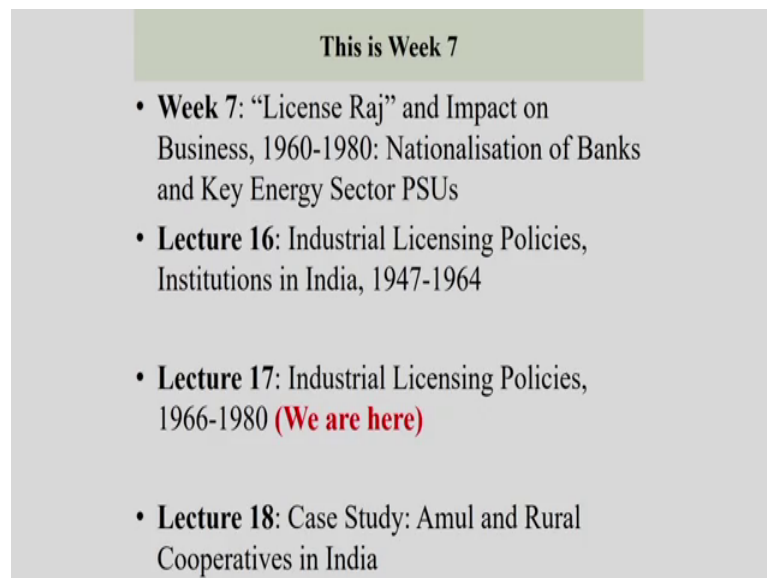


Indian Business History
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Lecture – 17
Industrial Licensing Policies, 1966-1980s

Hello and welcome back to Indian Business History. I am Dr. Vipul Dutta and this is going to be lecture number 17. The title of lecture 17 is "Industrial Licensing Policies" which we will trace from the year 1966 till about the 1980s.

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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
- **Lecture 17:** Industrial Licensing Policies, 1966-1980 **(We are here)**
- **Lecture 18:** Case Study: Amul and Rural Cooperatives in India

A brief note to locate ourselves more clearly as to where we are currently in the online course this is as you know week 7. And, the main theme of week 7 is a discussion of License Raj and its impact on businesses from 1960 to 1980s, it comprises three lectures. So, lecture 16 which is what we discussed previously was an examination and investigation of industrial licensing policies and the impact of those licensing policies on certain Indian institutions and this be traced from the post-independence years until the mid-1960s.

Lecture 17 which is where we are today is a further chronological entry into licensing policies and we will discuss the full impact of what is now in formerly known as License Raj or the dominance of a regulatory framework relating to economic, commercial and business activities in India. The following lecture after this will be a detailed case study of some of the rural cooperatives and rural cooperative businesses that have taken place in

India; chief among them being Amul, a name that is familiar to most of us. So, lecture 18 will be a detailed analysis of the structures, forces and trends in the rural cooperative sector including the massive success of the Amul business.

Just to offer a brief recap from what was discussed in the previous lecture so that we know our chronological and analytical scope from now on. (Refer Slide Time: 02:25)

Recap from Lecture 16

- Licensing Policies were issued initially to regulate and/or control or make economic, commercial or business activities aligned with public & state-led priorities.
- Licensing affected various businesses differently: Some expanded overseas, active acquisitions etc.
- Responses by Indian businesses were varied to regulatory frameworks. It evolved in keeping with the politico-economic contexts.
- Licensing policies intensified further after the 1960s.

In the previous lecture, we discussed that the licensing policies were issued initially to regulate and or control or make economic, commercial or business activities aligned with public and state led priorities. We discussed the immediate political context after independence and they need to organize the economic activities of the young nation was seen as a critical step towards organizing the lives of its citizens.

The developing political context after 1947 which included the relief and rehabilitation measures extended to refugees coming from other parts into India. And, the subsequent state led reorganization of provinces within India meant that a coherent strategy as far as economic, commercial and business operations is concerned was the need of the hour to put the state on a more firm footing and to ensure its continued future economic prosperity so as to make the young state of India a politically and economically viable country. So, planning then was not just an economic step, but also a political, social, cultural and institutional factor responsible in securing the young Indian state a measure of stability so that future progress could be relied on.

Then the second element from the lecture 16 we learnt that licensing affected various businesses differently. So, while a part of some of the existing big businesses after 1947 were nationalized keeping in view their strategic aspect which the government felt was necessary for state control in order to make that service or business either a priority for state or to make it publicly accessible to its citizens. Yet the other side of this story during the initial years of licensing was the strategies and ways through which existing businesses responded to those regulatory frameworks.

So, the response to licensing was multifaceted and while some businesses expanded overseas in order to augment their incomes or to offset the losses from nationalization or the takeover of a part of their business by the state; other businesses also entered or indulged in active acquisitions within India and abroad. These acquisitions were in the form of takeovers or acquiring certain another industrial units or industrial houses in order to boost their revenues or incomes and to try and sustain their businesses for the longer duration despite the presence of a regulatory framework being led by the state during this time.

