

INDUSTRIAL GROWTH—A DYNAMIC APPROACH*

OUR country has just witnessed what could truly be termed, a peaceful political revolution through the democratic process; a revolution which has swept out the traditional cobwebs of political inertia and installed with a massive support a more determined leadership in the government. That the old order has changed yielding place to new, is no longer a matter of assumption for business forecasts and planning; it is a fact of life with which industry and trade would do well to learn to live with more realistically and purposefully. The national economy is in the process of a fundamental change. In one sweep the country endeavours to bring about a new dynamism in industrial growth and agricultural development, through land reforms, nationalisation, science, technology, political rights and personal emancipation.

BACKDROP OF CHANGE

In the background of this undoubtedly revolutionary change, we have to consider—

- First* —The policies and programmes of the ruling political party.
- Then* —The opportunities still open to the non-governmental, or the so-called private enterprise.
- Thereafter*—What industry may do for industrial growth in the changed circumstances.
- and*—What the government may do for stimulating industrial growth ?

GOVERNMENT POLICIES AND PROGRAMMES

As far as the policies and programmes of the ruling political party are concerned, we need to recognize that these shall be as laid out in the ruling party's various manifestoes from time to time, and that these shall form largely the basis on which governmental policy and action shall rest. Even the

* Based on a speech delivered while moving the resolution on 'Dynamism in industrial growth' on April 11, 1971 at the 44th Annual Session of the Federation of Indian Chambers of Commerce and Industry, New Delhi.

Fourth Plan document is likely to undergo considerable structural and directional changes. We are traditionally accustomed to emphasizing the economic aspects of the situation, and therefore constantly talk of unutilised plant capacities, unachieved targets, adverse export trends, and what all have you; we do this because in our view the economic situation should be the determinant for all governmental policy. However, important as all these aspects may be, considerations of political and social objectives are the prime determinants for economic policy now with the ruling party, and this has to be appreciated as an inescapable fact in the situation of a political democracy. The voice of reflection has arisen, that mere economic growth does not bring about improvement in social satisfaction. Classic philosophy of management placed primary emphasis upon production and profit. Such philosophy was supported by the theory and ethics of modern society. However, GNP is no longer regarded unquestioningly as the final and terminal index of human welfare even in the advanced industrial societies. In recent years, the side effects of economic growth, such as inflation and alienation of humanity have been highlighted. Society is seriously questioning itself as to what is really meant by welfare of a people. In this context, business enterprises which have so far been the driving force of economic growth have come to be questioned. Considering the political and social compulsions of our government, industry and trade is likely only to frustrate itself further by a repetition of its own somewhat time-worn clichés and dogmas. This frustration is certainly avoidable, for although some traditional avenues of investment and enterprise are now barred, there are a great many avenues still available with vast opportunities, where the dynamism of our enterprise can be applied. In this situation we should attempt to understand the economic tasks as distinct from political and social tasks, to which the government is now addressing itself. These are—

- A rapid increase in employment
- Price stabilization
- Development of backward areas.

These governmental objectives of increasing employment, containing inflation, and development of backward areas, have in my view, as far as the non-governmental sector economic activity is concerned, largely only one solution, viz., to re-accelerate the pace of the industrial sector of the economy. In this context it would be useful to make a brief review of our targets and achievements in the immediate past, not with a view to cavilling governmental or the peoples' effort, but with a view to reminding ourselves, as to where all we want to reach, and what we have to do to reach there.

REVIEW OF TARGETS AND ACHIEVEMENTS

According to the Fourth Plan document, an annual increase of about 5.5% in the total production during the plan period ending 1974 was to be achieved, and an overall rate of expansion of about 9% in industry would be required to achieve the projected aggregate growth. Whereas industrial growth picked up in subsequent years after the recession of 1967, since the beginning of 1970 it has again been stagnant. There has hardly been any significant increase in installed capacity either in the governmental or non-governmental enterprises. An index of this phenomenon is the stagnation in the output of capital goods industry, and the fall in import of machinery.

Another factor which requires constant vigilance is that of price level. After four good harvests in a row, one can point to only one year, 1968-69, as a year of relative price stability; in all other years, prices have risen at a rate varying between 4 and 12%. The only redeeming factor of this rise is the relative stability of foodgrain prices; prices of cash crops, industrial raw materials and finished goods have been continuously creeping up. Defects must exist in the design of economic systems, as they exist in machines, or in the character and personality of statesmen and businessmen. But what must worry us is that the government and industry have not yet an agreed view on the causes of inflation, and how much inflation must be considered tolerable in our economic system.

