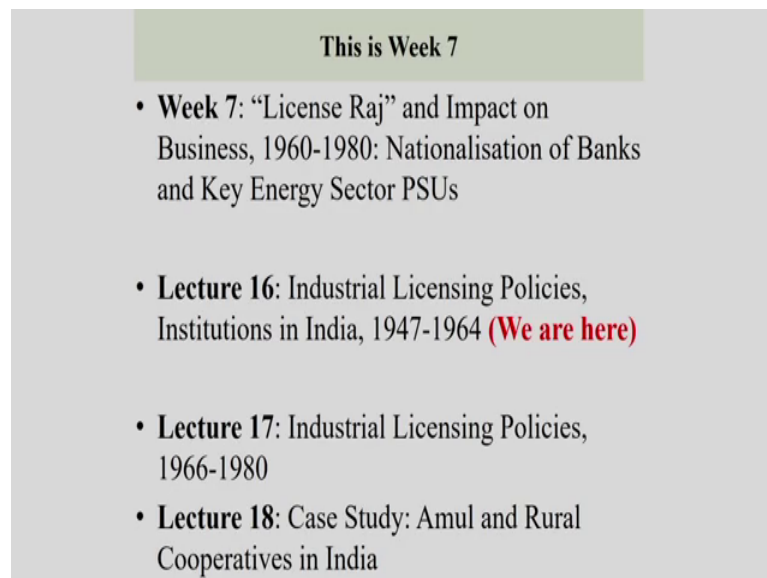


Indian Business History
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Lecture – 16
Industrial Licensing Policies, Institutions in India, 1947-1964

Hello friends and welcome back to Indian Business History. This is going to be lecture number 16, and the title of this lecture is, "Industrial Licensing Policies, Institutions in India from 1947 till about 1964".

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This is Week 7

- **Week 7:** “License Raj” and Impact on Business, 1960-1980: Nationalisation of Banks and Key Energy Sector PSUs
- **Lecture 16:** Industrial Licensing Policies, Institutions in India, 1947-1964 **(We are here)**
- **Lecture 17:** Industrial Licensing Policies, 1966-1980
- **Lecture 18:** Case Study: Amul and Rural Cooperatives in India

This lecture also marks the beginning of week 7 of this online course. The main theme that we will be discussing in week 7 is ‘License Raj’ and impact on business from 1960s till about 1980s. And, we will discuss the nationalization of banks and certain key energy public sector undertakings as part of week number 7 for Indian business history.

Week 7, involves three lectures. So, the first lecture which is lecture 16 where we are today will be a discussion of the Indian industrial licensing policies and its impact on institutions in India from 1947 till about 1964. And, then the next lecture will be a chronological step forward into the same theme that we will discuss in this lecture. So, lecture 17 will be an examination of Indian industrial licensing policies from the 1960s till about 1980s. And lecture 18, which is going to be the third lecture in week 7 will be a detailed case study of Amul a name that should be familiar to most of us and have a more larger discussion of

rural cooperatives in India. So, with week 7 we are commencing our discussion again of the precise policy laid impact on different Indian businesses and chronologically speaking we are also moving into the decades of the late 60s, 70s and 80s. So, this is what week 7 represents in the overall course structure of India's business history.

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Focus themes for Lecture 16

- Interplay between Policy & Practice
- Trends in Indian Businesses until late 1960s
- Features of Indian Business growth features & strategies
- Specific examples of the above features
- Assessments of Indian Business trends: New Sectors and leaders.

We will be focusing on five main themes as part of lecture 16. The first theme will be an investigation into the interplay between policy and practice. So, we will commence our discussion by laying out a brief outline of the various policy proposals, legislative pieces, and other guidelines and governmental directives that laid the form architectural basis for licensing to emerge in India. We will also discuss the impact of those policies on the ways in which it impacted different businesses. So, this lecture will give you an early history of the ways in which policies, official, governmental and others impacted practically aspects of businesses in India.

The second focus of this lecture will be an examination of the different trends in Indian businesses until the 1960s. So, we will look at certain new sectors that made the presence felt in India during these years. We will also do a stock taking of the different trends in characteristics, of the ways in which Indian business is evolved after 1947 till the 1960s. Then alongside chatting and documenting the trends in Indian businesses we will also detail certain features of Indian business growth and strategies during this period. Since, we will commence a discussion of how formal industrial licensing policies impacted

businesses, we will look at the ways in which the businesses in return responded to those features.

The fourth important focus theme of lecture 16 will be listing specific examples of the strategies and features that were available and the ways in which different businesses responded to different policy interventions. So, apart from documenting the strategies with businesses used to negotiate their way around industrial licensing policies, we will also be familiarized with this concept by detailing certain illustrations during this period in order to make the study of policy during this period more comprehensible and more recognizable and relatable.

Fifthly, the focus theme for this lecture will be an assessment of Indian business trends. We will look at how specifically this policy architecture impacted the general business period of this years and these decades. And, we will look at certain new sectors and leaders that emerge during this period and how different policies relating to industrial licensing either helped or hindered the functioning organization and management of different economic commercial and business operations in India during this period.

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In the past two lectures, we have already discussed some of the prominent post-independence policy features that were enacted or proclaimed in order to regulate the economics fear in independent India more closely. I want to take this opportunity to go over some of those important policy resolutions once again. This is necessary, because a

recapitulation of those policy interventions is vital to understand how those policy features find out in the decades of the 60s and 70s, and how specific policy proposals impacted the everyday life and practical nature of Indian businesses during this period.