Thirdly, responses by Indian businesses were varied according to the case of a business concerned and as per the regulatory frameworks that were being imposed in India as far as

business operations are concerned. The existing industrial houses and business houses also responded creatively in order to cope with their complex nature.

So, just as Indian businesses came up with interesting solutions to manage or make sense of these new regulatory principles that were being extended across the country, the system of licensing itself evolved in keeping with the politico-economic contexts of these times. These politico economy contexts related to the nature and framework of governance and place during these years, it also related to the nature and composition of the business landscape during these years and these are themes that we have already covered in the previous lectures. This lecture will take those themes forward in order to assess the impact of licensing policies from the 60s till about the 80s.

The fourth element with which we ended the previous lecture was the fact or the feature that licensing policies intensified further after the 1960s. So, just as the initial regimen of licensing and regulatory frameworks are established in consonance with the inauguration of formal planning methods in India, you also see the gradual evolution of these regiment in accordance with the evolving political and economic contexts of this period.

So, licensing policies intensified in their reach and controlling capacity after the 1960s. So, therefore, this lecture which is lecture 17 will take these themes that we have already covered further. As usual there will be focused themes for this lecture as well.

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Focus themes for Lecture 17

- Outlining the Political & Economic context of the 1970s and 80s.
- Assessing the impact of policy proposals and interventions on businesses in India.
- Emergence of new sectors and business leaders.
- General features of changing & evolving trends in Indian business.

So, as far as lecture 17 which is the present lecturer as concerned we have a fourfold division of our aims and which will define the scope for discussions today. The first theme will be the out lining of the political and economic context of the 1970s and 80s. We will look at certain trends, features and unique concepts that came into increasing discussion and circulation during the decades of the 70s and 80s in order to form a base on which we can assess the performance of certain businesses or the coming up of new sectors during this time.

So, the analysis and investigation and interrogation of the context of the 1970s and 80s will be a critical exercise as far as analyzing the business trends of this period is concerned. Secondly, we will be assessing the impact of policy proposals and interventions on businesses in India. So, just as in the previous lecture to be discussed certain industrial policy resolutions and certain policy interventions or state led directives or regulatory frameworks and assessed or compared them with the practice of everyday businesses in India during the 40s, 50s and 60s we will conduct a similar exercise for the purpose of this lecture as well.

So, we will examine in detail certain key legislative pieces or regulatory frameworks or licensing policies of these decades in order to comprehend more closely the precise nature of executive control on the conduct and management of economic commercial and business activities during this period. We will also discuss the emergence of new sectors and business leaders during this period. So, despite the overall discussion of this lecture being an examination of the intensification of licensing policies there was also spectacle in which new sectors emerged successfully and pioneered new business formations some of which continue to influence Indian business history to the state.

Finally, we will discuss the general features of changing and evolving trends in Indian businesses. So, this will be a comparative theme in this lecture where we will compare contrast some the past policies and asses their impact on the constantly evolving landscape of economic and business operations in India in the decades after the 60s till about the 1980s.

In order to understand the precise business formations and business practices and the economic and commercial landscape of India during this time, it is critical to examine first

the political context which allows us to study the economy and the business of this period in the first place.

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Political Contexts to Study Economy and Business of this Period

- **1971 General Elections in India**
- **Generational Change in Indian Politics:** New leaders, fresh economic visions, new forms of social and political mobilisation
- Political authority vested with the Executive: Impact on Economic reforms and policies.
- 1974-75: "JP Movement" led by Jayaprakash Narayan
- 1975-77: Emergency period in India

So, the first historical landmark with which we can comment on the discussions for this lecture is the 1971 general elections in India. This was a remarkable election in India's political history because it marked the arrival or the turnover of a new generation in Indian politics. New leaders came into the political horizon. They brought with themselves fresh economic visions and they also carried forward with them new forms of social and political mobilization.

So, younger leaders with fresh ideas of political and economic organization came up in the Indian political horizon and their increasing influence in policy circles, political circles, socio cultural circles and also institution circles marked definite change in the way in which economic, industrial and business related policies came to be defined during this period. So, the 1971 general elections therefore, forms an important backdrop to our study for this lecture because it is not just a political exercise at the end of the day it was also a milestone a watershed moment that distinguished a new form of political organization and method from the previous decades.

In the 1970s also political authority came to be vested with the executive to a greater degree and the greater concentration of political authority within executive circles or legislative circles for that matter impacted economic reforms and policies decisively. So,

the coming together of political interest with legislative interest and their joint exercise in the defining of a new economic industrial or commercial vocabulary for India marked a definite change during this period.

After the 1971 elections, the next historical moment that is remarkable and worthy of our attention is the years of the JP Movement which was led by Mister Jayaprakash Narayan. This movement was a student led movement directed against elements of misrule and miss governance and this movement was organized in the years between 1974 to 1975. This was a movement that had an Indian presence in many corners and was also transformation moment in Indian politics in the manner in which it provided a platform for fresh new voices to reinvigorate the landscape of Indian politics during this time.

After the JP movement comes the emergency period in India from 1975 to 1977. So, in terms of political events and milestones the decade of the 70s and also 80s forms an interesting and fascinating aspect of India's political history. Nevertheless, these political events also had a decisive impact on economic events of this period.