An aspect of the declining rate of development is its impact on the employment situation. At the present rate of development, the economy is not able to absorb the increasing population in the working age group. In the last three years while the economy has largely stood still, the number of those seeking jobs has steadily increased. Over a period, the situation is likely to get worse. The resort to increasing mechanisation in agriculture has not had an immediate adverse impact on employment in agriculture; nonetheless in the long run the increasing farm output is bound to be produced with less—although skilled—labour. And while increasing—and perhaps cheaper—food supplies might compensate today for the loss of employment prospects, such supplies would hardly have any meaning to the unemployed. The prospects, if the present trends continue, are indeed alarming—an economy with increasing food supplies but lessening employment opportunities. No system, political or economic, can expect to stand the strain of such an evolution. There are no simple solutions to such a problem. We have now reached a stage where the consequences of inaction are far worse than of action with some elements of uncertainty.

The solution clearly is to be sought in planning for jobs in non-agricultural activities. It is necessary to build up rapidly a potential in these

spheres to absorb the increasing numbers in working age groups, and to take up those who will be released from agriculture. In other words, the job potential in the non-agricultural sectors will have to rise geometrically to meet the increasing demand for such jobs. Only with such a culmination the Third Plan targets of shifts in occupational structure could materialise over the 4th Plan and following years.

In this context the government and the industry need a reappraisal of the industrial relations situation as obtaining in the country for many years now. It is not the wage rate, but the employment rate that assumes importance. To the extent somewhat lower paid productive jobs are created, the strain on resources is reduced. The choice before the economy is becoming increasingly clear. Is it to be a capital intensive high wage development, of a narrow base, or a somewhat lower wage, employment oriented, development effort? We have tried out the first alternative, and the gains, though substantial in industrial terms, have been incommensurate in terms of employment provided, and in the potential for creating employment opportunities.

RECOMMENDED FRAMEWORK

All this situation of production and employment is one which, indeed, offers unlimited scope for the development of our experience, expertise and energy, simultaneously harmonising the goals of industry and the government. There should be, in the first instance, a welcome acceptance by non-governmental enterprise for the setting up of industries in the areas designated as backward by the government; we should indeed ask the Union Government or the state governments about the backward districts in which they would welcome the setting up of enterprises. There could be no problem whatsoever in totally going along with the government in their programme in this regard. Any problems of transportation or water or power availability may not be regarded as being of an insurmountable nature. In order to accelerate the pace of industrial growth, new applications for industrial licences may be made specifically for projects to be set up in the approved backward areas of one or the other state; this would help governmental policy on the one hand, and help approval of industrial licences faster, on the other.

With regard to the selection of industry for investment planning, there has been an emphasis out of all proportion on export promotion; the government and the industry both have set up numerous organisations and committees, and have put in massive financial and organisational effort for this, and with totally incommensurate results. The whole exercise has been largely frustrating in terms of investment, time, and net gains. An important

aspect that deserves adequate emphasis now is the fact that import substitution should receive far greater attention from industry and government both, than has been done so far. If even half of the organisational and financial effort, and incentives, had gone into the import substitution programme, as have gone into export promotion measures, we would have set up by now far more indigenous industry, on a far more stable and reliable basis, and provided increasing and stable employment. If we turn our attention to the imports list, we would find a picture of unlimited opportunities. The current non-food imports are running at about Rs. 1,500 crores level and these are expected to go up to about Rs. 2,000 crores by the end of the Fourth Plan period, and to about Rs. 270 crores per year by the end of the Fifth Plan period. A very large part of these imports fall in the engineering and the chemical groups; there are imports worth hundreds of crores in other fields also in which we could usefully envisage new investment on an expanding scale.