So, as far as policy features relating to Indian business and economy is concerned, after 1947 the first important directive relating to the organization of India's industrial and economic policy came to us in the form of the industrial policy resolution of 1948. As you may well remember the industrial policy resolution of 1948 was responsible in charting out the territory on which the Indian state would take an active and robust role in organizing economic and commercial activities of this period. There was an official position which laid out the emphasis on the ways, sectors and specific industries in which the Indian state would take an active role in organizing those industries.

After the industrial policy resolution of 1948, you have the industries development and regulation act of 1951. As you may remember, the industries development and regulation act of 1951 gave a more formal official basis to licensing policies as far as economics and business operations is concerned. The industries act of 1951 also laid down controls relating to pricing and production or the augmentation of production processes.

So, the ingredients or elements that went into the making of licensing policies in India had a lot of connection with the previous policies that were made out by the government after 1947. After the industries act of 1951 comes the first 5-year plan that was drafted for the for the period between 1951 to 56, because this is the first 5 year plan it was drafted keeping local regional and national priorities in mind. And one of the most significant features of the first 5-year plan was its emphasis paid on the growth and augmentation of the agriculture sector.

In contrast to the first 5-year plan, the second 5-year plan which was drafted for the period between 1956 to 61 had a changed priority system governing its constitution, so the second 5-year plan laid more emphasis on heavy industrialization and it intended to achieve that heavy industrialization in a short space of time. The second 5-year plan was drafted by P C Mahalanobis, and in the course of our past lectures we have discussed how P C Mahalanobis and other Indian intellectuals and institutions conducted extensive consultations and negotiations with different international stakeholders, economists and

development specialists in order to gain more insights into the ways and how problems of the Indian economy and business could be resolved successfully.

In 1951, which marks the start of the first 5 year plan you also see the establishment of the planning commission which was state by Jawaharlal Nehru, who was India's first prime minister and the planning commission was formerly interested with the task of drafting these verify your plans. In 1956, which is also the year of the second 5 year plan you see the promulgation of the second industrial policy resolution after the first one that was released in 1948.

So, in the 1956 industrial policy resolution there was a 3-4 division of industries which would be made responsible for more state intervention into their management and organization and the defining of their priorities as far as industrial policies is concerned. And the third division of industries as laid out in the industrial policy resolution of 1956 was the role preserved for the operation of the private sector. So, the private sector was given a certain amount of emphasis in the industrial policy resolution of 1956 and its scope and significance was duly recognized.

So, in keeping with the themes and concepts that we have discussed in the previous lectures these were the 5 or 6 important historical landmarks as far as charting India's business history is concerned. Each of the policy features laid out in all these resolutions acts or other directives coming from successive governments in India since 1947, left their indelible mark on specific economic commercial and business related activities in India after 1947.

So, it is worth remembering that policies relating to Indian businesses and economic affairs do not act in a vacuum, but in fact, operate in a continuum of policy discourse in countries like India ever since they became independent in 1947. In order to comprehend and analyze business developments of the 60s more robustly, it is important to remember that developments flowing out in the years of the 60s and 70s derived their legitimacy, their significance and the substance for their implementation from the historical milestones that were enacted or laid in place in the immediate years after 1947.

So, in many ways lecture 16 will act as a bridge between the immediate post-independence, policy interventions by the state and try to assess the impact of those policy interventions on the practical aspect of running and setting up businesses in India by the 1960s.

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Interplay between Policy & Practice, 1947-1960s

- Terms of economic development set by governmental priorities after 1947: Role of state is vital
- The above priorities are economic, political & social in scope. Certain sectors receive focus, capital more than others.
- Focus on immediate & complete self-reliance in critical sectors.
- Licenses used as instruments to control, regulate and impose restrictions on businesses and associated economic and commercial activities.

I want to begin this lecture by laying out a more discursive context for our discussions that we will follow shortly. So, to begin I want to spend some time on examining the important and significant interplay between policy and practice from 1947 till about the 1960s which is the focus period of our discussion today.

The first element that we have to remember when discussing the interconnections between policy and practice during this period is that, the terms of economic development said by governmental priorities after 1947 had one main aim in its mind. The terms of economic development after 1947 was set by the state in consultation with different stakeholders, in industry, business and in the social and cultural sectors, but one running theme as far as economic development immediately after 1947 is concerned is that, most of these policies advocated or espoused the cause of the state.

Most of the policies relating to the regulation and control of economic affairs, corporate affairs or industrial affairs basically advocated that the role of the state in countries like India was vital. Countries like India which had become independent in 1947 became independent quite late and by virtue of that independence also enter the race for industrialization relatively later than their Western and North American counterparts.

As a result of the late or the late entry of countries like India into the industrialization fold, it was felt by a diverse array of stakeholders ranging from political leaders to bureaucrats to thinkers, journalists, academics and development experts that the role of the state in

guiding the economic fortunes of a country like India were vital. So, the terms of economic development that was set by governmental priorities after 1947 happened on a bed rock of different policy ventures espoused by different stakeholders and governmental policy after 1947 represented the fusion of these different ideas and ideologies into the formal methods of planning for India's development.

