Chapter II

REVIEW OF LITERATURE
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2.1 Introduction:

The concept of chambers of commerce is a well established and now almost all the countries, whether governed by the socialist or capitalist system have some or the other form of chambers of commerce. The nomenclature and the nature of the functioning of these institutions may differ from country to country and may have different roles assigned to these august bodies. The basic purpose of all such institutions is to develop a liaison between the governing agencies, trading and business systems for the development of an effective trading community. Furthermore, a chamber of commerce plays a vital role in development a just system for helping the traders and its associated members, reducing the conflicts with the regulatory mechanism and to create a proactive growth oriented trading system.

In the last 150 years, chambers of commerce have worked for development of a healthy business culture. In most of the western countries, chambers are known as ambassadors of economic development. Many industrial, commercial and regulatory reforms are the result of initiatives taken by chambers of commerce. In normal course, a chamber performs both ministerial and militant functions. As a representative of traders and businessmen, a chamber promotes a right image of business community and attracts attraction of the society towards the issue of common concern.

How a chamber performs its functions, has always been an issue of research enquiry. Different researches have been conducted in different countries regarding the role and functions of chambers of commerce and their contribution in economic development. What are the areas where such researchers are conducted and what are the major outcomes of these researches is a very important aspect of the research enquiry. Though, chambers of commerce is a very economically sensitive and important issue, the number of academic enquiries and researches regarding their role, performance and contribution is insignificant. The survey of the review of literature in commerce and business management indicates clearly that much attention is not given to this issue of vital importance. This study is an important research in this field where author has taken a review of articles and books along with research conducted in different countries.
2.2 **Purpose:**

The purpose of writing this chapter:

The present chapter is written with certain specific objectives presented here-

1. To know the state and status of research regarding chambers of commerce at national and international level.
2. To identify the kind of research work conducted by different persons.
3. To enlist the kind of work and publications regarding chambers of commerce.
4. To identify the basic element of study considered by the various authors and researchers.
5. To make out the list of research areas which are unattended so as to know the research gap in the study.

2.3 **Order of writing review:**

The review of literature is written in following order:

1. Analysis of contribution made by the experts at international level.
2. Analysis of literature written by Indian authors and researchers.

The topic chamber of commerce has remained neglected from academicians’ point of view to a great extent. Very few researchers have contributed in forms of conceptual as well as policy research in the field of chamber of commerce and its contribution to economy. As it is known that the role of chamber of commerce remain neglected due to various pre-dominant ideas attached with it, many consider a chamber as an agent of traders and merchants. Some look at chamber of commerce only as an agency protecting the interest of traders. For certain other sections, a chamber is a less useful voluntary economic institution.
2.4 Origins of Modern Chambers and Associations: 1833 – 1905

The emergence and development of chambers and associations have to be understood in historical perspective. The pre and post-independence periods have to be sharply distinguished. The pre-independence period can be further conveniently divided into two: the first from 1833 to 1905 which makes it convenient for the discussion of the origins of modern chambers and associations started by the British and Indian businessmen respectively; and the second from 1905, when the Swadeshi movement had reached one of its peaks and the centralized activity of chambers and associations had begun to gather strength, to 1947, when independence was secured. The second part of the pre-independence period (1905-47) and the post-independence period (1947-76) have been treated in the next chapter. It is necessary also to note fundamental characteristics that had emerged before independence and continued thereafter. Further, chambers and associations evolved along with other institutions. One has to note the effects of political power on business institutions and the relationship between political and economic power. One has also to attend to the evolution of more fundamental business institutions than chambers and associations such as various types of enterprise organization and understand why unity among enterprises of different types was not easy to attain. In order to explain the emergence of chambers of commerce and associations, one must also know the background of traditional business and notice who were the entrants, at various stages, into the modern business class. Only by noting the condition and characteristics of these entrants can one understand the nature and coverage of the institutions that they established.

2.4.1 The International Scene

The chambers of commerce have emerged in different ways in different countries. The reasons for emergence of chambers of commerce are-

1. Need for rapid economic development.
2. Proper coordination between industry, trade and government.
3. To achieve a synergic effect of coordination at different levels between stakeholders.

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1 Book Name: Chambers of commerce and trade Associations in India
Author: B.R. Sabade & M.V. Namjoshi
Publisher: Shubhada-Saraswat
Year: 1977
Chambers of commerce thus take many different forms in different countries, but they add up to a total and significant network which transcends political boundaries and provides links between businessmen in virtually every country in the world. It is estimated that there are nearly 10,000 chambers of commerce in all the countries together with an underlying membership of business organizations and firms of many millions.

By way of clearing the decks for subsequent discussion we review the organization set-up, the functions performed, legal status and the representation enjoyed by chambers of commerce in a few important countries.