So, the coming together of different stakeholder's different kinds of leaders either in support or in opposition to each other formed a distinctive political come public sphere in India which shapes not just the politics of this period to a great extent and inspired countless new generations of Indian political thinkers and leaders. It also has a decisive impact on the ways in which complex economic industrial and commercial questions also came to be addressed and discussed in the corridors of power and in the public spheres of discussions during this period.

So, the political forces combine brilliantly with the economic context of this period and this makes the decades of the 70s and 80s are truly remarkable period to not just study political history. But, also study the intensification of regulatory frameworks relating to the operation and management of some of the industries and businesses during this period.
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Political Contexts to Study Economy and Business of this Period

- **1977-79:** Janata led Alliance forms the central govt.
1st Non-congress govt in New Delhi.
- **Economic Reforms:**
 - Push for growth of indigenous industries
 - Emphasis on collaboration between MNCs and Indian Corporations: **Mixed Outcomes**
 - Labour mobilisation etc.
- 1980: 7th Lok Sabha elections, INC (I) and Mrs Gandhi return to office

To continue with our discussion of the examination of the political context in order to study the economy and business of this period more comprehensively the years 1977 to 1979 are remarkable again in the context of Indian political history because this marked the successful coming to power of the Janata led alliance which form the central government in New Delhi. The reason why this feature is remarkable in Indian politics and also for the study of India's business history is because this was the first instance when the first non-congress government took office in New Delhi.

So, the years of the Nehruvian consensus and the initial tenure of misses Indira Gandhi as the prime minister of India comes to a brief halt in the year 1977 to 79 when the first Janata led alliance becomes the government in charge of administering India from 1977 to 79. This is truly a watershed moment because for the first time a non-congress government was at the helm of affairs in New Delhi. The arrival of the Janata led alliance in these roughly 2 to 3 years in New Delhi and as the centerpiece for executive and legislative power during these years in New Delhi was also marked by certain significant economic reforms that were undertaking by this alliance.

Apart from a slew of economic and political another institutional reforms carried out by the Janata government the three important features that are relevant for our discussion today on India's business history during this period are as follows. As part of its economic reform agenda the Janata led alliance government push for the growth of indigenous

industries. This had a decisive impact on the ways in which industries in the heavy, core or middle sector were organized and managed.

So, there was a definite impact on the ways in which the industrial landscape was sort to be reformed, restructured or reorganized on certain different principles. What were these principles we will discuss in greater detail in the next few moments, but from 1977 to 79 there was a definite push for the growth of indigenous industries including the cottage industries in the rural and provincial areas of India.

Secondly and quite significantly, as part of the economic reforms of this government, there was an emphasis and collaboration between multinational corporations and Indian corporations. The results of this push for greater collaboration between western capital and existing Indian talent in capital as far as Indian corporate sector is concerned had mixed outcomes. So, while there was successful cases in which Indian companies collaborated successfully with the Western European or North American or other international collaborators in certain other areas, these partnerships did not lead the desired results.

However, as a policy intervention the greater governmental or state led push to create an ecosystem in which Indian capital could shake hands and collaborate with western capital and western corporate talent or western corporate infrastructures was seen as an unprecedented step that could revive the vibrant, economic and commercial landscape of India during this period. The results of this policy were mixed. So, while certain businesses achieved great results as a result of this transfer of knowledge skill and services other businesses did not quite yield the expected outcomes that were expected from such ventures.

As part of its further systemic economic reforms, the Janata led alliance also played a great role in issues like labor mobilization and strengthening the trade union movement. So, in certain industries and in certain sectors there was a great aspect we should felt as far as a labor mobilization theme as concerned. So, in addition to giving a push for the growth of indigenous industries, in addition to the push given to collaboration between multinational corporations of West Europe and North America and their collaboration with Indian corporate leaders and Indian corporate interest there were also state led efforts to affect the sector of labor mobilization.

The years of the Janata led alliance last date from 1977 to 79 and in 1980 the 7th Lok Sabha elections are held which returns the Indian national congress or INC I and Mrs. Indira Gandhi back to political office. So, the brief tenure of the Janata led alliance had significant economic reforms that they introduced as far as India's business and economic landscape is concerned, but this was followed shortly by the next phase of general elections in India that brought to power a different political party and return misses Indira Gandhi to the office of the Prime Minister.

So, the reason and the purpose behind outlining this political context for you was to make available a brief timeline or a brief chronology of events that have taken place since the years of the 1960s in Indian politics and also to make you realize that political events are also closely aligned with the ways in which economic events or economic strategies are defined and the coming together of political interests alongside economic priorities and agendas gives the distinctive flavor to the study of India's business history especially.

Because, the contexts of economics and corporate affairs and industrial strategy and business landscape is not unconnected to the sides where policies for such sectors is defined and generated. It becomes it becomes imperative to understand the linkages and the intertwining of politics and economics especially relating to India's history. The coming together of political stakeholders and their resulting discussions in consultations and the impact of those discussions on economic affairs and industrial strategies leaves the distinct institutional landscape for us to excavate India's business history from those areas.

