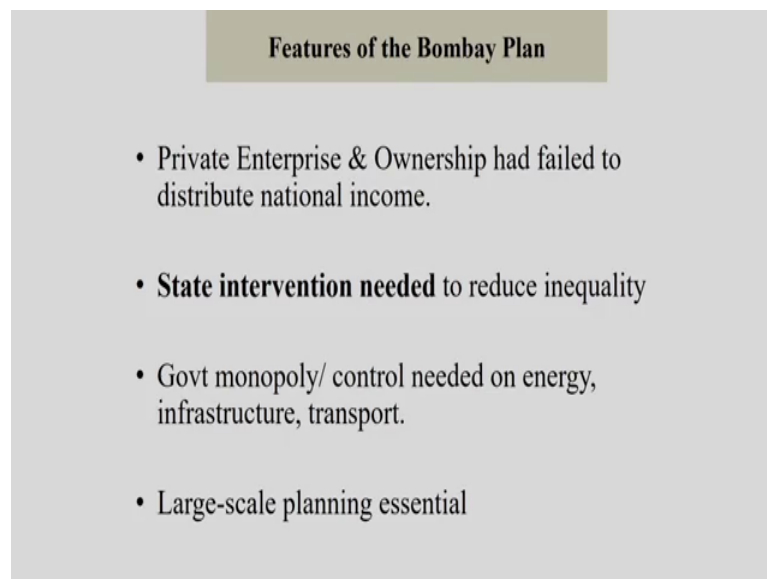
So, apart from G D Birla who founded one of the biggest and most prosperous business empires in India at this point and whose history we have already discussed before in the previous lectures. The other signatories included Mister John Mathai. Purushottamdas Thakurdas was another signatory to Bombay Plan.

He was as we have already discussed not just an entrepreneur, but also fine economic mind who had critical intellectual ideas for the future growth of the Indian economy in addition to John Mathai, Purushottamdas Thakurdas and G D Birla they were also joined in this document by Kasturbhai Lalbhai who was a textile baron and also engaged in a diverse portfolio of businesses.

There was also a Lala Shri Ram who pioneered new kinds of textile and other related businesses in northern India and chiefly around the city of Delhi. Lala Shri Ram was also known for his philanthropic contributions in the education sector.

And apart from these business leaders there was also J R D Tata whom as we discussed in the previous lecture played a pioneering role in the development of a civil aviation industry in India. Apart from these people there was also Ardeshir Dalal and also A D Shroff. So, these people came together and signed the plan for economic development of India and

they formally submitted the findings of their document to the leaders of the Indian national movement during this period. (Refer Slide Time: 25:17)



Features of the Bombay Plan

- Private Enterprise & Ownership had failed to distribute national income.
- **State intervention needed** to reduce inequality
- Govt monopoly/ control needed on energy, infrastructure, transport.
- Large-scale planning essential

What were the features of the Bombay Plan? Well this is a detailed intellectual discussion that we will do today. There were no specific number of provisions that were outlined as part of this Bombay Plan, but this was a fine intellectual document that laid out a few features that they wanted the Indian leaders to put their attention to. So, one of the first key features of the Bombay Plan that were outlined by these business leaders was the fact that private enterprise and ownership had failed to distribute national income in as appropriate a manner as possible.

This was not an official acceptance of the failure of the private sector. In fact, the idea that the private sector and enterprise in ownership had not been able to distribute national income was an assertion for which they wanted the government to take active steps to plug that gap.

So, while the private sector conceded that they were not able to redistribute national income or to alleviate poverty of the vast majority of Indian masses they made that admission on the basis of their structural and organizational incapability in meeting those purposes.

So, in order to make India more prosperous a more just society the Bombay Plan outlined that the private sector was unable and also functionally incapable of meeting these

demands and for this purpose the future Indian government or any other future government after 1947 in India would have to take active steps to meet that purpose.

The second important feature of the Bombay Plan is connected to the first feature that have just outlined and the second feature was that the state intervention was deemed critical to reduce inequality in India. The private sector the Bombay Plan conceded could do it is bit to redress those problems in the Indian economy and Indian society, but the larger undertaking a responsibility for distributing national income justly and to undertake measures for poverty alleviation would be the role and responsibility of the Indian government.

Additionally, some of the other important features of the Bombay Plan also outlined that governmental monopoly or control was needed on certain important key sectors during this period. So, sectors such as energy, infrastructure and transport were considered as the few important strategic sectors in which the government would have to take a more active role in its organization, reorganization and its management in the years to come.