The French Chambers of Commerce and Industry:

Enterprises engaged in commerce and industry (excluding agriculture), distributive trades, transport, credit, insurance and certain categories of artisans can become members of French chambers of commerce. There is at least one chamber in each Department although Paris and Versailles Chambers cover some of the contiguous departments. Then there are regional chambers in 21 government economic regions which have as their members all chambers Situated in their economic region. The national body is Assemblee Permanente des chambers de commerce et d’Industrie (APCCI)\(^2\)

The French chambers of commerce are known for their approach towards industrial advancement and coordination at different levels between different stakeholders. In most of the cases the chambers of commerce in France tried to coordinate with the Government by adopting a militant approach in its initial phases. The French Chamber has preferred to develop an aggressive strategy of promotion and satisfaction of basic demand of industry.

The French chambers have two fold activities. First, they represent the commercial and industrial interests of their area, are represented on local councils and make recommendations to the Government on all commercial and industrial matters. The chambers are involved in subjects like pensions for shopkeepers, technical assistance for small firms and tax burden of the self-employed. The second and important features of the French chambers is that they are in charge

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\(^2\) The Permanent Assembly of CCI (APCCI) founded is founded 1964 that took the Assembly of French Chambers of Commerce and Industry (ACFCI) name in 1991.
of certain public installations and airports, warehouses, commercial exhibitions and fairs, industrial estates, housing projects, and administration of commercial and technical schools.

**The German Chambers of Commerce and Industry**³:

Industry and commerce (excluding agriculture and handicrafts), distributive trades, transport, extractive industries, credit and insurance and service industries are the fields that provide members of chambers of commerce. The chambers have compulsory membership of all individuals and companies who pay commerce tax. Craftsmen and similar trades are associated under the same principle in chambers of crafts and trade.

The German chamber of commerce is one of the oldest chambers of commerce. This chamber though working voluntarily has always received patronage from the Government. Often a complete coordination was witnessed between the government and various chambers of commerce working in Germany. This is mainly because of the strong presence of grid system and cult of mutual development through economic coordination.

The chambers’ present constitution is governed by the federal law of 1956 which designates them as public law bodies. There are in all 81 chambers in the Federal Republic and West Berlin and each chamber has been allocated a district within which to operate.

**Italian Chambers of Commerce and Industry**⁴:

Industry, commerce, distributive trades, transport, agriculture, the self-employed and artisans are the sectors that can provide members to the chambers of commerce in Italy. Thus Italian chambers represent the entire economy of the province.

³ [http://indien.ahk.de/](http://indien.ahk.de/)
⁴ [http://www.chamberofcommerce.it/](http://www.chamberofcommerce.it/)
The chambers are public law bodies, and under the law of 1962, office-bearers of individual chambers are nominees of the Minister of Industry and Commerce and the provincial prefect. The Ministry of Industry also decides the number of seats on chamber councils and the area which chambers cover. One representative on chamber council is also nominated by the trade unions.

The Italian chambers of commerce are basically voluntary association working for the development of merchant and trading activity. The focus of this chamber was principally to enhance a trading culture in Italy. The reason for development of trade chambers of commerce is potential and availability of various opportunities promoting trade and commerce in north-west part of Europe.

**Chamber of Commerce of the United States**:  

The chambers of commerce in the United States are private bodies are not governed by any special laws and their membership is purely voluntary. One distinction, already mentioned, is that the chambers do not attract membership by the services they offer to their members. One distinction, already mentioned, is that the chambers do not attract membership by the services they offer to their members. They are community centers of activity and pay considerable attention to local problems such as housing and schools.

**Chambers of Commerce in the United Kingdom**:  

In the U.K., also there is no law governing chambers of commerce. The membership is voluntary. Some of the very old chambers were incorporated by Royal Charter but the majority of others were formed under the Companies Act. The Association of British

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Chambers of Commerce is the apex body with 93 chambers in its membership.

The English chambers of commerce are one of the oldest chambers of commerce in Europe. Many of the innovative ideas and concepts related with development of trading institutions are given by chambers of commerce. The principal focus of British chambers of commerce is mainly to develop innovative ideas, mechanisms and systems to co-ordinate between trade and industry.

The overall development of chambers of commerce in Europe indicates a different pattern and form of development concentrating more on cooperation between trade, industry and government. The principal focus of European chambers was mainly to address the problems encountered by trade and industry and develop a mechanism to solve those issues. The chambers of commerce in Europe thus have helped a rapid expansion of trading activities in many ways.

2.5 History:

Chronicling evolution of the chamber posits the advantage of stating at the outset, the schematic unfolding of the tapestry of events that eventually concluded in contrasting interests federating into a coalition of mercantile consolidation.

Against this backdrop, the birth of the Associated Chambers of Commerce of India and Ceylon in 1920 was more than an event - it marked the culmination of a historical process reflecting an age of tumultuous change, a logical, sequential development of the coming together of associations primarily representative of British commercial interests in different parts of the country. While the seed of such a formalized structure was evidently sown by the Calcutta Trades Association, as British trading interests tried to weave themselves into a body, on the lines of the more sophisticated business chambers back home, the Bengal Chamber of Commerce, duly supported by Madras and Bombay chambers, was the prime moving force in the establishment of first-ever apex chamber in India.

