CHAPTER - III

STATE POLICY AND INDUSTRIAL DEVELOPMENT
OF THE MADRAS PRESIDENCY

3.0 THE BACKGROUND

The Madras Presidency with its relatively bigger geographical and ecological spread, had the processes of commodity production and growth of exchange relation, to a greater extent determined by the extension of cash crops such as tobacco and cotton\(^1\). What makes the Presidency stand out as unique in pre-World War I days was the early development of industrial policy centring around a Government Department created specifically for industries\(^2\).

The widely distinct cleavage between the British and Indian economic philosophy and financial and industrial policy was initially apparent in the mercantilist policy of the British and 1813 by their free trade policy. This free trade policy inflicted a devastating influence on Indian manufacturing. By way of recompense later, the British sought to improve the economy of India through programmes of capital investment, agricultural technology and public

\(^{1}\) NICOLSON, FRANCIS, W. - *Gazetteer of South India* - Vol: I (Delhi 1988) P.1.

works these were never notably successful. The high cost of maintaining India's civil and military establishment, coupled with the paucity of industrial development placed the heaviest burden of Indian revenue upon impoverished peasantry, who had to bear heavy financial burden even during years of famine. The justification for the misappropriation of India's meagre revenue resources was summed up tersely by a War Office Memorandum that stated categorically, "India is a dependency of the British Crown, and our rule in India could not be maintained for a day without the moral and material support of the British Empire...... They are inapplicable to a dependency inhabited by alien races, our hold over which is not based on the general goodwill of those disunited races". Curzon admitted that Indian fiscal policy was settled and decided never at Calcutta but at Manchester, not in the interests of Indians but in English interest.

Inspite of the abundance of raw materials, the vast internal market and other fairly satisfactory conditions, industrial achievement in the 19th century had not been considerable. It is only during the present century, particularly after the World War I that any remarkable progress had been made. Among other factors, one most important influence contributing to this result had been the progressive policy of the State in relation to industries.

About the close of the 18th century, the industrial revolution was complete in England and she had become the industrial leader of the world.

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She required markets for her manufactures and quite naturally adopted the policy of laissez-faire. After the assumption of direct rule by the Crown in 1858, the same policy was considered good for India, even though conditions in this country were vastly different.

Thus until the outbreak of World War I (1914-18) the official creed of the Government of India was laissez-faire. Having been under the political and economic tutelage of U.K. where laissez-faire policy was deemed to have brought about rapid industrialisation, India had necessarily to follow in the wake of the U.K. This policy was reinforced by the doctrinaire individualism that not only dominated the 19th century political thought but also permeated the outlook of the British administrations of India. Intervention by the state, in any form, was considered a taboo. Even indirect stimulus to industrial growth was strictly discountenanced.

The contribution of the state during this period was "a very imperfect provision of technical and industrial education, and the collection and dissemination of commercial and industrial information. It is interesting to note that none of these concerned the organised industries, their positive prospects and possibilities".\(^4\) So the conclusion was inevitable that upto the end of the 19th century the Government as a whole did not take any part in the modern industrial development of the country and that if any progress was made it was inspite of the indifference of the Government.

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The beginning of the 20th century saw the use of a nationwide agitation for economic self sufficiency - the Swadeshi movement - with renewed and more vociferous demands for fiscal reforms, especially tariff protection for indigenous industries and discriminating intervention for the growth and development of Indian industries.

India's demand for Swadeshism also found forceful spokespersons among Britons in London and Calcutta, but throughout this period, official economic policy was really no more than what Wolport refers to "as a fertile holding action, the facit affirmation of an intolerable status quo".5

In the Madras Presidency, however, the closing stages of the 19th century and the dawn of the 20th century saw vigorous attempts being made to stimulate industrial activity in the Province - that is inspite of such adherence to the "hands off" policy, there were some enlightened administrators who wanted the Government to adopt an active and purposive policy of industrial development. To this galaxy belonged Sir Frederick Nicholson, Sri Edgar Thurston and Sir Alfred Chatterton, the ambitious pioneering, never-say-die personalities. Thanks to their initiative and guidance, the Government of Madras began developing a few select industries; they

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5 MUKHERJEE, RADHIKAMAL AND DEY H.L. Economic Problems of India (London1946) p.48 19-1
encouraged handloom weaving, developed fisheries and started aluminium and fish-canning industries.

Chatterton, in 1897, was appointed as the Superintendent of the School of Arts and was provided with a small grant for the manufacture of aluminium vessels. In two years time this centre proved to be so successful that the Madras Government procured permission from the Secretary of State to employ, Chatterton for a term of three years in furthering the technical and industrial education in the Presidency. He was to be vested with powers to execute the following functions: development of the aluminium industry, inspection and reorganisation of existing schools and creation of new ones, development of indigenous industries and establishment of a manual training class in the College of Engineering workshop.

The Government of India sanctioned these proposals. It is evident therefore that by 1900 the Secretary of State placed no obstacle in the functioning of the Government sponsored pioneer industries, which had to be transferred to the private sector once its success was assured. Thus began a phase of direct Governmental intervention in certain areas of industrial activity in the Presidency, without any specific physical or financial targets.

Government Order (Home) NO.141. 7 February 1917.
It is interesting to note that a Department was established in 1906 in Madras Presidency, which was generally industrially backward in comparison to the other British Presidencies of Bengal and Bombay. In recognition of his yeoman services, Alfred Chatterton was appointed the first Director of Industrial and Technical Inquiries.

This policy of encouragement of industrial development - creation of the Department of Industries, and administrative support to industrialisation was short-lived and came to an abrupt end in 1911, when Viscount Morley (the then Secretary of State for India) declared that it was contrary to the principles of free economic enterprise. He refused to sanction the creation of a separate Department of Industries in Madras on the ground that state pioneering of industries, creation of demonstration plants, direct financial assistance and other forms of direct aid were no function of the State and that they would interfere with private enterprise, and that the Government was thus going beyond its natural functions. Lord Morley’s Despatch naturally had a paralysing influence upon the Provincial Governments and the Government of India and much of what had been done had to be undone.