And fourthly which is also one of the most significant features of the Bombay Plan was that the signatories of this plan considered that large scale planning was essential. Planning not just in economic affairs, but a larger governmental framework was to be established in which economic affairs could play their part in distributing national income and also play its part in reducing inequality.

So, some of the few important features that came out of the Bombay Plan were devoted towards the idea of making India's economy more receptive to the people in India. The last 200 years of colonial rule was exactly the reverse as you are all familiar by now. So, after independence or in the years leading to independence or shortly thereafter there was a growing institutional, economic, business and political realization that any future economic profile for India would necessarily have to take as it would necessarily have to take Indian people at its heart and as it is core constituency.

So, the signatories of the Bombay Plan were now acutely aware of the future direction that the future political system of India was going to be and in order to make that future political system economically viable, politically stable and institutionally robust they came together

or at least a few of them came together and decided to lay out a few proposals for the government or future leaders to act upon. (Refer Slide Time: 29:39)

Features of the Bombay Plan

- **State : Positive & Preventative functions:** Foster economic growth but prevent monopolistic tendencies.
- **Private sector:** limited but important role aided by the state
- **Bombay Plan:** Political or Strategic game-plan??

Certain other important features of the Bombay Plan are also worthy of our attention. So, apart from the measures that they laid out and put forward to the national leaders including Jawaharlal Nehru and others. The Bombay Plan signatories also focused or highlighted the fact that the state or the future government of India once India becomes independent would have to undertake positive and preventative functions.

As a result of these positive and preventative functions the Indian state would have to take steps to faster economic growth, but also prevent monopolistic tendencies. As a feature of monopolistic tendencies we have to distinguish between the Bombay Plan asking the future government to take a more active role in certain key industries and the other negative sense that is connotated by monopolistic tendencies which is the overall hegemony and domination of a few big businesses or a few industrial holdings that prevent the growth of other players in the field.

So, according to the signatories of the Bombay Plan the features of which were made available to the India's national leaders during this period. They reminded Indian national leaders that the state in the future will have to undertake positive functions which is poverty alleviation or distribution of national income on a more equitable footing and to make the country economically sustainable and robust.

But in addition to positive functions certain preventative functions would also have to be organized which could reduce the hegemonic and domineering tendencies of certain business sectors or industrial sectors over others. Apart from these principles the signatories of the Bombay Plan also outlined that the private sector will play a limited, but important role aided by the state in the future years to come.

So, while one aspect the Bombay Plan was its desire to compel the government to take a more active role in the economic affairs of the country on the other hand they also made a point to convey that the signatories themselves and the sectors to which they belonged which represented the private sector as far as Indian business is concerned would continue to play a prominent and important role in India's economic affairs, but their capabilities, their facilitation would be aided actively by the state.

So, the Bombay Plan therefore, was a document that laid out a vision of what India's political economy could do in the years after formal independence was given to India. Which is why in recent years there has been a fair amount of debate on the precise scope

and significance of the Bombay Plan was this a political document signed by business leaders who had an eye on the future political system of India or was the Bombay Plan a

strategic game plan advanced by existing business leaders to safeguard their area of operations or was the Bombay Plan a mix of both these ideas.

The Judiciary is still out on the exact scope and significance of this Bombay Plan, but it stands as one of the most significant economic documents to be published shortly before independence. Just as the swadeshi movement in previous years had made available a platform for budding Indian entrepreneurs and Indian leaders to come together and discuss the future trajectory of Indian growth and Indian businesses and just as international disruptions had also provided an opportunity for Indian entrepreneurs to think about their future economic growth.

The Bombay Plan also in its own limited way provided one such spectacle in which Indian business leaders could think long and hard about the precise trajectory that the Indian state would now take. And this document became an important meeting ground for the political class to come into contact with the business and entrepreneurial class of India and discuss for the future rules and policies that the government would have to undertake in order to facilitate not just the growth of the private sector, but also to facilitate and implement the constitution obligations of the future Indian state.