The second important feature that highlights this interplay between policy and practice between 1947 and the 1960s is that the terms of economic development or the priorities for India's economic development were economic, political and social in scope. As a result of the multiplication of sources that infused different levels of urgencies and important factors into the act of policy making in India certain, sectors received more focus and more capital than others.

Since, the priority is defined for economic revival and development in India were manifold these priorities were also informed by the complexities, tensions, anxieties and specific features relating to the economic, political and social spheres. So, as soon as India becomes independent and formal methods of planning are inaugurated through the planning commission and other institutions and individuals of importance, you see a more broad based and consensus driven approach as far as defining the economic priorities of the country are concerned.

These priorities were not just economic then focus was not just on industrial growth and augmentation, and also focus was not just on the multiplication of trade, and other economic indices. The priorities defined for development by the Indian state took, take you from various long standing economic, political and social challenges posed to India's growth and development from 47 onwards.

The third element that helps us understand this interplay between policy and practice from 1947 to 1960s is that the focus on immediate and complete self-reliance in critical sectors was the driving element or the driving need for inaugurating formal methods of planning during this time.

Whether it is heavy industrialization or whether it is erecting the temples of modern India like dams, universities, laboratories another public sector undertakings the driving motivation behind these policy proposals and implementation of those policy proposals was the focus on acquiring immediate and complete self-reliance in certain critical sectors

that could make India's economic system stand on its feet in a more competitive way and assure in India's industrialize in a most successful manner.

So, that India is able to carry shoulder to shoulder with other countries of the world at this point. So, the focus on immediate and complete self-reliance at least in industrial matters was considered as a top priority of the governments after 1947. So, the policies that were enacted after 1947 at certain priorities and those priorities for immediately put into practice in the manner in which business economic and commercial activities came to be organized.

The 4th significant element that also helps us understand the interplay between policy and practice as far as Indian business during this period is concerned is that licenses were now used as instruments to control regulate and impose restrictions on businesses and associated economic and commercial activities during this period. So, once the priorities of the state as an important player in the economic sector was recognized by different stakeholder's specific policy proposals were outlined in order to make the presence of the state a practical factor as far as the economy and business of India during this period is concerned.

As a practical manifestation, manifestation of the ways in which these policy proposals worked was the instrument of licensing system or the granting of different licenses for industrial production, manufacturing and other associated activities like exports and imports. So, license is then came to be used as tools or policy features that could regulate economic and business and commercial landscapes in a far more decisive facet that was otherwise possible.

And I want to take some time to discuss what is exactly meant by License Raj, this phrase will be used repeatedly in the next set of lectures that will follow from this lecture because it forms a discursive context for the ways in which commercial economic and other related activities were organized in India. And this would be a dominant rope or a metaphor for understanding some of the key characteristics of the Indian business landscape during this period and the years after the 60s as well.

So, License Raj basically refers firstly, to a set of policies, regulations which is licenses that was set out by official directors that dominated the economic, industrial and commercial operations in India. In the early lectures of this course we refer to a phase in Indian history referred to as company Raj which basically refer to the policies,

administrative measures and other steps that were taken by the East India Company to subjugate India's economic and other institutions under the whims of the colonial state.

So, just as the company Raj emphasized the paramountcy of the East India Company into Indian affairs the phrase License Raj refers to the dominance and hegemony of the instrument of industrial licensing as a method to control and regulate India's economic affairs during this period.

The second element that helps us realize what went into the makings of License Raj was that these licenses controlled regulated or restricted business commercial and economic activities in India a great deal; whether it was an augmentation of industrial output or whether it was affecting export credentials of certain industries or whether it was about augmenting imports or restricting imports any critical aspect related to the industrial manufacturing processes in India during this period was subject to licensing controls and regulation.

So, the word License Raj also refers to the all-encompassing nature of the licensing system in all manner and aspects of economic activities during this period. The licensing policies were initially proposed to safeguard states role to extend critical services and goods to citizens, suggest as planning and formal planning methods were a response to the specific post-independence political context of India way by critical goods and services and livelihoods had to be secured to people.

And in order to do that planning was seen as a governmental laid exercise to organize Indian affairs more smoothly and conveniently. Similarly, industrial licensing policies were seen as a response mechanism to try and safeguard and also help the state fulfill its constitutional obligations to make certain goods services freely accessible to its citizens in order to make Indian society more equitable just and stable. (Refer Slide Time: 22:25)

What is meant by “License Raj”?

- Set of policies, regulations (licenses) set out by official directives that dominated economic, industrial and commercial operations in India.
- Controlled, regulated or restricted business, commercial or economic activities.
- Initially proposed to safeguard state’s role to extend critical services & goods to citizens.
- Later intensifies to regulate and control economic activities further with mixed consequences. (to be discussed in later lectures)

While the initial proposal to impose the system of licenses relating to industrial and economic activities had political and constitutional obligations at its heart, the License Raj system later intensified and effectively becomes the License Raj when it starts regulating and controlling economic activities further with mixed consequences. So, the term License Raj is more apt to describe the decades of the 70s and 80s, where regulatory and control frameworks relating to different economic activities become more fierce and more intense. This later intensification of industrial licensing policies will be discussed in later lectures, but I wanted to introduce this phrase in order to set the context in which we will now discuss India’s economic and business history of these specific years.