The needs of World War I encouraged Government of India for the urgent development of industries, capable of supplying consumer goods to civilian sector and critical materials to the war effort. The Madras Government was allowed to restart the Department under very specific conditions in 1914,
and during the World War I, an effort was made to encourage simple industrial activities, particularly for the war effort. The disruption of international trade occasioned by the World War I and the consequent diminution of foreign competition gave an indirect fillip to some Indian industries. "Of these "War-babies", glass, pencil, paper, oil-milling and a few others, after a brief career of success, began to languish and some finally perished". This created considerable alarm and caused grave discontent among the public who began to press for a change in the industrial policy of the Government of India from one of non-intervention to that of active stimulation. The Industrial Commission appointed by the Government of India in 1918 marked a turning point. Later, the Montagu-Chelmsford Report emphasised the need for rapid industrial development in this country on military, economic and political considerations and advocated a bold policy of active assistance to industries. By transferring the subject of "Industries" to popular ministers, the Montford Reforms focussed public attention on industrial development.

Industrial development in this country, and particularly in this Province, was mainly hampered by lack of business, banking and industrial experience, absence of technical knowledge, as well as timidity and conservatism of the investing public; all these called for remedial measures.
In November 1922, a Bill for the development of industries, the first of its kind in India, was introduced by Sir K.V. Reddy in the Legislative Council of Madras. Moving the Bill, Sir K.V. Reddy said that "it was an earnest endeavour to create confidence so very essential for concerted action without which organised industrial enterprise was an impossibility". It was hailed by the House as a forerunner of a great and successful scheme of industrialisation, and there was considerable satisfaction that the principle of State encouragement to industries was at last recognised. As the success of the measure would very much depend on the way in which it was worked, more than one member pointed out the need for a certain amount of elasticity and hoped that the Government control would be only that of "a benevolent patron and not of a Marwari creditor". This Bill was passed in the session of the Council and became the "Madras State Aid to Industries Act, 1922". (Madras Act V of 1923).

As far as industrial development is concerned, the formation of the Indian Industrial Commission (IIC) of 1916-18, and the recommendations advocated are as important as the 1919 (Montagu-Chelmsford) reform. For, while the reforms provided the space or arena for development efforts, the recommendations of the Commission provided the terrain of permissible

8 NATARAJAN, B - A Report on the Working of the Madras State Aid to Industries Act, Madras 1922. (Madras 1947)

9 NATARAJAN, B. Ibid. p.3
experiments in industrial development activities. The report itself represented the prevailing consensus between British officialdom and constitutionally-minded Indian leaders. They were forerunners of the stream which took part in the elections under dyarchy and represented in the Legislative Council or even became members of the Governor's Council, either as Ministers or nominated Councillors.

The Report of the I.I.C. formed the basis of industrial policy under the decentralised system of dyarchy. The co-ordination of policy amongst the Provinces was achieved by Conferences of the Directors of Industries, meeting under the aegis of the Central Department of Industries. Four Conferences were held in the period 1920-22, following which no conference took place until 1933, when the prospects of political change under the Government of India Act 1935 made it necessary to have a new basis for co-ordination.

Against this backdrop, this Chapter is divided into three sections - Section I deals with the first eleven years of the twentieth century analysing the impact of the inauguration of the Department of Industries and its eventual closure, the convening of the Industrial Conference (the first of its kind in 1908), Section II - 1912-21, the effect of World War I which accentuated the Government playing a greater role in the industrialisation of the Madras Presidency through the constitution of the Indian Industrial Commission. Section III - 1922-1950, deals with the passage of the Madras State Industries
Act (1922) the maiden attempt to embody the seeds of the industrial policy and state intervention in full in the industrialisation of the Madras Presidency. It analyses the role of State in industrialisation since the dawn of Independence and the constitution of the Planning Commission.

3.1 ROLE OF CHATTERTON IN THE INDUSTRIAL EVOLUTION OF THE MADRAS PRESIDENCY

The drive, zeal and enthusiasm of Alfred Chatterton, who was the architect of the formal setting up of a Department of Industries, wrote and spoke extensively on the various aspects of the Industrial economy "(rather its absence)" of the Province. He stressed at every stage the imminent need of State participation in the industrial activity of the Province, which would ultimately serve as a springboard for privatisation. Sensing the gravity of the situation, he realised that if industrial development should be a reality it should start from the very base or foundation, from which the State could build up an industrial empire for the Madras Presidency.

Chatterton outlining the policy for the State in general and the Madras Government in particular, realised that active measures had to be undertaken to help the indigenous industries withstand any severe competition from the Western front. In a Memorandum on the Encouragement of Indigenous Industries in India he pointed out that "in Madras alone, Rs.2 crore
worth of piece-goods, were being annually imported, and it therefore seemed to him a much more hopeful matter to try and regain the local market in cotton fabrics than to attempt to create new markets in distant countries"\textsuperscript{10}. Had the Government of India patronised local industries it would have given an enormous impetus to their rapid growth. Such small beginnings would yield encouraging result, especially if public work in the country were to be carried out with locally manufactured stores, wherever it was possible to do so.

The spinning and weaving sectors of both cotton and silk industries, required certain improvements which when adopted would have enabled the weavers to earn a fair living. Chatterton focussing his attention on the revival of Indian industries, made the Government intervene by judicious spending which would serve to bring out the latest skill and capacity of the people in these branches that had become hereditary occupation in the most rigid sense.\textsuperscript{11}

During Chatterton's tenure of office, the aluminium industry, and the experiments conducted with handloom weaving, with oil engines and with chrome tanning, had reaped such phenomenal success, that the Government of the Madras Presidency sought to make Chatterton's appointment a

\textsuperscript{10} Government Order No.40 (Education) 24 January 1901.

\textsuperscript{11} M.I.D.S. · State Intervention in Industrialisation - A Case Study of Madras Presidency (Madras 1991) p.10
permanent position. This proposal was submitted to the Government of India. To that end it was proposed to create a Department which would make and facilitate the growth of industries in the Madras Presidency and investigate the possibility of creating new ones and establish a bureau where the best available advice on industrial methods could be obtained.

Lord Morley who had assumed powers by then as Secretary of State, did not view the general principles underlying the scheme with much favour. He was sceptical about the state intervention, and was doubtful as to whether the lack of industrial energy and progress in the Presidency of Madras could not have been due to extraneous factors. However he had accepted on an ad hoc basis, the creation of a new Department of Industries and Chatterton to assume the position as Director for a term of five years. This saw the birth of the Department of Industries in August 1906.

Chatterton experimenting initially with the aluminium industry, inducted copper smiths and bell-metal founders, with their indigenous ways of working. Changes in the techniques of production were introduced very slowly and at convenient opportunities. This successful progress of the aluminium industry had raised protests from all over the country. This opposition was counteracted by Chatterton who justified the need for and the continuance of such work. "The aluminium department costs cover nothing and that it returns a fair rate of interest on the capital invested, a result that has never been
achieved in any industrial school before and indicates how much it is possible
to better the position of indigenous industries, if the Government will provide
the artisans with suitable scientific and commercial assistance. Having
been nursed by the Government, the aluminium industry in 1903, was set free
as an adult, when it was passed into the hands of the private sector.