So, the Bombay Plan is one of the forgotten episodes of India's business history that is now receiving renewed attention by historians and researchers and its scope and significance lies not just in the fact that it was able to garner so much support from the Indian business class, but its true significance lies in the fact that it became a foundational document for the precise articulation of the precise roles and responsibilities that future governments in India had towards entrepreneurship, business and the larger aims of the economy towards citizens. (Refer Slide Time: 34:43)

Inauguration of Formal Planning Methods

- **Industrial Policy Resolution, 1948:**
 - State will have exclusive right to establish new undertakings in certain sectors
 - Organising economic activities on “periodic projections”

- **Industries (Development & Regulation) Act, 1951:**
 - **Industrial Licensing System**
 - Synchronisation with 5 year Plans
 - Govt control on production
 - Control on Pricing
 - Protection to Heavy Industries

The Bombay Plan was a context therefore, that made exchanges between Indian national leaders and Indian business leaders more frequent and it became the wellspring of different ideas that could guide governance in the years to come, but the more formal constitutional and executive platform that gave birth to the idea of planning was after 1947 and this is a theme that we will continue to discuss in the following lectures also, but in the present lecture I will offer a brief overview of the constitutional and legislative basis for the development of a planning architecture as far as Indian economy is concerned.

So, the inauguration of formal planning methods commences in the year 1948 which is one year after Indian independence and the year 1948 is remarkable because this was the year of the promulgation of the industrial policy resolution. So, the industrial policy resolution of 1948 is one of the earliest legislative or official documents that inaugurated the era of planning in independent India.

It had two important elements the first important element was that it advanced the idea that the state will have exclusive rights to establish new undertakings in certain sectors. These sectors included critical industrial spaces like aviation, railways, defense or aspects of defense and space and advanced science and technology including nuclear research. So, a certain area of strategic industrial production or business activities were safeguarded for state control and regulation.

The second important element that was outlined in this industrial policy resolution of 1948 was that economic activities would be organized by the government of India based on

periodic projections. There would be cycles that would be drafted by the government of India targets would be set for economic production cycles, those targets would be assessed on the basis of significant outcomes achieved out of those cycles and the next successive cycle of planning would be designed keeping in mind the ongoing projects of different planning mechanisms in the country.

So, the constitutional legislative and intellectual support to the establishment of planning commission and the birth of the first and second 5 year plans was given a firm basis in the industry policy resolution of 1948 where it gave official support to the idea of periodic projections as far as economic activities is concerned.

The second important legislative piece that you have to remember as far as inauguration of formal planning methods in India is concerned is the Industries Development and Regulation Act of 1951. 1951 was one year after India was proclaimed as a republic and it was one year before the successful organization of India's first general elections.

So, the political context in which the Industries Development and Regulation Act of 1951 was promulgated was extremely significant. It had five features to it and the five key features of it apart from several other policies that it outlined was firstly, the industrial licensing system from 1951 onwards the government embarked on a formal procedure of awarding licenses that could organize, regulate economic processes of manufacturing, retail, exports and imports in order to keep tabs on economic and commercial activities.

The second important feature outlined by this 1951 act was that the industrial licensing system and other associated activities would be synchronized with 5 year plans. So, the organization of economic activities and periodic projections which was a significant feature of the Industrial Policy Resolution of 1948 became a constituent feature of the Industries Development and Regulation Act of 1951 also.

The synchronization of the 5 year plans with periodic projections and regular cycles of economic production, retail, export and import was a crucial policy decision that we will continue to assess in the future course of our lectures.

This 1951 act also imposed government control on certain production areas and there was also control on pricing and there was significant protection that was accorded by the government to heavy industries. Government control and production and on pricing was

seen as an essential feature to secure the fruits of economic labor to the vast majority of Indian citizens who were making their way out of grinding poverty.

So, the context of post-independence India is extremely critical to understand some of the legislative pieces that were enacted during this period. Similarly control and pricing was also seen as a social well fairest measure that could give access to the poorest of the poor in India to critical services. These features even continued to this to this day and are a feature of the constitutional obligations that successive governments have rendered to their citizens.

Apart from the control and productions and pricing and the synchronization of 5 year plans with different economic activities the Industries Development and Regulation Act of 1951 also accorded protection to heavy industries. The reason for protecting heavy industries were manifold. These were critical sectors that were responsible not just for producing critical goods and services, but these were also industries that were producing goods and commodities that were responsible for the development of other kinds of secondary and tertiary industries.

So, the success of the Indian state after 1947 and its ability to set up a firm heavy industrial base for itself was not just a success of the early days the government, but also a successful policy experiment which wanted to make the Indian economy as self-sufficient as possible. (Refer Slide Time: 41:10)

Railways

- **1853:** 1st Passenger train service
- **1850s-1900s:** Rail transport infrastructure expands in India. Diversification into electric and suburban transport, tramways etc.
- **1950s:** Zonal reorganisation of Railways in India begins: Administrative and Functional reorganisation.
- **Success and expansion of Railway as a passenger system:** Depended on State control over key features on production, pricing etc.