So, starting from the 1971 general elections and looking at the generational change in Indian politics which makes available a new kind of Indian political mobilization agenda and new forms of political and social relations, these factors then become important ingredients for us to understand the precise individuals, groups of individuals, political parties and different outfits and stakeholders who make themselves interested in different aspects of existing economic and business policies of India during this period.

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Political Contexts to Study Economy and Business of this Period

- **1971** General Elections in India
- **Generational Change in Indian Politics:** New leaders, fresh economic visions, new forms of social and political mobilisation
- Political authority vested with the Executive: Impact on Economic reforms and policies.
- 1974-75: “JP Movement” led by Jayaprakash Narayan
- 1975-77: Emergency period in India

The changes in the forms of governance, the forms of public protests or the resulting interactions between protests and the existing administrative and governmental structure produced new forms of consciousness and new forms of political models and governments that had distinctive ideas on the ways in which India's economy could be or should be organized.

So, these changing forms of governmental frameworks had a decisive impact on the evolving forms of regulatory frameworks. So, it is this context that makes available the study or the changing patterns of the licensing regimes to us as scholars of India's business history. And, our analysis of the changes industrial policies in trade policies and in economic policies therefore, becomes the study essentially in the change or in the evolution of the changing systems of governance and other frameworks that involve themselves in the defining of economic and commercial activities.

So, especially in the years after the 60s till about 1980s you see the rapid turnover of different kinds of political frameworks that come to govern India, you see different kinds of individuals who emerge in the horizon of Indian politics and with the arrival of different kinds of people you see the intermingling of different ideas relating to economic reform, industrial reform and the translation of those different ideas into definite official policy leaves the distinctive mark on the ways and strategies in which economic activities commercial activities or corporate activities come to be organized in India until the 1980s.

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Key Features of Indian Economy

- **1969: Bank Nationalization**
 - 2 Phases roughly: **1969, 1980**
 - Encouraged rural and provincial penetration of banking services
 - Extended credit facilities to small scale, cottage industries.
 - Boosted Public confidence in Banking sector
- **1969: Monopolies & Restrictive Trade Practices Commission (MRTP)**
 - Business Groups of 200 cr. assets could not expand
 - Key sectors closed off for pvt. players

Some of the key features of the Indian economy starting from the later part of the 60s till about the mid-70s are as follows. So, while in the previous section I gave you a brief chronology of the different political events in India. We will use and select certain political episodes and events of the previous section to try and see how they left their impact on the defining of new economic features for India's industrial landscape in this period.

So, one of the key features that we have to understand in the context of the late 60s, 70s and 80s was the phenomena of bank nationalization which occurred roughly in two phases – first in 1969 and the second phase in 1980. Apart from the obvious spectacle of bank nationalization which brought a substantial section of the banking sector in India under governmental control or under national control because it was felt that banking was a critical service.

And, the invocation of state led administration or state inspired policies that could govern the functioning and management of the banking sector with a view to make it publicly accessible to the vast majority of citizens. This feature therefore, became a dominant lead motive of the economic history of this period. So, bank nationalization apart from being a key event in 1969 and then again in 1980 also becomes a metaphor for the larger change in the economic and business discourse of this period.

In the two rough phases during which bank nationalization took place there was certain basic features that we have to keep in mind in order to assess the true significance and importance of this event or the significance of this policy. Firstly, bank nationalization played an important role in the encouragement of the penetration of banking services across rural and provincial areas.

The assessment or the realization or the consequence of bank nationalization in 1969 was the idea that banking services or credits related services or other associated financial services should also make their presence felt in the rural areas and in the provincial areas where there was a vast majority of public residing and continuing with their livelihoods. But, for doing so without enough support from the modern profession banking services that were dotting the Indian urban cities in this period.

So, in the 1969 bank nationalization process it was felt that greatest state control over banking services or the management of banking services during this period will give a further push towards the spread of banking and other related commercial and credit

facilities to the rural areas and provincial areas. It was also felt that with bank nationalization they could be a further and substantial extension of credit facilities to small scale and cottage industries during this period.

As you may well remember the support, management, consolidation and further strengthening of the cottage industries sector was an important feature or remains an important feature of the directive principles of state policy. It has also been enshrined in different 5-year plans that were being inaugurated in India since 1947. The support given to the consolidation of the cottage industry sector was also part of several industrial policy resolutions and other licensing acts that we have discussed so far.

So, the bank nationalization of 1969 and also partly in 1980 was seen as a further practical step that was taken towards the direction of extending credit facilities to small scale sector and the cottage industries. The ready availability of credit, loan and other capital or seed money required for starting or expanding existing businesses relating to cottage industries and the small scale industries was seen as a definite official push given towards the development of this particular sector which had inspired the imagination of several leaders and civil servants during this period.

So, bank nationalization therefore, which occurred in two phases from 1969 and then again in 1980 was seen as an official step in the practical realization of longstanding economic sentiments or economic policies relating to the small scale sector and the cottage industries. The location and geographical presence, influence and eminence of the small scale sector and the cottage industry sector was more pronounced in rural areas and in semi-urban areas.