With the exit of the aluminium industry from Governmental protection, it brought in its wake the entry of the Madras tanning industry, which was declining steadily. Although various factors had been attributed to this decline, Chatterton was convinced that Governmental intervention was necessary to prop up this Industry, if it was not to disappear altogether. "Kavalais" or buckets used for lifting water from wells was in great demand in the local market and it was estimated that not less than a million hides were used every year for the production of this article alone. As the durability of this product was doubtful, Chatterton proposed to experiment it with chrome tanned leather. The feasibility of producing this in Madras was established and Madras Presidency could take the credit of providing the goods for the entire country. The progressive growth of the industry entailed its delinking from the School of Arts and was moved to a new tannery unit in Sembium, near Madras in 1908.

12 Government Order Nos.522-523. (Education) 31 July 1901, 16 September 1901.
14 Government Order No.2112, (Revenue) Dept.of Industries 3 August 1908.
attracted severe protests and criticisms, the architect of the Industrial Map of the Madras Presidency, Chatterton, had silenced them and stated that export warranted its development in the Madras Presidency. However, following the directions given by the Secretary of State - disallowing the setting up of a Department of Industries and the active promotion of Industries in the Province, the Government had to withdraw from the venture in the early months of 1911. The Government tannery was sold to the Princely State of Rewah, in the Central Province. It was held that "The Chrome Leather Industry is now fairly established in India, at any rate as regards certain class of labour, and there is no doubt that the Government of Madras helped materially to contribute towards this result".\textsuperscript{15}

The Weaving Department was also nursed by Chatterton, who wanted to improve the methods of hand-weaving by introducing European looms and modify it for weaving indigenous varieties of cloth. Though this venture met with initial setbacks, Chatterton resolved to make an indepth study of the operation of the various looms in all the other parts of the country and adapt the same to suit the climatic conditions of the Madras Presidency. In 1905, he made a tour of Bombay, United Provinces and Bengal, and on the basis of the report that he submitted, the Government of Madras wanted to establish a handloom weaving factory for experimental work either in Salem or in Madurai. As the circumstances were congenial in Salem the weaving

\textsuperscript{15} Government Order No.1160, (Revenue) 30 April 1909.
Department of the Madras School of Arts was transferred to Salem. After experimenting with the fly-shuttle loom, the Salem factory adopted the old English fly-shuttle loom with some modification. In 1908 a weaving competition\(^{16}\) was held which confirmed the view that it was English loom which did the best all round work.

The message of success was flashed across the Madras Presidency which attracted many small private factories. A Census of the looms in use was taken in 1911 "which revealed the existence in the 89 towns and villages, 6528 looms with fly-shuttle slays. Practically all these villages were in the coastal Districts, north of Madras and it was estimated that in these Districts roughly 40% of the weavers had adopted the new method".\(^{17}\) This factory's operation was subjected to a series of protests and criticisms from the European mercantile community. Though Chatterton demonstrated the commercial viability of the factory, forthwith came the protest of the Chamber of Commerce, the ultimatum of Lord Morley which tolled the death knell of this factory, and it was closed in September 1910.

In irrigation for agricultural operations, pumping and boring branch was another pet project of Chatterton who proposed that a number of pumping installations should be set up with the object of demonstrating the

\(^{16}\) Government Order No.641, (Revenue) 8 March 1909.

\(^{17}\) Government Order No.406 (Revenue) 11 May 1912.
advantages of modern machinery in agricultural operations. The progress made by this Department was so phenomenal by 1905 that the Government had to provide financial accommodation under the Land Improvement Loans Act, for the purchase of oil engines and pumps and provided the nucleus of staff to provide them with advice and supervision. The experimental borings which were attempted in various places, led to the discovery of sub-artisan water both in Chingleput and South Arcot Districts and it was desired to extend its operations elsewhere.

Considering the balance sheet of the economy, the projects which were failures have also to be reckoned with viz. a wood distillation plant to manufacture charcoal, the establishment and eventual sale of two pencil factories, experimentation with glass manufactures and with lime-sand bricks. The Government wanted to continue the good work that was undertaken by Chatterton and hence convened a Conference at Ooty in September 1908, to which the representatives of the leading industrial interests of the Presidency were invited\(^1\), representatives of the private sector were for Governmental intervention only in the provision of technical education. It was pointed out that a radical improvement in all the industries and manufactures could be effected only if education was taken to the villages and a survey of existing industries contemplated by the Government. The Chamber of Commerce repudiated Governmental intervention in the sphere of established industries.

\(^{18}\) Government Order No.1421 (Revenue) 12 May 1908.
As far as employing Indians was concerned, the Chamber vehemently asserted that in "India there was no racial question but added that upto a point, the Indian labour was excellent, cheap and reliable, but beyond that, it failed to come unto modern expectations". Passing orders on the resolutions passed at the Industrial Conference held at Ooty in September 1908, it was recognised that the exploitation of industries should be regarded not as a normal but as an exceptional function of Government. The Government abiding by the resolutions of the Conference, created a special Department under a Special Officer designated as Director of Industries later to deal with industrial questions. He was to be vested with the powers to impart and regulate industrial instruction.

The Finance Department of the Government of India in its Despatch to the Secretary of State, recommending the proposals of the Madras Government stated - "We concur with the local government in their view that the valuable results which Chatterton has so far achieved, necessitate the creation of a permanent Department which would be beneficial. The Secretary of State however, categorically refused to sanction a separate Department under a separate officer. The State had to be vested with the powers to use the funds only to familiarise the people with modern science.

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20 Government of India - Despatch to the Secretary (Madras) of State June 1910.
Beyond this the State had to desist from further interference and that private enterprises should demonstrate any improvements to be made, with their advantages. Consequently the Department of Industries was to be closed and the appointment was cancelled with effect from 1st January 1911 and the services of Chatterton had to be placed at the disposal of the Education Department for employment as Superintendent of Industrial Education. In 1912 Chatterton's services were requisitioned by the Princely State of Mysore to establish a Department of Industries "after which he never returned to Madras in any official capacity".

3.2 REVERSAL IN THE INDUSTRIAL POLICY

Deprecating the attitude of the Secretary of State (moved through the Resolution of the Legislative Council in Madras on 22 February 1911) for the industrial backwardness of the Madras Presidency, the Governor undertook to invite the former to reconsider his decision. This manifestation was an index to show how strongly they favoured the policy of State intervention to promote industrial development and more so in South India, where financial constraint was a major obstacle.