As a result of these policy interventions by the state after 1947, its critical intervention and the impact of these policies was seen very clearly in certain sectors such as that of the railways. The railways in India is not exclusively a post 1947 story as I have already outlined in the previous lectures, the first passenger train service in the Indian subcontinent was laid out in 1853. This was a train service that connected the erstwhile city of Bombay to Thane.

So, the origins of railway in India have colonial routes, but the strategy, aim and the vision that guided the development of the railways in India was largely colonial in origins. The prime agenda for setting up railways in India in the mid-19th century was to facilitate colonial trade or facilitate the transport of goods from one corner of India to the other.

So, the colonial origins of railways cannot be forgotten and the aims and motivations with which this infrastructure was expanded in the Indian subcontinent during colonial routes is extremely important to remember. From the 1850s to about 1900s rail transport infrastructure expanded considerably in India and this expansion of the railway infrastructure was accompanied by a parallel diversification of that railway infrastructure into electric and suburban transport.

So, facilities such as tramways now became a common sight during this period in the cities of Calcutta, Bombay and even parts of Delhi in later years, but the prime reason for the establishment of this suburban railway network that was expanding considerably during the latter part of colonial rule was primarily a strategic economic exercise designed to benefit colonial businesses and practices. Its incidental side benefit was the establishment of a critical railway infrastructure and this was reorganized and restructured in the years after independence.

So, after 1947 when India becomes an independent country and from 1950s onwards you see a critical transformation in the railway infrastructure in India. From 1950s the government actively undertakes zonal reorganization of railways in India. This was done primarily to facilitate administrative and functional capabilities of the railway industry and there was also a dedicated focus on expanding railway services to the far flung corners of the newly independent country of India after 1947.

So, whereas, the pre-independence history of railways was geared towards garnering greater profits to colonial and other businesses and the routes pricing and the expansion of

railway services was contingent on the status of existing businesses in India. After 1947 based on the idea of service before profit you see a massive expansion, reorganization and restructuring of Indian railways in the years of 1950s and later.

But concomitant with this zonal reorganization of railways in India, there is also a feature of the Indian railways which continues to make it such a successful arm of governmental service and that is that the success and expansion of railways is a passenger system depended a great deal on state control over key features and production and pricing.

So, the industrial features that were promulgated or advanced after independence ranging from controls and pricing, production or the idea of rendering critical services to Indian citizens and making them accessible to the vast majority of Indian citizens was held critically responsible for the success and expansion of railway as a passenger system and a passenger service. (Refer Slide Time: 45:12)

Indian Railways: Post-Independence features

- **Massive Push for indigenous production of Railways locomotives and equipment:**
 - 1950: Chittaranjan Locomotives Works, Asansol
 - 1961: Diesel Locomotive Works, Varanasi
- One of the Biggest employers in India since 1947
- **Centralised Training Institutes of the Indian Railways (CTIIR):** Management, Training and Regulation of Trained Railway experts.

There are a few other post-independence features of the Indian railways that continue to derive benefit from some of the earliest legislative pieces that were enacted immediately after independence. So, after 1947 there was also a massive push for the indigenous production of railway locomotives and equipment in India. Some prime examples of this push for indigenous production of railway equipment came in the form of the establishment of the Chittaranjan Locomotives Works in Asansol in the year 1950 and in the year 1961.

There was also the establishment of the Diesel Locomotive Works in Varanasi of course, there were a series of different institutional pioneering railway achievements during this period, but two of the most flagship events and institutions that symbolized India's commitment towards revving up indigenous production of railway locomotives was the establishment of these two production facilities. This also contributed massively towards making India self-reliant as far as the railway production and services is concerned.

As a result of the massive institutionalization of railway services in India on the firm bedrock of legislative policies that were enacted after 1947 railway also comes across as one of the biggest employers in India since 1947. In addition, to all the above developments in the railway sector there was also a gradual and steady development of centralized training institutes of the Indian railways. These networks of institutions as they gradually came up in India after 1947 were responsible for the management, training and regulation of trained railway experts.

So, the success of Indian railways after 1947 has not just a medium of passenger service, but also a critical player in the transport of goods and services from one part of the country to the other depended on a great deal on the ability of the railway is to provide a trained guard of officers and support staff to prosecute those operations.

So, the reason as to why India becomes self-sufficient in heavy industrial materials or the production of it depended also to an extent on the success of the railways in transporting one kind of commodity to the other and being able to transport people from one part of the other as they went about in different directions to seek important opportunities for themselves and make India's economic space even more vibrant and bright in the years after independence.