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Business Developments, 1950s-1960s

- **TATA Business Operations: A Brief Assessment**
 - Financial support by GOI, World Bank in some sectors
 - TISCO: Doubles Capacity
 - **TELCO: Doubles Capacity by 1954 (part German collaboration)**
 - Tata Chemicals: Restricted Diversification
 - Tata Hydro-electric: Restricted
 - Tata Aviation: **Nationalised**
 - Life Insurance: **Nationalised**
 - Construction & Cement: **Restricted Expansion**

Just to give you a brief survey of how licensing policies and specific directives and regulatory frameworks were affecting business operations in India in the 50s and 60s, I want to offer a brief assessment of the ways in which Tata business operations responded to these regulatory frameworks that were being put in place in India during this period. As part of this brief assessment of the Tata business operations some of the aspects of the Tata businesses were receiving financial support by the government of India and other institutions like the World Bank. This was also true of certain other business operations in other sectors laid by different business tycoons and leaders.

However, as part of these regulatory frameworks which were being drawn up by taking into account national priorities and certain services that were needed to put India back on the path of prosperity and industrial self-sufficiency the Tata iron and steel company actually doubles its capacity. So, while regulatory frameworks were being put in place to restrict diversification or restrict the economic and manufacturing capability is a certain businesses as far as critical industries are concerned relating to the production of steel and iron.

They are also play a constructive role in the production of other industries in other goods it was felt that specific policies could help in the further augmentation of those critical industries. So, as an example of these policy frameworks supporting certain industrial activities is concerned, in the field of iron and steel production the Tata businesses were able to double the capacity during this period.

Similar to the iron and steel contexts Telco or the locomotives industrial arm of the Tata business operations also doubled its capacity by 1954; however, the doubling up of its production capacity by the mid-1950s was partly a result of the policy frameworks in place and also partly a result of international collaboration that was taking place in Indian business sectors at this point. One prime example of international collaboration was the coming together of Tata capital shaking hands with German collaborators in order to augment its production and manufacturing capabilities during this time.

So, critical sectors like iron and steel and also locomotive in automobile production witness a search in their production cycles just set a time when regulatory and controlled frameworks were being imposed in the Indian industrial and business landscape. There was restricted diversification noticed in the sector of chemicals and other associated

industries of the Tata operations and similarly Tata hydroelectric business was also restricted and did not diversify as much during this period.

So, one aspect or direct consequence of the ways in which these regulatory regimes and licensing policies were controlling the economic and business landscape of this period is reflected in the ways in which different sectors witnessed their growth periods in their own localized operations, while certain sectors witnessed a growth in their production capabilities certain sectors like the hydroelectric business and the chemical manufacturing business witnessed a restricted form of expansion and diversification.

Tata aviation was also nationalized and in later years came to be known as air India limited or air India which became a wholly owned government subsidiary at this point. Also, the life insurance business was nationalized because it was seen as a critical industry whose access to the public was deemed important.

There were also restricted expansion steps taken to rain in the construction and cement industry it would be worthwhile to remember that the construction and cement industry in the Indian subcontinent took off during and after the years of the Second World War and as a result of the war time mobilization of the economy during those years one of the industries that witnessed a huge amount of surge in its production in retail capabilities was construction and cement.

After independence; however, construction and other associated industries were also seen as critical industries that could deliver the public goods to the vast majority of Indian people as part of the state responsibility to extend critical financial services to its citizens. And therefore, keeping in view national priorities the regulatory frameworks that were put in place after 47 also were responsible in the restricted expansion of the construction and cement industry during this period.

(Refer Slide Time: 28:29)

Business Developments, 1950s-1960s

- **1948:** Tata Airlines converts to **Air India International** (49% stake of GOI)
- **Tata Revenues:** Relatively Low, Support extended from international collaborators, govt.
- **Nationalisation of TATA Businesses offset by large acquisitions**
 - Voltas: Cooling & Agricultural machinery
 - TCS
 - Tea (Tata-Finlay) ; Jute ; Coal Mines

Some more examples to illustrate the interplay between policy and practice relating to Indian business is important at this point. So, just as different and diversified sectors within the Tata business operations and in other sectors were witnessing the differential impact of policy proposals relating to industrial licensing certain other features of the Tata business operations also responded creatively to these regulatory frameworks.

So, in the same decades of the 50s and 60s when the licensing system was being slowly ruled out into Indian economic landscape you see the Tata aviation business convert into air India international and while doing that almost 49 percent stake in the aviation business of the Tata's is acquired by the government of India. Aviation as you remember right from the days of the Second World War was same as a strategic and core industry in India and after independence it was felt by different stakeholders within the government of India to acquire a stake in the aviation business keeping in mind its strategic and public dimensions.

As a consequence of the different ways in which policy frameworks affected big businesses like those of a Tata's, the revenues of some of the big business operations at this time were relatively low. The support to existing businesses in India were also extended by international collaborators, so the picture of business growth in India at this point is uneven. While certain associated businesses were able to witness an enormous demand in their products and services, keeping in mind they are public and national significance, certain other sectors witnessed a decline in their growth. As a result of this

uneven growth there is a mixed picture emerging of different business cycles in India during this period.

A part of that supports two big businesses was also being extended by the government in India, so whether it is in the form of linen taxation regimes or other associated mechanisms there was a parallel infrastructure developing in response to different Indian businesses in this period which affected their fortunes in a varied manner during this time.