21 Government Order No.3446 (Revenue) 27 October 1910.
22 Government Order No.260-61 (Revenue) 26 January 1914.
At a meeting of the Legislative Council in Madras on 22 February 1911, a Resolution was passed deprecating the attitude of the Secretary of State. It highlighted the industrial backwardness of the Madras Presidency, with its non-existent private workshops, and the instruction imparted in industrial schools being insufficient. The Resolution was carried by 21 votes against 3.

At the close of the debate, the Governor undertook to invite the Secretary of State to reconsider his decision. This manifestation only proved how, Indian non-official opinion was strongly in favour of the policy of State intervention to promote industrial development in the Province. The Governor in Council was convinced that there was considerable truth in the argument about the existence of difference in conditions of India and those of Europe, and that in a place like South India where industrial progress had hardly commenced, it was difficult without State aid to bridge this gulf.

The Financial Department of the Government of India in their Despatch to the Secretary of State stated "We have carefully re-examined the whole case in the light of the arguments adduced by the Government of India and of the weighty Lord Morley's decision which have appeared in the press and on the platform throughout India. We are constrained to urge upon your Lordship the modification of that decision on the lines indicated by the Madras Government."

23 Extract from the Government of India Despatch to the Secretary of the State 3 March 1911.
"The importance of giving to India all possible facilities for becoming industrial is very great at the present time. Accordingly we recommend the creation of a separate Department of Industries in the Madras Presidency."

Morley's orders prohibiting the State funds to be employed in the development of pioneer industries, and the abolition of the Department of Industries led to a wave of resentment and regrets throughout the thinking population of not only the Madras Presidency but without too. This feeling of resentment was manifested at the VI Indian Industries Conference held at Allahabad in December 1911.

In 1915, Chamberlain, the Secretary of State for India received a confidential note outlining the necessity to reconsider the central policy of industrialisation as the people of the Presidency had professed their inability to carry out their programme without Governmental control or guidance. Public resentment against the imperialist policy was gaining momentum. Two grave charges were levelled against the British - the indifferent attitude of the British towards the development of indigenous industries, ultimately stifling their growth through British competition. The second charge referred to the system of education that was imparted, which helped them to procure positions in the government service, law and medicine.

24 Government Order No.3851, (Revenue) 30 December 1912.

25 Government Order No.46 (Educational) 12 January 1916.
Lord Crewe, the successor to Lord Morley re-affirmed his predecessor's decision, while at the same time he did not object to the creation of a separate Department of Industries provided that its functions were confined within the limits specified by him. Accordingly the Department of Industries was re-established on 21 March 1914. The functions of the Director were, to collect information as to existing industries, improving them and introducing new ones, to enlist the co-operation of the local manufacturers in the conduct of experiments on a commercial scale and to supervise the training of students.

In a resolution of May 19, 1916, the Government of India decided to inquire into the feasibility of expansion and development of Indian manufactures. Earlier inquiry had highlighted the various difficulties which they had encountered, viz., the timidity and unenterprising character of Indian Capital, the lack of skilled labour, and want of practical information regarding the commercial potentialities of India's raw materials.

It is against this backdrop that the Government in 1916 appointed an Indian Industrial Commission (IIC) with members drawn from different walks of life, acquainted with industrial conditions both within and without. The scope of the Commission precluded two different factors - one with reference to the tariff policy, and two, with the technical aspects of education,

26 Government Order No.3851 (Revenue) 30 December 1912.
27 Government Order No.622 (Educational) 5 June 1916.
which was then under the consideration of the Government of India. The Commission had a three-fold proposition, to create a special Department which would formulate, direct and co-ordinate various policies, and powers to be vested in the hands of local Government authorities, and to be assisted by trained staff.

The Report of I.I.C. had to be correlated with the Report of the Indian Constitutional Reforms. Both the Reports emphasised the need for rapid industrialisation of the economy with active state participation, but while the former focussed emphasis on centralisation i.e. operation through the Government of India, the latter believed in decentralisation, with Provincial Government playing the lead role. Innes, the then Director of Industries, Madras, commenting on the two Reports proposed that "the Government of India had to confine itself within the narrow limits of those industries which were of strategic importance and to leave the rest to the local governments to solve their own problems with their own staff in their own way". They pleaded that the industrial development be made a concern of the Provincial Government and hence enjoy the greatest possible freedom of action and initiative. A related phenomenon in this context that contributed to provincial heartburn especially in the Madras Presidency was the issue of provincial finance. What irked the Government of Madras was that nearly 1/3 of the gross Provincial contributions to the Government of India was to be levied.
from Madras. As Innes apprehended that owing to this policy Bengal industries will be developed with Madras money. Moving a resolution in the Legislative Council recommending a grant for the development of the industries the Presidency, Rao Bahadur Ranga Achariyar pointed to the great injustice done for years to the Government of Madras in the matter of financial relations between the two Governments. It would have served the purpose if the Madras Government had raised its voice against this continued injustice which is referred to as a matter of satisfaction by the Montagu-Chelmsford Report. This is historical. Not only has injustice been there but they purport to continue it in all their proposals. If there is any unsatisfactory feature in the proposals of the Montagu-Chelmsford Report, it is here that they want to continue this injustice in the financial relationship between the Madras Government and the Central.

The Government of Madras had also addressed the Government of India on the subject of financial arrangements under the new scheme and had entered a strong protest against the proposal to base the contribution to Government of India on the basis of a series of Provincial contracts which Madras Government had not accepted. It had also been pointed out in that letter that "if burdened with such a contribution, the Provincial

29 Government Order No.263-264, (Finance) 18 February 1899
30 Public letter No.1104 A - 10 December 1918.
31 Government Order No.1166, (Revenue Special) 12 June 1918.
32 Public Letter, 1104 A - 10 December 1918.
Government could not be held responsible for carrying through the large schemes of improvement to which they were committed. The feeling that Madras was being treated unfairly also came through this argument put forth in the Council: "Unless this Government go to the Government of India armed with public opinion in the matter, they are not likely to meet with success. Past history will repeat itself. Madras is a far-off place for those who have the control of the purse of the Government of India. The voice of Madras is seldom heard there and it is necessary that Your Excellency's Government should apply to the Government of India early enough before they make their financial adjustment with other Provinces".