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A Sum up

- Political developments leading up to and after 1947 give encouragement to Planning as an instrument of national coordination and organisation.
- The historical origin of Planning has international, global and also nationalist roots.
- **Bombay Plan:** Indian private players echoed ideas of planning and state direction in key economic areas.
- Specific legislative acts, measures or policies helped organise key industries and sectors in India for the public good.

I want to offer a sum up of what we have discussed in this lecture. The first feature that we have to remember as part of our discussion of lecture 13 is that political developments leading up to and after 1947 give encouragement to planning as an instrument of national coordination and organization.

The difficult political context in which India became an independent country resulting refugee crisis that happened as soon as India was declared as an independent country and the reorganization restructuring of governmental services or the stitching together of the political unity of the country after 1947 was an important political context in which ideas of planning economic regulation by the state and control of various economic in commercial operations was seen as a necessary exercise for greater economic and political stability of the Indian state after 1947.

Planning then was not just a philosophically abstract idea, it became a practical reality for the Indian government to undertake in order to secure the maximum benefit to its citizens reeling from the crisis of partition. The historical origin of planning nonetheless has international global and also nationalist roots. So, planning as an idea may have been given official recognition after 1947 in the form of planning commission and other industrial policy resolutions and acts that we have discussed in this lecture today.

But the establishment of the National Planning Committee as part of the Indian National Congress in 1938 was seen as an important nationalist engagement with the idea of

economical reform and restructuring as far as India is concerned. The support to planning as an idea also had international origins.

So, the soviet systems of planning or certain industrial examples taken from the ways in which Japanese industry had been reorganized in the early part of the nineteenth and twentieth centuries became worthy examples for Indian nationalist leaders to emulate and adapt to Indian conditions and Indian factors.

So, apart from becoming a practical economic official policy of successive Indian governments after 1947 planning had deep rooted international and pre-independence origins as we have discussed and outlined in this lecture. Apart from the political context and the engagement of different political leaders with the idea of planning, there were certain other factors and groups of communities and individuals who also were responsible for making the idea of planning more appealing to different stakeholders in this period.

And one such example that we have discussed in detail today is that of the Bombay Plan of 1944-45. Via the platform of the Bombay Plan Indian private leaders and private players or leaders in the business landscape of India echoed ideas of planning and state direction and key economic areas.

They also outlined that the private sector would continue to play an important role as far as Indian commercial and economic operations are concerned, but the larger constitutional political aims of Indian independence which is poverty alleviation or securing services in the form of last mile delivery of services or goods or making different services in India accessible to the vast majority of Indians would be the responsibility of the state.

So, the Bombay Plan became a foundational document in which Indian nationalist leaders and Indian business leaders came together to define what the precise responsibilities of the private sector and the public sector is going to be in the years to come. The Bombay Plan has received renewed attention from historians today. It is still a forgotten aspect of India's business history of this period.

Yet its role in making planning a central motive of successive Indian governments cannot be ignored. It also represents the coming together and the maturing of the Indian entrepreneurial class after independence because on the basis of some of the features

outlined in Bombay Plan certain other successive legislative pieces were enacted by the Indian executive.

Fourthly specific legislative acts like the Industrial Policy Resolution of 1948 and the industries act of 1951 and measures of policies related to those acts and certain other official pronouncements became responsible in organizing key industries and sectors in India for the larger public good.

The idea of service before profit which became a constituent feature of the NPC in 1938 was also actively taken up by successive governments in 1947 and later. And this idea of rendering critical economic, financial and other related services to Indian citizens without and without a priority for garnering profits out of that service became the centerpiece of the legislative exercises after 1947. This was crucially seen in the organization expansion and management of the railway services in India.

So, the establishment and expansion of railways to far flung corners of India and the establishment of a domestic and indigenous production facility in different parts of the subcontinent which could make India self-sufficient as far as railway production is concerned were key signature pieces of this policy vision that we have outlined in this lecture. (Refer Slide Time: 53:45)

In the Next Lecture

- Lecture 14:
- **Planning, Statistics and Industrialization Policies**

In the next lecture which is going to be lecture number 14, we will continue with some of the themes that I have discussed today and we will carry forward in our chronological story.

So, we will move beyond the episode of independence and partition and we will undertake an examination of the formal establishment of institutions such as the planning commission, we will critically assess the ideas governing planning, we will look at statistics and we will also examine certain key industrialization policies that regulated, reorganized or left the deep imprint on some of the economic, business and commercial operations of these years.

Thank you.