So, in the decades of the 50s and 60s when different sectors of the Tata business operations were getting nationalized such as life insurance in aviation because these were seen as strategic industries which had to be made accessible to the larger public, these nationalization efforts which also to an extent contributed to the decline in the earnings of these businesses was offset by certain other parallel developments that compensated for their perceived or actual losses in other sectors.

So, in response to the nationalization of certain Tata businesses these perceived or actual losses were offset by either domestic or international acquisitions during this period. So, some of the examples of the acquisitions that the Tata business is made during this period was there acquisition of a company called Voltas, a name should be familiar to most of our learners.

This was mainly a company devoted to manufacturing cooling and agricultural machinery and its acquisition by the Tata's during this period was responsible in expanding another set of their business operations at a time when regulatory frameworks were curving some of their entrepreneurial activities. During this period, the Tata operations also delve into the consultancy business. So, TCS operations are also formerly acquired or managed by the Tata operations during this period.

Of course, the IT industry in India takes off only in the later part with 20th century and it is the theme that we will discuss in great detail in the future set of lectures. But the Tata operations would gaining a greater interest in the consultancy business in this period. So, in the later part the 60s and early 70s, the Tata consultancy services becomes an important element of the Tata operations in this period. It takes off only in the later part of the twentieth century; however, the roots of the taking of the software industry or the consultancy business in the decade of the 1990's and later has historical origins.

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Business Developments, 1950s-1960s

- Fabrics (Grasim)
- Aluminium: HINDALCO (part US collaboration)
- Woollen Mills (Tata Business and other players)
- Expansion in Construction & Cement (Tata and others)

- **Occasionally licenses issued but not used in certain sectors: Strategy to oust competitors.**

Tata operations in several other business entities of this period also enter into acquiring different sectors and different companies like those of tea companies. So, the entry of Tata businesses into the tea empire during this period marks a turnaround in their economic profile during this period.

The Tata's also gain increasing interest in acquiring some of the jute mills and coal mines suggest as regulatory and licensing features are trying to regulate and control economic activities during this period. Certain other sectors within big businesses diversify into uncharted territory; they acquire domestic and foreign businesses and try to offset their losses through nationalization by acquiring different services and arms in order to augment their revenue earnings. So, a mixed picture of Indian business is developing at this point, which on the one hand is regulatory and controlling in nature and on the other hand there are bright and vibrant developments taking place in certain other sectors of Indian business landscape during this period.

Certain other sectors also grew in response to the licensing regime that was being rolled out in India at this point; so, the fabrics industry, such as those of Grasim, another important name that you should be familiar with. Grew out in response to these policy frameworks and expanded its scope as far as the national textile market is concerned. Aluminum production also takes off in India during this point and the arrival and

consolidation of Hindalco which grew out in response to US collaboration with Indian industrial interest was a significant feature of India's business history during this period.

So, while some sectors were witnessing the controlling nature of licensing regimes. Certain other sectors in the same context of licensing regimes were witnessing and expansion and augmentation in their production capabilities because of the nature of their industrial products and services. Just as the fabrics industry in India was diversifying and reaching different markets within India and abroad, woolen mills in India pioneered by Tata businesses and other players such as the Birla business operations were also making their presence felt.

Certain important urban centers like Ludhiana, and other cities in Punjab were coming across or emerging as prominent textile production centers or prominent textile retail centers in this point. So, the policy frameworks that were been put in place in India at a varied impact depending on the industry concerned. And, in consequence to the impact of these industrial licensing policies, it also had secondary tertiary developments as far as urbanization and the development of a critical infrastructure is concerned.

Despite the restricted expansion and diversification of the construction and cement industries there was a significant expansion in construction aspects towards the later part of the 60s and early part of the 70s. As part of the Indian states social political and constitutional obligations to provide housing to its vast majority of people and element that was also enshrined in different policy resolutions in the 5 year plans that were beginning to be rolled out since 1947. You see a modest growth in the construction and cement industry in the later part of the 60s and 70s, despite the presence of licensing features in this sector.

One significant feature of business developments between the 1950s and 60s and also which will be noticeable in our future course of lectures was that occasionally licenses issued to certain players were not used immediately in those sectors. This was largely seen as a strategy to oust competitors. So, just as the system of licensing was evolving in relation to local regional and political realities, the system of acquiring those licenses were also gaining greater political social and institutional importance.

So, just the act of awarding a license was no longer a significant feature of this period, the act of acquiring a license was equally and exercise and importance because the use and the

contexts to which those licenses could be used more varied. And sometimes, licenses issued for particular economic activities were not used immediately or the use of that license to inaugurate or kick start a new economic commercial of business activity was delayed. Sometimes, issues were procedural or systemic in nature, but sometimes vocationally the delay in the use of awarded licenses was used by certain business operations to oust competitors.

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Business Developments, 1950s-1960s

- Licences in machinery & automobiles granted:
Ambassador cars manufactured.

- **Large-scale acquisitions**
 - Banking & Insurance
 - Coal
 - Tea
 - Engineering works

- **Overseas Investments** in Textiles & Paper in Ethiopia, Nigeria, Kenya, Thailand (Birla, Tata and other business leaders)

Certain other features of business developments from the 50s and 60s was the feature of licenses that were given in machinery and automobile production. So, ambassador cars that were a familiar sight until a few years ago was becoming a practical reality in India during these decades and the indigenous production of automobiles that could transport people from one place to the other and could also be perceived as a public industry producing goods with the public interest became a reality during this period.