The most significant event of the year 1920-21 in terms of industrial development was the Secretary of State's Despatch signifying his general assent to the several recommendations made by the Indian Industries Commission. This was a turning point in the history of the policy of State and industrial development. He approved the proposal that an Imperial and Provincial Department of Industries be set up on lines proposed by the I.I.C., and an interim authority, a Board of Industries and Munitions be instituted which would eventually take up the war commitments of the Indian Munitions Board and organise the establishment of a new permanent Department.

The Secretary of State had thus reversed the Restrictive policy of Lord Morley of 1910 which was later modified by Lord Crewe in 1912, and

33 ibid
temporarily suspended, while the Commission was conducting its inquiry. It was realised that if rapid industrial development had to be attained, the only other discernible alternative had to be the active intervention of the Government with a new policy. The Governor presided over a Conference at Madras on 13th March, 1920, attended by representatives of commercial and industrial interests as well as by the members of the Legislative Councils. The outcome of the conferences was: the conference effected the creation of a Board of Industries for the Presidency, and Indian Industrial Service, the control of industrial education to be vested in the hands of the Director of Industries, extension of schemes of apprenticeship and the establishment of demonstrational factories by the Government.

At another Conference of the Directors of Industries held in Simla in April 1920 it was recognised that the newly created Provincial Board of Industries should be an advisory rather than a regulatory body. Chatterton, then the Industrial Adviser to the Tata Industrial Board, made a special plea to all the Directors who had assembled to adopt standard types of plants, specially adapted to local requirements. He attributed the success of Pumping and Boring Department in the Madras Presidency to this special feature.

The Administration Report\textsuperscript{34} of the Department of Industries highlighted the limited impact that the Department had on industrialisation of the Province. Since the Government was not interested in a consistent and co-
ordinated programme of development, their method of approach was selective and piece-meal and concentrated on few individual industries. This method of approach had "failed to achieve any substantial improvement with large sections of the population not being touched at all"35.

3.3 INDUSTRIAL LEGISLATION OF THE MADRAS PRESIDENCY

The enactment of the State Aid to Industries Act. (hence forth referred to as (S.A.1.A) in 1922 carved out a special niche in the history of industrialisation for the decade 1921 - 1931 in the Presidency of Madras. One of the main findings and recommendations of the I.I.C. was that the obstacle of scarce capital resource had to be circumvented and this was achieved through the Madras Board of Industries which in 1921 passed the Resolution that the Government should be provided with adequate powers to finance industries.

The development of industries had become a transferred subject in charge of an elected Ministry. This Bill which was introduced in November 1922, was supported by the representatives of all sections of the public and hence was hailed as an Act. This Act was later subject to certain amendments and modification in the subsequent sessions.

35 Government Order No.4, (Revenue) 3 January 1921.
The Act containing 20 sections, made provision for every conceivable contingency and laid down procedures for implementation. The industries which could be assisted had to have an important bearing on the economic development of the Province, and should have to be a 'new' or 'nascent' industry, cottage industries, and old or established industries if necessary, provided the Provincial Government endorsed its need. It also laid down that no aid shall be given to any joint-stock company unless it is a company registered in India on a rupee capital, and/or with adequate number of Indian representatives on the Board of management. The Act empowered the local government to grant aid in any one of the following forms - a loan, guaranteeing cash credit subscribing to shares or debentures. The industries to be aided and the manner of the aid were also set out and necessary checks and safeguards were embodied and the distribution of profits were regulated.

The Government, to secure its position, laid down that the industrial concerns receiving loans had to go through the usual process of audit like submission of accounts and furnishing returns and statements of all products manufactured or sold, both as regards description and quantity, and to abide by the orders of Government regarding inspection of premises, buildings, plant or stock of the industrial business. In cases where the loan exceeded Rs.2 lakhs, the act enabled the appointment of a Government Director or the taking of other steps to safeguard Government's interests. In case of equity participation by Government, the private individual or company had to
contribute an equal number of fully paid up shares for all capital on which Government guaranteed a return and the private party had to invest an equal amount of capital which carried no guarantee. Section IX \(^3\) limited the Government loans up to 50% on the industrial assets; in other words the security demanded was double the amount of the loan and it was particularly emphasised that this security had to be industrial assets, and these assets were to be capital invested in the industrial venture. The evaluation was done on the net value of the assets, making necessary deductions for any portion in debt or mortgage and the assets created by the loan was also included in the value of the assets. Section X laid down that every loan granted had to be secured by the mortgage on floating charge upon the whole of the assets of the business (subject to any encumbrances). A collateral security could be accepted by Government which prescribed the rate of interest and dates on which payment was to be made.

The repayment of the loan could be done on the instalment basis in a fixed period of 20 years, though extensions were possible in exceptional or special cases, but there was nothing to prevent or debar a borrower from paying a larger sum than the annual instalment or from discharging the whole of the loan in a single repayment at any time. The grant if it took other forms like subsidy, lands and raw materials etc., an amount equal to assessed value of the grant fixed at the time when it was made, had to be repaid to the Government. This was to be made at the close of a fixed term of years, if

\(^3\) CHITRA, V.R. - *Cottage Industries of India* - Appendix I (Madras, 1948) p. 86.
within the term the business showed that it was paying an interest or dividend on the capital invested in excess of the rate which the local government had fixed. In no case the subsidy was to exceed 40% of the amount invested in research or machinery.

Section XVII\(^37\) required that all money payable under the act, if they were not paid when due, could be recovered lawfully from the person on his security, as if, they were arrears of land revenue. But the Government could act on behalf of the surety and make arrangements to recover the money from the borrower of the loan and hand it over to the surety. If the conditions under which loans were granted, were not observed, no profit could be appropriated without the sanction of the Government. For implementation of the Act, an advisory body called the Board of Industries consisting of 10-12 members was set up with representatives from the Chambers of the Commission, Trade Associations and the Legislative Council. The Director of Industries and the Secretary to the Financial Department were included as ex-officio members, to represent banking or mofussil interests and Cottage Industries, if they were not represented, Government could appoint a third ex-officio member. In addition to the elected members, the Board could co-opt an official or non-official to assist in the discussion or elucidation of a particular subject.
The Chairman of the Board of Industries held office at the pleasure of Government. Members were elected and appointed for a fixed period of three years and were eligible for re-election. Any vacancy in the office of a member had to be reported by the Chairman of the Board or President of the body concerned in the case of elected members to the Government and in the case of appointed members so that the vacancy could be filled up by fresh election or appointment in accordance with the case.