So, the penetration of banking services and other financial related services in those areas was seen as not just a public service for the public good and to make banking services available more freely and extensively to the people residing there. Bank nationalization of 1969 was essentially seen as a step that could also revive the small scale industrial sector and also make the cottage industry sector financially more sustainable in the long term.

Thirdly, the bank nationalization during this period also boosted public confidence in the banking sector. Almost the entire pre-independence or pre-1947 history of India was marked by colonial exploitation, and the plunder and loot of Indian resources in order to further and facilitate British, led trade and economic practices in the subcontinent. One

chief mode or symbol or metaphor of that company raj of colonial rule as far as the Indian subcontinent is concerned happened through the banking sector.

The establishment of whether it was the agency house system or modern professional banking services in the subcontinent towards the late 19th century and early 20th century was a notable feature of India's business history in that period. But, the establishment of a banking colonial infrastructure or the brief limited period in which Indian interests collaborate with British or European interests to establish the banking sector in the Indian subcontinent during the colonial period rested on a framework of speculative practices.

The inherently volatile nature of economic activities in the colonial period made the banking sector especially volatile and banks being the repositories of a vast amount of public wealth and public deposits made or lent a degree of sensitivity to the banking sector.

So, the repeated cycles of economic downturns and institutional collapse which were common features in India's colonial economic history made the public quite sensitive to the whims of the banking sector as it was known in the pre-1947 period. So, one major aspect of the bank nationalization process was also to improve the public sentiment associated with banking to improve the public sentiment associated with the nature of operations of banking. And, also to project an image of a stable institution of banking that could improve public lives and also revive the industrial sector of India.

So, in order to project a new grammar for commercial operations and banking operations the bank nationalization effects of 1969 and also partly 1980 was seen as steps that could correct or address some of the past misgivings associated with the banking sector and to make the new and incoming generations more comfortable with the idea of a bank which is publicly owned influenced by state policies and responsible in its modes of functioning and managing public savings.

The banking sector during 1969 and 1980, and its resulting nationalization was certain aspects of its management were therefore, not just important economic features, but they also served distinctive social, political, cultural and institutional purposes. Another important piece of legislation that we have to keep in mind while accessing the legacy of licensing systems on India's businesses and economic operations during this period was the monopolies and restrictive trade practices commission act or the MRTP act of 1969.

It had two significant features that you must remember the first feature of the monopolies and restrictive trade practices commission or the MRTP act was that business groups which held assets to the tune of 200 crores or above could not easily expand into different sectors or could not easily expand in their production capabilities. So, there was a definite curve that was imposed on some of the big businesses or certain arms of the big businesses that held assets of either rupees 200 crores or more than that.

The second important feature of the MRTP act was that certain key sectors were closed off for private players. Certain examples of these features we have already discussed in the previous course of lectures. So, certain key strategic industrial sectors such as aviation and cutting edge science and technology affairs, and their application into different industries that could develop a strategic dimension to themselves were closed off for a private participation and the strategic importance associated or attached to those businesses was deemed necessary for the state to take control of them.

So, the monopolies and restrictive trade practices commission which paved the way for the MRTP act of 1969, therefore, imposed significant regulatory controls on big businesses and also imposed significant regulatory controls and frameworks on certain key industrial areas that were marked out solely for the intervention of the state as far as their regulation conduct management and reorganization is concerned.

So, when we discuss the impact of licensing policies on Indian businesses and when we discuss the true meaning and scope of what is informally now regarded as License Raj we have to keep in mind two significant economic pieces of legislation the first being bank nationalization that brought the vast majority of the banking sector in India under governments control or under nationalized control. And, the second economic feature that is seen as contributing towards the intensification of License Raj was the Monopolies Restricted Trade Practices commission or the MRTP act made available by this commission in 1969 which imposed limiting regulations on existing businesses with assets more than rupees 200 crores and also closed off certainty industrial sectors for private participation.

The resulting consequences of such policies may have been public in nature, may have been driven by ideas to make certain services free from outside controls or to make the government is supreme arbiter in the management of those economic or industrial sectors.

But, the overall sentiment of the 70s and 80s was that there was growing response and there was a growing imposition of regulatory frameworks on certain businesses, and the ways in which businesses responded to those regulatory frameworks gives a distinctive characteristic to the study of India's famous history in this period.

So, the decades of the 70s and 80s mark the intensification of state led policies which begin to have a greater say in certain aspects of business and economic operations during this period.

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Features of Indian Economy, 1970-80s

- **1970: Industrial Licensing Policy: 4 fold division**
 - Industries reorganised based on the investment pattern.
 - **Heavy Investment Industries:** Input of more than Rs 5 crore.
 - Ownership Pattern: State or other players; on case to case basis.

 - **Middle Investment Industrial Sector:** Input between Rs 1-5 crore.
 - Ownership Pattern: Licenses to be given to a range of industrial houses.
- Cotd...