So, the licensing system introduced in machinery and automobile production had a definite public angle to it. It also contributed immensely towards the production and establishment of a domestic car manufacturing capabilities in India, the legacy of which different car makers continue to enjoy today. So, the mixed consequences or the mixed bag that licensing policy is represented in the 50s and the 60s was witnessed most remarkably in the production of automobiles.

Then just as big business were acquiring domestic or foreign businesses to augment their earning and earn more profits in order to offset the losses arising out of nationalization or greater licensing control on their economic activities certain large scale acquisitions were taking place in different sectors of the Indian economy during this period. Some of the largest acquisitions that took place at this point were in the sector of banking and insurance.

Acquisition as a formal process could refer to a wide variety of things. So, one aspect of acquisition could be governmental laid acquisition of private players in order to make those services more publicly available. Acquisitions could also refer to the merger or the occupancy of existing businesses by other big players during this period. Certain large scale acquisitions were also taking place in the tea industry in this period. So, for instance the (Refer Time: 40:52) of the Tata business operations into existing tea business was an example of this distinctive feature.

And they were also large scale acquisitions taking place in some of the engineering works in this period. As you already know engineering based industries were a direct response to the wartime economies of the Second World War, mobilization programs, but industries such as light to heavy engineering industries also outgrew their wartime utility and were able to sustain themselves after the conclusion of warfare. So the maturing of Indian

industries takes place after 47 despite the presence of a regulatory framework in which as far as regulating economic activities is concerned.

Some of the overseas investments that were taking place at this point and which become a distinctive feature of business developments during this period took place in the textile and paper industries in parts of east Africa such as in countries like Ethiopia. Some of the overseas investments were also taking place in Western Africa, in markets like Nigeria also in Kenya which is in Eastern Africa. And some of the most prominent overseas investments as far as the textile industry is concerned was taking place in Southeast Asian markets like those in Thailand. Some of the important players as far as overseas investment patterns are concerned during this period were obviously, the Birla operations and the Tata operations, and certain other industrial tycoons and outfits were also responsible in establishing their presence abroad.

This was an unprecedented development because these years represented the branching out of India's entrepreneurial infrastructure into other associated overseas markets as far as textile and paper based industries is concerned. So, despite the imposition of a regulatory framework to control economic aspects of India you see other vibrant developments also taking place side by side.

(Refer Slide Time: 43:03)



**Assessments of Business Cycles & Growth,
1950s, 1960s**

- **Tata:** large-scale acquisitions
- **Birla:** diversification
- **Kirloskar:** R&D, Exports
- **Walchand Group:** Automobiles
- **Thapar Group:** Diversification; Textiles(Greaves Cotton)
- **Mafatlal Group:** Chemicals Mfg

Just to offer a brief assessment of business cycles and growth during the 50s and 60s as far as the Tata operation is concerned this was marked by large scale acquisitions. So, the

dominant business style or strategies that the Tata's employed in order to make sense of regulatory frameworks being imposed on business operations in India was to augment their

earnings and profits through acquiring diversified and different sectors of economic operations in India and abroad.

The Birla business operations were also getting diversified. Their investments were now ranging from textiles to machinery and automobile production. The 50s and 60s also established the Birlas as a pan Indian business house with significant economic and industrial stakes in all kinds of sectors during this period. Just as the Tata and Birla operations for getting diversified over acquiring different businesses during this period the Kirloskar Empire were also investing heavily into research and development and was also focusing excessively on exporting some of their signature goods and services to other associated markets in East Africa and also Southeast Asia.

The Walchand group, the case study of which we discussed in great detail during and after the years of the Second World War had also diversified into the automobile business. So, in addition to the diversification of their business interest ranging from shipping to aviation to textile and food and other industries, the Walchand group was also mirroring its business practices as far as the automobile production is concerned.

The Thapar group which also consolidates its business in areas of Punjab and Delhi also undergo a significant phase of diversification and one of their main stages as far as economic production and output is concerned was in the area of textiles and cotton processing. Chemical manufacturing something that was regarded as a strategic and critical core industry for later development of scientific and research establishments elsewhere was also a core concern of the government of India after 1947. So, the regulatory frameworks that were put in place since 1948 also affected the chemicals business in India.

The Mafatlal group for instance witnessed a growth in its business and economic operations relating to the production of chemicals. So, while one aspect of business operations were subject to regulatory controls certain other sectors behaved or reacted to those regulatory controls in creative and varied manner.

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Assessments of Business Cycles & Growth, 1950s, 1960s

- **Dalmia-Jain Families:** Move towards Publishing
- **Seshayee Brothers:** Nationalisation; Transport Business
- **Shapoorji, Khataus:** Ltd diversification, focus on core interests (construction)
- **Indra Singh Family of Punjab:** Transition to Politics; decline of publishing concerns.
- **Martin Burn** (Calcutta; construction business): Decline.

Certain other examples of the business cycles and different growth periods that were witnessed in the 1950s and 60s relates to certain prominent business families that emerged in this period and some of them continue to consolidate their businesses whereas, other players witnessed decline in their economic and entrepreneurial fortunes.