Every non-official member of the Board was entitled to a fee of Rs.30/- for each day of the meeting of the Board or of any Committee of the Board attended by him and members coming from the mofussil areas were given only travelling allowance. Special meetings of the Board could be summoned by the Chairman on the written request of not less than four members. No business could be transacted unless at least four members were present. Questions were decided by majority votes, the Chairman having the right of a casting vote in case of a tie. To facilitate working of the Board, a Commission consisting of three of its members was appointed to report on any issue.

The Board was a purely advisory body and hence its decisions were not conclusive. No aid could be granted if the board unanimously advised the rejection of any application. No member of the Board individually

38 Government Order No.1016, (Development) 26 August 1933.

interested might take part in voting or discussions on a question. The Board could convene District Committees of 3 to 5 members. Nevertheless Government held the power to appoint additional members when so advised by the Director of Industries in consultation with the District Collectors.

Section IV bound the Government strictly to the provisions of the Act in the matter of aiding industries. Section XX however, clarified that Government could start or conduct industrial enterprise on its own for exceptional purposes or to stimulate industrial development. The Government could assist an industrial business or enterprise by agreements to purchase on business terms the whole or a portion of the products and by giving on favourable terms the services of the Government officials or experts. Section XIX conferred on the Government powers to make rules to facilitate smooth working of the Act. Application for aid had to be made to the Director of Industries, where the loan applied for exceeded Rs.10,000. The Government issued a notice calling for objections if any. The notice had to specify the address of the applicant for the loan or other aid and the nature of the business or enterprise in respect of which the application was made. It also stated that anyone who desired to make any objection to the loan or other aid could do so by presenting a statement of his objections in writing at the office of the Director of Industries in 30 days of the publication of the notice. The objections received along with the views of the division of industries were considered by the Board of industries. The applications\textsuperscript{40} were required to

\textit{Government Order No.178 (Development) 3 February 1926.}
furinsh details regarding the nature of the industrial concerns, sources of raw materials, administrative, technical and executive staff, total estimated cost, and the extent and period of the aid applied for.

In the case of cottage industries\(^\text{41}\) or small concerns not using steam or other power, the Director of Board of Industries could elicit such information as would enable him to make an estimate of the economic feasibility of the proposal. Information on the security had to be provided, as also the financial resources of the applicants, the assets and revenue which would be available, particulars of existing charges and debts and also the additional assets which would be created by the utilisation of the aid; these particulars were to be supplemented wherever possible with balance sheets and profits and loss account, certified by an auditor recognised under the Indian Companies Act. Further information had to be furnished as regards the collateral security which would have to be pledged in the events of the other securities being found insufficient. Under the rules framed\(^\text{42}\), assets were classified under different categories, evaluated by the Director of Industries or persons authorised by the local Government. Fixed assets acquired for cash such as land, building, lease-holds, railway sidings, plant and machinery, development of property, trade mark and designs etc., were evaluated at the price for which they were acquired, subject to deductions with regard to wear and tear, such deductions in the case of buildings, machinery and plant were

\(^{41}\) Government Order No.7317, (Development) 3 September 1931.

\(^{42}\) Government Order No.178, (Development) 3 February 1926.
to be calculated on the rates fixed under the Income Tax Act of 1922. Appreciation of income or decrease in the market value of the site, buildings and machinery were also taken into consideration.

This Act was a maiden attempt embodying germs of the new industrial policy. The actual working the Act brought out certain defects and deficiencies. The Act was amended a number of times later^43.

3.3.1 Working of the Act^44

The poor performance in the implementation of the Act (Vide Fig. No.3.1) had been centred around the narrowness of its scope. Aid was not being granted either on the basis of industry (new or old) or on the basis of region (industrially advanced or backward). Inspite of the avowed need for helping and strengthening cottage industries of all kinds, it took nearly 14 years for the original Act to widen its scope to include all industries carried on by the worker in his own home. Fixing the maximum limit for loans to 50% of the net value of the assets proved to be an obstacle to efficient entrepreneurs who had all the requisite factors to succeed except finance. Relaxation of several restrictions in the granting of loans had to be coupled with the recovery of loans too, and a milder policy and not a drastic and coercive


44 Vide Appendix 3.1 for details
FIG.NO. 3.1 CHART SHOWING EXTENT OF APPLIED FOR AND SANCTIONED
FIG. NO. 3.1 CHART SHOWING EXTENT OF APPLIED FOR AND SANCTIONED AND TOTAL NO. OF APPLICANTS 1923-24 TO 49-50

- **AID APPLIED**
- **AID RECOMMENDED**
- **AID SANCTIONED**

**TOTAL**

<table>
<thead>
<tr>
<th>AID APPLIED</th>
<th>AID RECOMMENDED</th>
<th>AID SANCTIONED</th>
</tr>
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<td>52,185</td>
<td>11,242</td>
<td>6,347</td>
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FIG. NO. 3.1 CHART SHOWING EXTENT OF APPLIED FOR AND SANCTIONED AND TOTAL NO. OF APPLICANTS 1923-24 TO 49-50

**TOTAL**

<table>
<thead>
<tr>
<th>NO. APPLIED</th>
<th>NO. RECOMMENDED</th>
<th>NO. SANCTIONED</th>
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<tbody>
<tr>
<td>400</td>
<td>146</td>
<td>87</td>
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action should have been taken in the recovery of loans. This had scared away many a prospective applicant for aid. The Government acted as a "Marwari creditor" rather than a benevolent patron and hence deprived the measure of its full benefits.

There was a considerable loss or delay of time in the sanctioning of loans until 1947-48 inspite of the Fifth Indian Industries Conference held at Simla in 1933 recommending very strongly that the procedure should be more flexible and dispensed with as expeditiously as possible. One among the greatest drawbacks in the administration of the Act had been the lack of provision of technical and other specialised facilities. To overcome this obstacle, the Government should have opened well-equipped workshops in all the district headquarters. In 1922, when the Act was introduced or even later, no district or region could be characterised as too well-industrialized to need aid. Even among the old and established industries, there were several which were in need of vast expansion. But the Act, by specifying the type of industries as well as regions eligible for aid, severely limited its usefulness. In spite of the avowed need for helping and strengthening cottage industries of all kinds, the narrow definition of the original Act took 14 years before it was widened in scope to include all industries carried on by the worker in his own house.\(^{45}\)

\(^{45}\) The Eastern Economist. August 10, 1945, p.198.
The fixation of a maximum limit for loans of 50% of the net value of the assets of the industrial business or enterprise imposed from the very outset a serious handicap on really efficient entrepreneurs who possessed all the requisite factors for success except finance. Provision of a much higher percentage of capital by Government as loan in deserving cases might have helped to accelerate the process of industrialisation.