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7 Book Name: Chambers of commerce and trade Associations in India
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The industrialization pattern then obtaining under the British largely influenced the need for collective protection of local business interests along with the mounting inevitability of restructuring neglected sectors and concurrently promoting entrepreneurship. The Chamber movement mirrors a paradox where British manufacturers saw in India a captive market for their goods but the British Indian manufacturers found such move emaciating their growth. Calcutta being the seat of government from where functioned the Legislative Council conferred on Bengal Chamber legitimate proximity gains for interface and enunciation of its needs. Expansion of the representative character of the Council by the new law, that amended the Indian Councils Act in 1909, prompted the Bombay and Bengal Chambers to seek allotment of representative membership in the Council.

The parallel growth of industries had a direct deportment on the chambers. The indigo, tea, jute, cotton textile industry, coal, thermal power generation and the growth of engineering units with British and Indian interests defined the expansion of converging interests. The partition of Bengal in the year 1905 not only gently catalyzed emergence of a cohesive political opposition but also lent the first impetus to conceiving an all-India entity when the captains of industry from the provinces, Ceylon and Burma discussed the necessity of national bonding. Twelve years later, at another such gathering again in Calcutta, in the wake of post-war scenario, the inspiration for a national business organization was cemented specifically in response to the integration of economic policy into an all-India pattern, an enlarging corpus of legislation, the rapid growth of Indian business, a sharper spirit of trade rivalry, as well as the mobilization of important Indian industrial financial support for political purposes. The idea of an all-India organization was certainly prompted by the lessons of the war but the transfer of capital to New Delhi in 1911 circumscribed the possibility to continue to profitably lobby with the Government primarily on the Bengal Chamber's strength.

What exactly is the status of the chamber and how it performs its work is a more important issue. From this point of view, it is necessary to analyze how experts have dealt with this subject and as such the researcher has undertaken a review of literature.
1. Gadgil D R has narrated about the growth of trading and merchants’ community in Pune city in the book titled- ‘Mahajans and Nagar Sheths in Pune city’. This book explains how various trading communities have developed in the state of Maharashtra.


3. Jain L C has given a brief history of indigenous banking in India. This book narrates how the community of bankers emerged in India and how it resulted in development of particular trading culture.

4. Tyson Jeoffrey has narrated a century of history and contribution of Bengal chamber of commerce. In his book, the author has identified various achievements and activities of Bengal chamber of commerce.

5. Alexander K C has enlisted different features of employers’ organization of India in article with the same title in Economic and Political Weekly.

6. Stanley A has given a brief account of development of business and trade systems in the book- Business and Politics in India. This is a useful book to understand salient features of trade system in India. The author has thrown light on what are the principal achievements of trading associations and how it has shaped the economy of modern India.

7. In another article of commerce, Barker B has thrown light on what should be the thrust area of activities of chamber of commerce.

8. The chamber of commerce leads to economic changes. What kind of economic changes are intended by the chamber is the focus of work of S. Venkatasubbarao in the book titled – ‘Enterprise and Economic Changes’.

9. Barker B Again has given a treatise on the role of chamber in a developing economy. This article published in ‘commerce’ is a focus of principal activities of chamber of commerce.
10. Dasgupta L R has made a critical study of progress and achievements of chambers of commerce in India.


12. Mitchell has provided certain useful insights in the work titled- ‘How to use your trade associations’.

13. Namjoshi and Sable has made a contribution titled – ‘Chambers of commerce in India’ which is useful to understand how the chambers are functioning in India.

14. Maylor has offered a treatise on organization and management of traders association which again is a very useful contribution to understand functioning of chamber of commerce.

15. Whitney Simon has commented on the role of traders associations in controlling industrial and economic policies.

2.6 Research gaps identified:

Most of the researches or contributions quoted above explain the functioning, role and challenges of chamber of commerce. However following research gaps are identified-

1. There is very little contribution in the last 2 decades in the field of chamber of commerce and its contribution to economy as the majority of researches are done in 50s and 60s.

2. No empirical evidence as to the changing role of traders association is identified.

3. The modern chamber of commerce undertakes various activities of trade promotion and the chamber of commerce business development which are not appropriately addressed.

4. The chamber of commerce has now been transferred from a militant organization to a ministerial and developmental institution. It also undertakes the activities of image building and congenial relation development. It is necessary to identify how the chamber works on these lines. Hence this research is justified.
2.7 Summary:

The present chapter is written with the basic objective of identifying the important aspect of research and academic work regarding the role and functions of chambers of commerce, to know as to how this economic institution functions’. What are the areas where researches have been done? And what are the unattended issues? This chapter is relevant because of the growing importance of chambers of commerce in modern economy and its contribution for development of business harmony and systems.