To continue with our theme of outlining some of the features of Indian economy in the 70s and 80s, the next economic milestone that is important for us to understand is the industrial licensing policy that is released in 1970. As you may remember we have discussed certain industrial licensing policy is in the past. So, starting from the year after independence in 1948 and in the year 1956 when formal planning methods were officially in operation the next significant industrial licensing policy which is significantly associated or relate or related to the precise mechanisms of awarding licenses to particular groups of industries comes up in the year of 1970.

So, the last years of the 60s and the beginning of the decades of the 70s and 80s forms a distinctive policy continuum as far as dictating or regulating the terms of economic management and operations relating to businesses is concerned. So, what was exactly the industrial licensing policy of 1970 all about? Well, there are certain important elements

associated with it, and essentially the industrial licensing policy of 1970 makes available a fourfold division of India's existing industrial architecture of this period.

As part of the industrial licensing policies resolutions of 1970 industries were to be reorganized based on their investment pattern. The first division that the industrial licensing policy of 1970 envisioned or outlined was the heavy investment industries which form a particular category. And, the heavy investment industrial category was basically comprising industries of factories or industrial houses who had a capital investment or an investment input of more than rupees 5 crores.

So, heavy investment industries were therefore, those industry concerns in whose investment roughly about rupees 5 crore or more than rupees 5 crore were needed for their successful operation and management. The ownership pattern of these kinds of industries were also set about by the industrial licensing policy of 1970 and as far as this first category is concerned the ownership pattern was exclusively in the remit of state or certain other private place, but ownership would be decided on a case to case basis.

As far as this first group of heavy investment industries is concerned the dominance player as far as the ownership pattern is concerned was obviously, the state or the existing governmental arms or public sector undertakings and the private sector had a limited role to play in their management.

The second category that the industrial licensing policy of 1970 outlined was the middle investment industrial sector and these were basically industries that required a capital investment or an investment input of funds ranging between rupees 1 to 5 crores. So, this second category that was outlined or envisioned by the industrial licensing policy of this period also had a distinctive method to decide on the ownership pattern of these kinds of industries.

So, as far as the middle investment industrial sector is concerned licenses to control or to manage the economic and production operations of these industries were to be given to a range of industrial houses.

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Features of Indian Economy, 1970-80s

- **Non-Core Heavy Investment Sector:** Input of Rs 5 crore; also known as the Joint Sector.
- **Delicensed Sector:** Input of less than Rs 1 crore; exemption from licensing requirements.

The third category that was also defined by the industrial licensing policy of 1970 was the noncore heavy investment sector. And, these were basically industries that required an input of up to rupees 5 crores and not more than that. This noncore heavy investment sector or the noncore heavy investment industrial sector was also known as the joint sector and it comprised certain industrial houses that were under the joint control of state led corporate arms and the private players. So, this was a distinctive category that was outlined and defined or reorganized by the industrial licensing policy of 1970.

The fourth and possibly the most significant feature of the industry licensing policy of 1970 was in the area which is now known as the de-license sector. What was the de-license sector? It was basically a collection of industries and industrial houses whose investment input or whose capital investment was less than rupees 1 crore. Such industries which required a capital infusion of less than one crore or required money of funds less than 1 crore for their management and economic operations were significantly exempted from licensing requirements.

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Features of Indian Economy, 1970-80s

- **1970: Industrial Licensing Policy: 4 fold division**
 - Industries reorganised based on the investment pattern.
 - **Heavy Investment Industries:** Input of more than Rs 5 crore.
 - Ownership Pattern: State or other players; on case to case basis.

 - **Middle Investment Industrial Sector:** Input between Rs 1-5 crore.
 - Ownership Pattern: Licenses to be given to a range of industrial houses.
- Cotd...

So, the industrial policy resolution or the industrial licensing policy resolution of 1970 was a significant policy, a feature of this period which reorganized India's existing industrial infrastructure into four core groups. And, as part of it is reorganization of the industrial sector based on their investment capital this policy of 1970 also defined new ownership methods and new ownership packages for existing industrial holdings.

So, while the decades of the 70s, 80s starting from 1969 were significant for the invocation of themes metaphors and strategies associated with the intensification of what is now known as License Raj. There were also significant departures from that metaphor which reveal to us and interesting feature of the industrial history of this period in India. While there was invocation of greater state control over existing economic and commercial and industrial operations, and to that affect certain significant policy interventions are also made by successive governments during this period in order to make strategic industrial concerns solely the affair of the state or to make available strategic assets like banking to a wide variety of Indian public.

Yet as a contrast to that existing spectacle of greater regulatory frameworks being imposed on economic and commercial operations you also see aspects like the definition of a definite de-license sector which made certain sectors of India's industrial architecture free from licensing requirements. Needless to say the de-license sector which comprised of industries requiring less than rupees 1 crore as capital infusion or as an investment capital were made open for the control, management and also future ownership by the existing private sector.

So, despite the prevalence of a state inspired or state regulatory framework to control economic and commercial activities they were also parallel developments happening in the same sector, in the same context that also did not ignore the role of the private sector. However, limited it may be during this period.