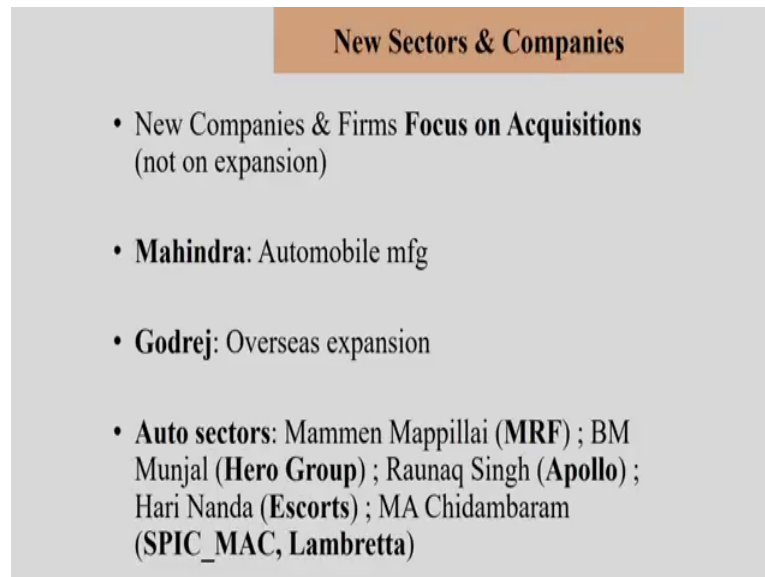
The Dalmia-Jain families for instance started moving towards publishing and other associated trades and economic features. The Seshayee brothers, name that you should be familiar with because we have discussed this in our previous lectures and who are responsible in launching the transport and automobile industry in the southern part of India also witnessed the nationalization of a part of their business.

But continue to focus heavily on their transport business that their helps set up in the early part of the 20th century. Because there was limited diversification opportunities given on construction and cement industries industry leaders like Shapoorji and the Khataus witnessed a limited phase of diversification in their businesses, but they continue to focus on their core interest. The Indra Singh family of Punjab for instance transition to politics and witnessed to decline in their publishing concerns.

So, depending on the nature of industry and the nature of goods and services produced by given industrial concerns, the imposition of a regulatory, policy framework such as the licensing system affected the fortunes or different industries differently. Business activity is the eastern part of India such as those of martin burn relating to construction business also declined in response to the policy, political and social forces in those areas. So, the

License Raj system a system that comes into its own only in the later part of the 70s and 80s had begun already to control regulate and shape the contours of their operations more intimately.

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New Sectors & Companies

- New Companies & Firms **Focus on Acquisitions** (not on expansion)
- **Mahindra**: Automobile mfg
- **Godrej**: Overseas expansion
- **Auto sectors**: Mammen Mappillai (**MRF**) ; BM Munjal (**Hero Group**) ; Raunaq Singh (**Apollo**) ; Hari Nanda (**Escorts**) ; MA Chidambaram (**SPIC_MAC, Lambretta**)

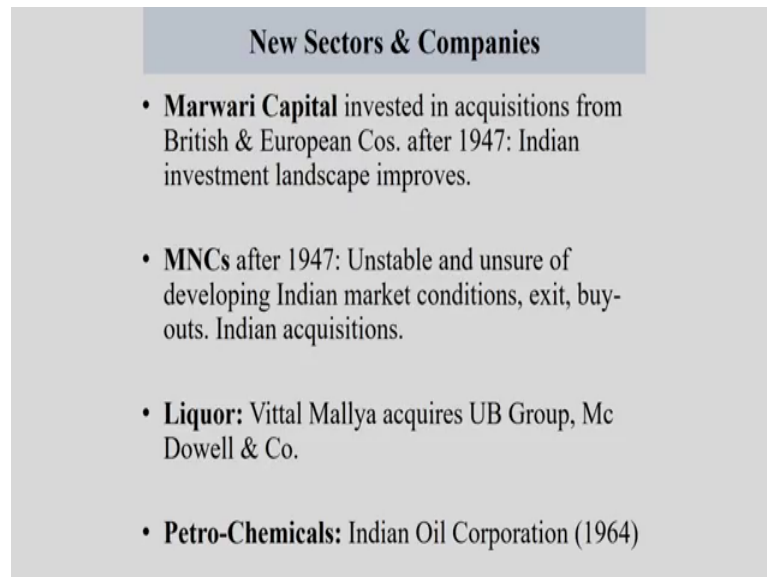
So, the new sectors in companies that emerged in this period of economic control and regulation focused mainly on acquisitions and not really on expansion. Big businesses like the Tata's and Birla's used the instrument of acquisitions to augment their incomes and also to offset the losses arising out of nationalization. The automobile industry also took off during this period because it was regarded as an industry that could supply provisions and goods for the larger revival of domestic demand and industrial sentiment.

So, the Mahindra group also witnesses the growth in its operations during this period. Just as there was overseas investment happening in different areas the Godrej group a name also familiar to most of us, also started undertaking steps to establish its presence in overseas markets. Because the automobile sector was one of the most important sectors to develop in this period, you see the establishment of the MRF group in the southern part of India, you see the development and consolidation of the Hero group as it was being led by B M Munjal.

You see the development of allied industries relating to those automobile industries such as the manufacturing of automobile parts or rubber industry or the tire manufacturing industry. So, groups like the Apollo and the escorts group with their attendant and

diversified portfolio of investments become some of the prominent players during these decades and in the years after 60s as well. Certain other automobile groups like those led by an organized by M A Chidambaram also make the presence felt in India's business history during this period.