If in the matter of granting loans, several restrictions required to be relaxed, in the matter of recovery of loans granted, the hasty and sweeping procedure called for some restrictions and a milder policy. Government usually resorted to drastic and coercive action against defaulters which not only forced the industrial units concerned into liquidation but also scared away many a prospective applicant for aid. Summary proceedings were instituted in most of the cases for small sums in the region of Rs.1000. In the excitement of pinning down the defaulter, the letter of the law alone was recognised while the peculiar conditions under which the defaulting firm would have laboured were generally ignored.

Really enterprising applicants were dismayed at the delay involved in the sanction of loans. Until 1947-48, the Board of Industries met at irregular intervals and the disposal of the applications took considerable time. This was the experience not only in this Province but also in other Provinces with the result that the Fifth Industries Conference held at Simla in 1933 recommended that the loan procedure should be as expeditious as possible and that it should be flexible in its working. The Board of Industries met periodically and more
frequently and the element of delay had been nearly minimised in recent years in Madras, but there was still need for further effort in the direction of early sanction of aid without at the same time giving up a full examination of the case.

The greatest drawback in the administration of the Act had been the lack of provision of technical and other facilities. In modern industrial organisation, finance is important but not the sole means of setting up flourishing industrial units. Machinery and plant of the required dimensions and description had to be secured and erected, technical personnel engaged to run the factory, supply of raw materials at cheap price assured and sale of the finished goods made easy. In this sphere, the example of Mysore is worthy of mention. Individuals who were interested in particular industries could apply to the Government for a detailed enquiry to be conducted regarding their prospects. The Government would refer the matter to the Board of Industries and Commerce which would conduct a preliminary enquiry and make its report available to the intending entrepreneurs. Inquiries of this nature were conducted with regard to the potentialities of Coffee Curing Works at Chikmagalur and manufacture of Agricultural Implements and Edged Tools. In the case of industries aided by the State, Government arranged for the selection and import of machinery and plant and later help the firm with the engineers and technical personnel in their erection. Between 1912-13 and

1935-36 Government had thus helped the installation of more than 700 factories of which 22 were sugar mills, 33 oil mills, 78, flour mills and 136, rice mills. The Department of Industries and Commerce in Madras had a corps of technicians who assisted in boring operations and erecting pumping sets; but not in the task which private entrepreneurs have to encounter in installing their plant and working their factories.

There is also need for the Government opening well-equipped workshops in all district headquarters and in other countries where industries have clustered together. Although there were 6 industrial schools and seven polytechnics in different places of the State, industrial and technical education was still backward. The workshops attached to the schools and polytechnics had to be enlarged to offer facilities for repair. These workshops had to be in a position to undertake repairs of intricate and complex machinery. These repairs had been a source of immense worry to certain classes of industrialists. The number of industrial schools and polytechnics should have been increased so as to supply adequate technical skills to the growing industries. The system that existed, namely, Government Industrial Engineering Workshops devoted to repairing machinery, belonged generally to Government and the industrial schools and polytechnics specialised to impart technical skill and education were marked by too much differentiation and specialisation. In the transitional phase faced with shortage of skill, plant, and machinery, the crying need was for multi-purpose institutions. The workshop should have undertaken repairs of Government as well as private machinery and plant, given highly
specialised technical training to promising candidates of polytechnics and industrial schools which in their turn should serve both as centres of education and training and as public workshops for repairs of all kinds.

Apart from technical assistance during the inception and working of industrial units, Government should have also provided facilities for the supply of raw materials in adequate quantities at cheap prices. For example salt, wattle bark, myrabalan should have been supplied to tanning industry at reasonable prices, long staple cotton to textile mills spinning higher quantities of yarn and coal or electricity to cement factories. This kind of assistance was conspicuously absent in this Province. The Department of Industries should have been constantly engaged in its several technical institutions in finding out new methods, machinery and tools and designs and popularise them among industrialists through actual demonstration in exhibitions and at fairs. This kind of extension work of transferring the knowledge from the laboratory to the factory had been woefully inadequate.

The greatest problem for new industrial units after they commenced production was that of marketing their products. In the initial period, Government should have assisted in their marketing. If the industry manufactured articles like paper and cloth, Government could have purchased from it for their own needs. This principle, which was being adopted to a limited extent in the case of khadi produced in the selected firkas may well have been extended to all industries which have been fostered by State aid.
All these supplementary measures had been an urgent necessity if the financial and other aids granted to industries should bear maximum fruition. Not much active attention was bestowed on the successful working of the aided industries once the aid was granted. These supplementary measures constitute positive aids, the lack of which, renders State aid partial and incomplete. Although these measures cannot be conveniently incorporated in the Act itself, the principle implied in them must have been accepted and acted upon wherever feasible.

"The Government of the Madras Presidency had hence been seized of the urgent need to industrialise the Presidency, which was warranted by the abundant availability of natural resources."47. This urge to bring about rapid industrialisation was facilitated by the starting of pioneering industries, with a view to ascertain the commercial possibilities of manufacturing articles not produced in the Presidency. It was also considered advisable to concentrate the attention of the Department on the organisation and the development of small industries preferably on co-operative lines with special emphasis on the significant role played by the village or rural industries. This would have sustained the agriculturists, who constituted the bulk of the population, during the slack season. Unfortunately the political system of governance did not provide any mechanism to translate these intentions into reality, with the result that they remained only on paper. Consequently Government’s industrial ventures did not really stimulate large scale industrial activity in the Province.

47 Government Order No.5631 (Devel.) 24 February 1949.
nor did it make any impact on the rural population who had been severely affected by the economic depression and the declining agricultural prices, whilst the decay of local industries left them with no supplementary sources of income.

The Administration Report of the Department of Industries ending on 31 March 1939, assessed the greater availability of natural resources and its complex nature and wanting to put Madras on the industrial empire of India, advocated large scale industries to be developed by virtue of its employment potential, as well as to enable the development of medium and small scale industries. It was upheld that no economic reconstruction programme would be complete without bringing under its umbrage the development of rural industries. In the Madras Province, 86.44% of the population lived in villages, and a negligible proportion worked in factories, hence necessitating the attempt to revitalise rural industries. In 1927, the Government appointed a special officer to undertake an indepth inquiry on the economics of cottage industries in the Presidency and to devise means for their revival and extension. The report was submitted in 1929.