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The Growth Story: New Sectors & Businesses

- **Dhirubhai Ambani & Reliance Corp: A brief appraisal**
 - Export-Import in Textiles (Polyester Filament Yarn)
 - Focus on extensive research and reliance on indigenous technological and financial support.
 - Risk taking capability; Consistent returns on investment capital: Investor confidence high.
- **1977-1980s:** Reliance one of the largest business groups in India.
- Steady, focussed diversification into other sectors.

As part of the focus themes of this lecture which I outlined previously, I want to take some time to outline some of the features of the growth story during this period. And, spend some time on detailing some of the features of the new sectors and business that were coming up in the Indian subcontinent during this period.

One of the former sectors that received a fillip during the years of the 70s and 80s and made it one of the top most earning sector as far as Indian businesses is concerned was in the area of textiles and fabrics. And, one of the main leaders or sectoral leaders during this time was Dhirubhai Ambani and his Reliance Corporation. A brief appraisal of the Reliance Corporation and its early years as far as business operations are concerned are as follows.

So, one of their earliest business operations which made Reliance a competitive player in fabrics and textile imports and exports was in the export and import of the polyester filament yarn. The initial phase of business operations, the initial phase of commercial and economic operations of Dhirubhai Ambani and his sons and the Reliance Corporation was in the area of exporting and importing textiles of a particular nature.

Secondly, there was also focus on extensive research and reliance on indigenous technological and financial support. So, the early years of several new businesses including the Reliance business which struck routes in the years of the 70s and 80s was built on a solid and robust foundation of relying on existing technologies and methods and modes of

financial support to those technologies and also onwards to the businesses that those technologies helped foster in India.

So, the years of the 70s and 80s despite the presence of License Raj was also a fascinating study in the evolution of some of the prominent businesses that continue to exist even today in contemporary India. In addition to their unique export import model relating to textile fabrics which they built upon in successive years to build a successful business conglomerate and their focus on extensive research and reliance on existing indigenous technologies and domestic sources of finance and support; companies like Reliance and several other players during this period were also known for their risk taking capabilities.

Venture capitalists during this point played a constructive role in funding new sectors and funding new businesses. So, the arrival of a new class of entrepreneurial and business leaders was happening in parallel to the arrival of a new political leadership and a new generation in Indian leadership as far as politics is concerned.

So, just as almost a century ago the Swadeshi movement had made possible the coming together of political leaders and business leaders. In the years of the 70s and 80s a different political context brought together a new generation as far as entrepreneurship is concerned and their ideas, their systems and their strategies to execute new businesses was dealt with in a considerably supportive and creative manner by the new waves of transformations that were taking place in the political sector during this period.

These new players that made fabrics and textiles a lucrative sector as far as India's business economy of this period is concerned was also based on their ability to make consistent returns on the investment capital made into their initial years of operations. So, company's lifelines and several other business players during this period also came to be known as reliable partners as far as returning and element of investment capital is concerned.

Investor confidence in these new sectors in businesses was also high. So, India's later successes with being regarded as a hub for corporate affairs and hub for industrial manufacturing and software related services has its roots in the early years of the 80s and the later part of the 1970s when new sectors, new businesses based on new ideas of new entrepreneurial leaders came into existence and the successful execution of these

businesses changed the demography vocabulary and the grammar which was responsible for unleashing the new economic face for India during this point.

From 1977 till about 1980s reliance becomes one of the largest business groups in India. So, just as we began this lecture with an early biography of individuals like JN Tata and GD Birla and the strategies that they used to build their business empires in the early part of the twentieth century. The decades of the 70s and 80s which is the latter part of the twentieth century is marked by the arrival of new players, new sectors and new business groupings that give a distinctive identity to India's corporate identity during this period.

There was a study focus diversification into other sectors also. So, just as we discussed the growth potential of the automobile sector and the automobile parts industry in the years of the 60s – 70s and also before that the years of the 70s and 80s continue to push for the study evolution of certain other industries during this period.

So, despite the presence and intensification of regulatory frameworks India's business history is a multifaceted recount of the ways in which existing business responded to those licensing policies and how the resulting politico-economic context shaped by planning and License Raj gave rise to a context which made possible the emergence of new kinds of businesses built on different frameworks and envisioned and engineered by new entrepreneurial leaders.

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A Sum up

- Political contexts shape the contours of economic and entrepreneurial reforms more decisively after the 1960s.
- Licensing systems undergo shifts and restructuring (Industrial Licensing Policy of 1970)
- Key Economic milestones and Political milestones shape each other's identity.
- New sectors and businesses come up: New forms of entrepreneurship emerge

I want to offer a summary of what we have discussed so far. So, the first element of our discussion today was that political contexts shape the contours of economic and entrepreneurial reforms more decisively after the 1960s. As part of our brief chronology that I issued to you of different historical milestones that have taken place in the 70s and 80s or the arrival of different kinds of governance frameworks in New Delhi all of these political events left their decisive legacy and imprint on the precise economic and commercial operations of this period.

So, whether it is the greater imposition of regulatory controls and commercial operations such as the MRTP act of 1969, or whether it is the reorganization of the existing industrial landscape as outlined in the industrial licensing policy of 1970, those acts can only be fully understood by understanding the political, social and institutional context in which those policies were envisioned, discussed, debated and implemented and assessed. So, the political context of the 70s and 80s is extremely critical to understand the economic contours and financial contours of this period.