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New Sectors & Companies

- **Marwari Capital** invested in acquisitions from British & European Cos. after 1947: Indian investment landscape improves.
- **MNCs** after 1947: Unstable and unsure of developing Indian market conditions, exit, buy-outs. Indian acquisitions.
- **Liquor:** Vittal Mallya acquires UB Group, Mc Dowell & Co.
- **Petro-Chemicals:** Indian Oil Corporation (1964)

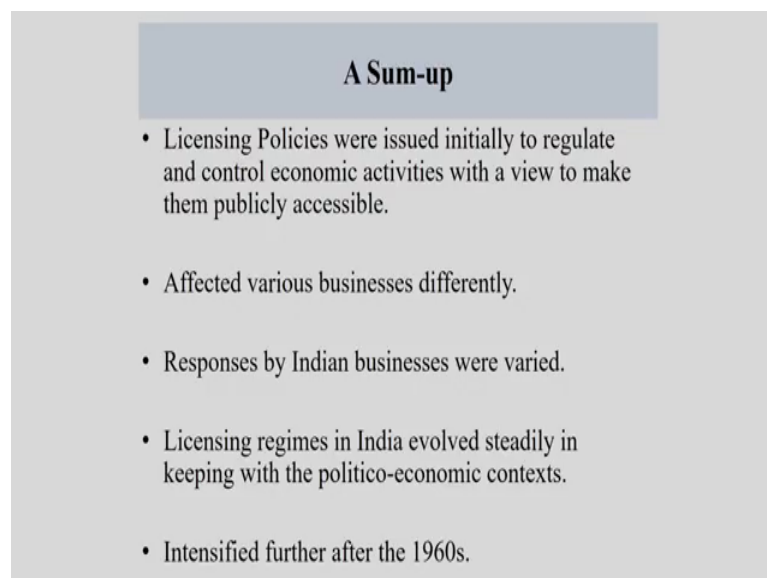
Some other features of the new business growth cycles of this period was in the area of Marwari capital. The Marwari community as you know was at the forefront of pioneering new business practices and making available a different array of financial services to different political and economic stakeholders, since the turn of the 18th century and even before that. In the decades of the 50s and 60s, Marwari capital was invested in acquisitions from British and European companies after 1947. As a result of the greater investment of Marwari capital into different areas of economic and business operations the Indian investment landscape also improves.

Secondly, multinational corporations a feature that was becoming increasingly common after the years of the Second World War become slightly unstable after 1947 and they are unsure of developing Indian market conditions during this point. As a result of their confusion and the inability to comprehend the Indian market conditions, there is a considerable exit of multinational corporations after 1947 and in response to that exit there are large scale acquisitions then buyouts of those industrial concerns by Indian capital.

As far as other Indian industries are concerned in the field of alcohol and liquor you see different groups emerging in this period. And critically in the area of petrochemicals you see the establishment of the Indian oil corporation in 1964. This was seen as a critical national asset. Its concerns and manufacturing capabilities was seen as critical towards extending services and goods to vast majority of people.

So, petrochemicals just has aviation and nuclear research and iron and steel production is also regarded as national industry. So, the new sectors and companies that emerge in this period emerge out of a complex set of factors and contours.

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A Sum-up

- Licensing Policies were issued initially to regulate and control economic activities with a view to make them publicly accessible.
- Affected various businesses differently.
- Responses by Indian businesses were varied.
- Licensing regimes in India evolved steadily in keeping with the politico-economic contexts.
- Intensified further after the 1960s.

I want to offer a brief sum up of what has been discussed in this lecture. This lecture was mainly and illustrative account of the ways in which specific policies of the previous years at started to shape the debates relating to economic commercial and business activities of this period.

So, the first element that you have to remember was or is that licensing policies were issued initially to regulate and control economic activities with a view to make them publicly accessible. Secondly, these licensing policies or regulatory frameworks affected various businesses differently. Depending on the products being offered by different businesses and depending on the national outlook of those businesses licensing policies affected the economic operations depending on the nature of their business and economic operations.

So, industries devoted towards the production of steel and iron or locomotives or automobile parts was witnessed a growth in their production facilities and in their manufacturing capabilities. Certain other sectors like life insurance, aviation witnessed in nationalization because it was felt, that the government needed to control these sectors more closely. The responses to the imposition of regulatory frameworks and licensing policies was also varied.

So, while a part of these businesses were given over to governmental control because of their public nature, certain other business operations diversified into different sectors in order to augment their incomes and also started diversifying into overseas markets at this point. It is fair to say that licensing regimes in India evolved steadily in keeping with the political economic contexts. This is a theme that we will continue to discuss even in the next lecture. So, keep in mind the historical origins of formal planning methods in India and how those formal planning methods gave official and institutional support to the policies of licensing.

Of course, the system of licensing comes to be regarded as a License Raj in the 70s and 80s, when the intensification of control and regulation relating to economic and business activities becomes more intimate and intense, and this is a theme we will continue to pursue and interrogate in the future set of lectures.

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In the Next Lecture

- **Lecture 17**
- **Industrial Licensing Policies, 1966-1980s**

So, in the next lecture which is going to be lecture 17, we will examine in detail the industrial licensing policies from the 1960s onwards until the 1980s. This will be a period which was marked by the onset of (Refer Time: 54:53) and intensive regulatory frameworks that were put in place and we will discuss this in the specific political economic context of this period. So, we will take the chronological story of licensing forward until the 1980s in the next lecture.

Thank you.