The weaknesses of India’s economy were clearly revealed during the depression when her dependence upon exports of agricultural produce brought about a very difficult situation and the declining agricultural prices brought about an unfavorable balance of trade. It highlighted the precarious

position of our industries which were dependent on imported materials. Hence this necessitated as a first step to assess the economic significance and feasibility of industrial development of the various practices and later to draw out a plan for the entire British India. Madras Presidency had taken the lead among other Presidencies in directing its efforts towards this and the eventual setting up of a National Planning Committee. It was realised that in order to prevent the growth of unemployment and reviving the age old cottage industries, extension of Government interference into the economic field was bound to remain a permanent feature of the new order.

There was clamour, by the various Provincial Governments for the establishment of industries in their provinces. In a note addressed to the Secretary to the Government, it was pointed out that if Madras did not take active steps in the direction of establishing some basic industries, there was ground for apprehension that in a few years Madras will be importing from other parts of India, considerable quantities of industrial products which could have been manufactured in this Province. It was also pointed out that if important industries were to be attracted to the Madras Province, it would be necessary in the interests of promotion of industrial development to adopt in suitable cases a similar liberal policy to that followed by certain industrial States, in the absence of which the drift of industries to other states would become more pronounced. Madras Presidency vis-a-vis, Bombay and Bengal, was extremely lacking in industrial enterprise, and a change in the outlook of the moneyed class of the Province was also needed.
3.4 NEW INDUSTRIAL POLICY

August 1944 saw the birth of a new industrial policy for the Madras Presidency, which divided the industries into 4 categories\(^4\) - a) those under the direct control of the Government b) those in which the Government would take a majority of the shares but would allow private management where necessary, c) important industries in which Government would participate in their shares, and also be represented in the directorate, d) private undertaking where the Government, could provide the requisite assistance.

This categorisation had sown the seeds of a later industrial policy which was outlined by the Independent India in 1948. The first two categories outlined above had come under the total purview of the Government while the latter two were left to the private enterprises, although the government could outline their programmes. The Industries Sub-Committee of the Post-War Reconstruction Committee had accepted this categorisation. It was also accepted that these Industries need not be classified into water-tight compartments, thereby, permitting a certain amount of flexibility in their classification\(^5\).

In 1945, the Government of India urged the need to publicise the various recommendations and conclusions of the policy. Although the Government of India Act of 1935 declared that the programmes pertaining to

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\(^4\) The Eastern Economist, 27 April 1945, p. 561.

\(^5\) Government Order No.5631 (Development) 24 November 1949.
the industrial sector would remain a provincial subject, nevertheless the centre had the right to legislate and bring them under its control51, if public interest so warranted. But no such passage of Act was evidenced, hence industrial development remained an entirely provincial subject.

If India had to advance technologically like every other country after the war, then that called for a change in the existing policy52 - where the private sector had to co-exist, with the public sector, but the extent to which the public sector; would participate in effective industrialisation was of prime importance. The Government was expected to take and maintain the lead role assigned in basic industries which included aircraft, automobiles and tractors chemicals and dyes, transport vehicles, electrical machinery etc. while the other industries would be under the private sector. The Government takeover of industries had to be brought within the jurisdiction of the Provinces after which a final decision could be made regarding the State and industries.

The Government until then had only emergency powers of war-line controls, to regulate the growth of industries. The most significant outcome of this unfettered freedom was the concentration of industries in certain areas, and entrepreneurs patronising projects with quick returns, which led to lop-sided industrial development. To alleviate these problems the Government

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51 Government Order No.2785, (Development) 17 July 1945.
proposed to outline the targets, and the Government to license industries - new and substantial expansion of the existing factories. This licensing system had to ensure that the interests of the Indian States were not sacrificed. Hence it was proposed to set up a Board which would advice the Central Government on its licensing activities.

Reacting sharply to the Government of India's policy statement, the Madras Government expressed the fear that India was slowly but steadily moving towards centralisation, thereby exerting considerable influence on matters of vital concern to Provinces. It preferred the formation of an All India Board of Industries, which would be adaptable both for the present constitution and a future federal constitution. The Government of Madras hoped that the Central Government would endorse this venture, failing which the former would exert its control on industries affecting the Province, on a level similar to that of the Central Government. The Government of India while accepting the offer of the Madras Government, moved a resolution that the Central Government would give preferential treatment to the industrially backward areas or Provinces. Although the public reaction to the Government's policy was not heard, a press communique had stated "It is no condemnation of the Government's enunciation of the principle of control to say that the public have no confidence in the present machinery of control which has been singularly incompetent and restricting of development. The objectives of control have been set down in too vague and general terms, one
would like to know the methods which would be adopted to secure balanced investment in industries, agriculture and the social services. Apparently they have not been worked out.  

In 1949, the Government was still talking of the procedure to be adopted for Government assistance to intending industrialists. There had been no response to the communique issued by the Provincial Government in August 1944. Subsequently the Provincial Post-War Reconstruction Committee on Industries was abolished and a new industries committee with sub-committees to deal with specific groups of industries was constituted as a subsidiary body formed out of the Post-War Reconstruction General Committee. The Sub-Committee and General Committee themselves had examined the possibilities of starting various industries in the Province. But as always, action and operationalisation of the recommendations eluded the political system.

3.5 SUMMARY

It is in this light that the industrial policies and programmes of the Madras Provincial Governments should be judged. To develop industries to the stage of self-sufficiency from a pin to a steamer has always been, and is, the cherished ambition of the average Indian. "Provincial autonomy has given the chance, and quite naturally the various Governments are trying to bring


55 Government Order No.5631 (Development) 24 November 1949.
about an industrial millennium. After generations of Governmental callousness, inactivity and open or veiled hostility, the present overflow of enthusiasm which came later was not difficult to understand. But it must not be forgotten that State policy, though an important consideration, is not the only or the sole factor in industrial development. Subject to this qualification, the enthusiasm of the Provincial Governments was thrice welcome. There was unlimited scope for their activity in the fields of research, finance, marketing, etc., but in pursuing these aims care should be taken to avoid certain pitfalls. A healthy and vigorous industry cannot grow tied to the apron-strings of Government. The anxiety to promote industry may give rise to a sort of rivalry which may degenerate into extreme provincialism. Again, in encouraging small industries, any conflict with big or organised industries should be avoided; in India there is enough room for both. Further, there should be perfect understanding and co-ordination of the Provinces among themselves and with the Government of India. Development of industries may require not only the shelter of a protective tariff, but also the indirect support of a suitable exchange, currency, railway freight and kindred policies. The powers of the Provincial Governments in these spheres are after all limited, and they are helpless unless they can carry the Central Government along with them.

56 MUKHERJEE, R and DEY, H.L. - Economic Problems of Modern India. (London 1946) p. 64.