Licensing systems also undergo shift and restructuring those during those period. So, one prime example to highlight this constantly shifting narrative of licensing system in India is the industrial licensing policy of 1970 which reorganize the industrial sectors into four core sectors and depending on the investment capital spend on running these industries, a resulting discourse of ownership patterns was outlined.

With this resulting ownership pattern that made available different industrial concerns for management by different stakeholders you also see the articulation of a fourth most important de-license sector during this time which exempted certain industrial concerns from licensing requirements. So, in an age and decade of imposing regulatory controls on wide aspects of economic activities you also see a parallel movement towards de-licensing certain industrial sectors and which lends a fascinating insight into the history of industrial sector of this period in India.

So, while they were regulatory controls and barriers setup towards the expansion of existing big businesses or certain aspects of those big business you also see the parallel invocation of a regime which made available a small yet growing sector of the industry landscape which was made available for investment by the private sector. So, industrial licensing policies are also shifting in their scope and responsibilities and mandates and this

shift becomes fully comprehensible when we are fully aware of the political social institutional context in which these policies are being acted on.

In keeping with the general flavor of this lecture, the third important elements that we must keep in mind is that key economic milestones and political milestones shape each other's identity. This is especially true for the years of the 70s and 80s because this is a fascinating period in analyzing the changing trends of the Indian political system.

There were significant election cycles that were executed during this point and those election cycles made available differential results that had a decisive impact on the ways in which the new governments in New Delhi outlined in articulated economic policies. And, depending on the constituent units of those governments in New Delhi different focus and different agendas and priorities were inserted into existing economic plans whether it was licensing policies or whether it was the long standing 5 year plans.

So, the coming together of economic thinking in alliance with political modes of the transmission of idea during this period leads to the invocation of a sphere in which economic policies come to be associated with stakeholders from different sectors in India at this point. So, economic policy, industrial policy, industrial resolutions and strategies for future industrial growth became a subject of not just purely economic discussions, they also became subjects of a vibrant, political, social, cultural and institutional discussion. So, the subjecting of economic policies to political interest or the shaping of political interests in response to economic challenges and obstacles becomes a mutual relationship of concern, anxiety and responsibility for all the stakeholders during this period.

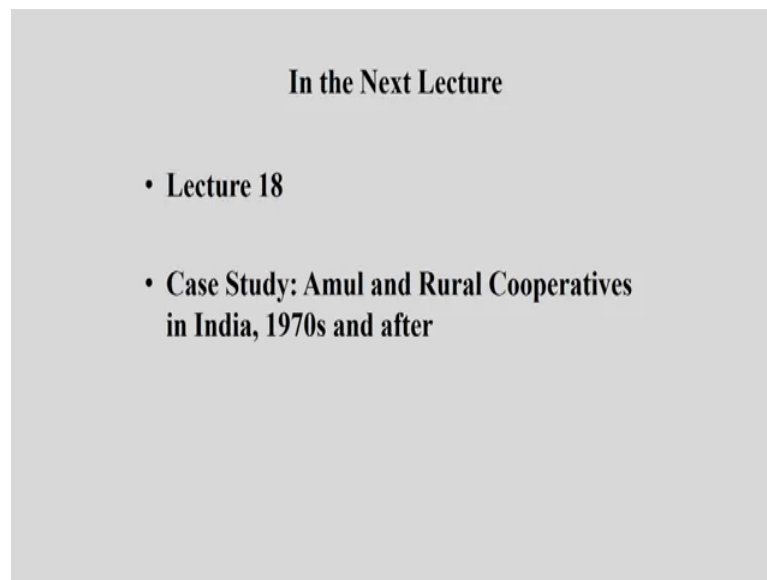
Fourthly and significantly we also spend some time on discussing new sectors and businesses. Chief amongst them were leaders in managing businesses relating to fabrics and textiles. So, we discussed some of the strategies that these new businesses and individuals used in order to execute new business operations and we also discussed new forms of entrepreneurship that emerged which were based on a significant reliance on domestic research, significant reliance on indigenous technology, domestic technology and significant reliance on domestic modes of financing these early business ventures.

So, the latter part of the 20th century which is marked by the years of the 70s and 80s was remarkable for not just the greater invocation of the state in the management of economic and commercial operations. It is also a fascinating study to investigate the responses of

existing business towards those regulatory frameworks, and also to study how interactions between the political stakeholders and economic stakeholders in the general framework of planning and economic control and regulation made available in new context which was used by new sectors and new businesses during this period.

So, new forms of entrepreneurship emerge in this period despite the presence of a regulatory framework that controlled various aspects of economic and commercial operations.

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In the next lecture which is going to be lecture 18, we will discuss in detail the Case Study of the Rural Cooperative Movement in India which took place in greater intensity from the 1970s and after. And, while we are discussing the rural cooperative movement we will discuss chiefly the evolution operations and management of the entity known to all of us as Amul.

Thank you.