Time is now overdue when we need to pay attention to our management systems. The managing agency system is now a historical fact; but have we really made efforts for moving into professionalised methods of management which have provided dynamism and vitality to industry in the industrially advanced countries? Professionalised management in its essence implies an ethical management; ethics towards the trade, ethics towards the customer, ethics towards labour etc. With not an inconsiderable sector of our business, the terminal tool of management seems to be the passing of considerations in one or the other form. This tool will need steadily to be replaced by the usual tools of good marketing, good purchasing, good industrial relations and good financial management practices. Are we at all conceiving or planning for such structural changes in our hereditary management systems? What needed in this area is really to appreciate that ownership and management are two totally different aspects, and need now a segregation in our concepts and operations. It is in this area that the Federation and its constituents now need to apply their minds as objectively as is at all possible. A basic change of approach is required. This situation of the owner insisting on his rights of management, and relegating a secondary role to the non-owner-managers, is common in our society to governmental as well as to non-governmental enterprise. If we are really serious in bringing dynamism in our enterprises, there can be no escape from getting over the subsisting psychological and real barriers that exist in this area.

ROLE OF THE GOVERNMENT

We all recognise that the government can act by and large only within

the broad parameters of industrial policies laid down by them. However, it is for consideration of the government that if the industrial licence applications fall within the stated governmental policy, there should be the minimum of delay in approving them. As the situation is at present, with the authorities concerned, time is an element of the least relevance in the consideration and approval or disapproval of applications for the setting up of industrial enterprises. Unfortunately, the present system appears to be highly susceptible to delays and nobody seems to be accountable for them. The result is a great national loss, looked at from any point of view. In a communist state these delays would have been termed as economic crimes, and either the manager of an enterprise or a government executive would indeed have suffered heavily if not lost his head. Probably there is far too much personal discretion allowed at the political and administrative level for the interpretation of the stated governmental policy. Delays and corruption are two sides of the same coin, and certainly everybody is concerned with corruption also. The government must indeed do something about these delays. It takes more than two years to get the papers out from the maze of ministries, departments, committees, sub-committees, and what have you, to get an industrial licence, if at all. This is the time required before one can even commence the finalisation of negotiations. And more often than not, in these delays, foreign partners get frustrated and back out of projects; and prices change, requiring the enterprise to do the exercise all over again. We have to request the government to have a relook at this situation at an early date.

In the area of 'governmental-effort-requirement' for accelerating the economy, a new and serious element which is threatening the pace of development has now come up. This pertains to the problems of finance for not only new industry, but for existing industry even. It is not for us to be critical of government's finance and credit planning policies. It is agreed that support has to be provided to the weaker sections of the community, to small scale industry, small businesses and the agriculturist. We are not aware of all the nuances of governmental policy in this regard, but the fact is that apart from the problems for new enterprises, there is a serious danger even to the continuance of adequate production in existing enterprises. The chairman of the State Bank of India, Shri Talwar has, in his annual address to his shareholders, highlighted the problems in this regard more than adequately and the government could give it a fair look. There is urgent need for a review of this situation of finance for industry, and some change, of course, may be considered in time, without any feelings of loss of face.

The last aspect which I wish to place for governmental consideration

pertains to what is conventionally termed as the industrial relations situation. It would be too naive to suggest that there may be no cases of unfair labour practices by some industry in some pockets in some ways. Based on some of these types of unethical management practices, over the years, a labour situation has been reached, where there is very little element of peaceful and productive working over any appreciable length of time. There has been large scale legislation year after year for the benefit of industrial labour; but appetite seems to have grown on what it has been fed. Governmental enterprises are affected by this situation no less than non-governmental enterprises. Welfare measures and adequate wages have to be provided; these should be defined for a stable period by the government in consultation with labour and management leadership; and assurance needs to be provided thereafter for maximum undisturbed effort for the period of a few years at least. Countries that had been reduced to debris by wars have been reborn out of unflinching devotion and persistent and hard work. One of the imperatives, in our circumstances, is to arouse a national consensus on this vital view. The tripartite forums must, specially, forge unanimity so that national endeavour at maximising output remains at a high enough pitch.

In highlighting the factors pertaining to delays in licensing, problems of finance, and the need of committed hard work at the shop floor level, the intention is not at all to be traditionally critical, but to pinpoint certain areas where governmental action would indeed help in making the wheels of industrial development move faster.

It may be appreciated that we are now required to function amid vastly changed political and social conditions. The society will hereafter keep a vigilant watch on the activities of business enterprises as a major constituent of social activities, as well as the largest organisations which form society. The business enterprise has so far placed the first priority on profits, and these have been the prime motivators hitherto. However, a business firm is an important member of the society to which it is expected to contribute in terms of higher progress and stability. Accordingly the principle governing the activities of the enterprise should be such as would enable it to perform its social tasks. There are imperatives of choice which a stern providence does not allow even the most righteous man to avoid.