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Causes of Our Industrial Failure

PSUs, the rising sun of our industrialisation, were thoroughly mismanaged and used up by our polity and bureaucracy for 44 years. Now they want to sell them off like a tout selling a rape victim to a brothel.*

(1947–1991 until liberalisation)*

10.1 The ruining of PSUs

- We chose a system of mixed economy adopting partly to capitalism from US and partly to communism from the erstwhile USSR and called it socialism, meaning thereby that the bulk of the means will be owned by the state and remaining by the private sector. It gave our system enormous powers and put the country's almost entire wealth at their command. This made them irrational and short-sighted. The natural resources and the core sector were retained or taken over by the government from the private hands in the name of public sector undertakings (PSUs) and the remaining left in the private hands. The idea was to build the PSUs into large ships to sail the whole nation to prosperity. Instead, the ships themselves sank into deep marshes due to bureaucratic incompetence and lack of expertise and consumed large amounts of public money in sustaining their existence. **The PSUs close to their hearts and under their nose, meant to benefit the nation benefited the system and resulted in an overall slackening of the country's development.**
- There was no accountability. A small file note on record would absolve one from all his wrong-doings and responsibilities. At the most he would be shifted to another department to botch up that also. This does not happen in private sector. Every head of a department is responsible for his area of operation and is expected to produce the desired results and prove his worth. His performance is monitored through an objective management information system. Every department is a profit centre by itself. If it is not so, the private sector cannot survive. This culture was not adapted by the public

sector because it lacked expertise and professionalism, moreover there was no accountability. An industry cannot be run by non-professionals, but we wanted to accomplish the impossible. Had we been successful we would have long closed down our engineering institutes and churned out bureaucrats from there. God forbid this did not happen. The major chunk of the country's capital now is buried under the debris of this sector. **The PSUs, supposed to be examples of work culture, dedication, quality and technological advances for others to follow, became symbols of lethargy, arrogance, waste of resources and dens of corruption.** We understand that Pandit Nehru, when someone drew his attention to the loss-making PSUs in his times, curtly replied "we have not built PSUs for profit making. Don't talk profit, it is a dirty word." How did he want to bring socialism through such PSUs and this kind of attitude is not understood! Indiraji infatuated by her father followed in his footsteps in thoughts, actions and deeds.

- The PSUs that control the natural resources of the nation and the department of forestry have consumed most of our wealth in the form of salaries, perks, security, maintenance, upkeep of offices and of course swindling and underhand dealings. This wealth has hardly reached the people of the nation in the past 60 years. **Moreover the natural wealth of our country is not reflected anywhere in government annual budget or elsewhere. In fact it should have appeared on the receipt side of the budget as the natural wealth provided to us by our mother earth and only the extraction or the maintenance cost should have been paid to such PSUs.** Instead the natural resources of the country have been made a part of the balance sheets of the PSUs handling such resources. For instance all the 236 PSUs in 1991-92 including oil, natural gas, petroleum, metals and minerals, even forests have taken these as their own assets and all together show a combined net profit in the range of just Rs 2,272 cr (1990-91). Showing such meagre profits is meaningless considering the enormous natural wealth that these PSUs extract from the mother earth. Most of these PSUs (227 nos. by 2002-03) have improved remarkably after liberalisation and have shown a net combined profit of Rs 32,141 cr by 2002-03. It is also true that the capital employed in 1990-91 at Rs 1.02 lac cr is enormously increased to Rs 4.19 lac cr during this period.
- NGEF, a government of Mysore undertaking established in mid 1960s in collaboration with AEG of West Germany, where I worked in my

early career was nearly a German company initially. The directors were Germans and so also the senior officers and technocrats but the Chairman was an IAS officer. Their products were extremely good and I took pride marketing them. It became a very prestigious company in a few years. Initially the work culture was that of Germans. Gradually as the German participation got diluted it became an ordinary PSU. The company at one time, pride of the nation, is now in red and looking for a buyer. Had it been in private hands it would have been another Siemens, ABB or General Electric. As a result of high cost of operation and poor efficiency the government turned all PSUs sick (barring a few) with high cost of products and services (because of their monopolistic nature and little market control over them).

The government now admit that their earlier policy of industrialisation was irrational and they are grossly incapable of handling industries or natural resources of the nation by themselves. After having feasted on public wealth for 44 years (1947–1991 until liberalisation) without any encumbrance, remorse or atonement, the nation’s caretakers have now put up these PSUs for sale in the name of liberalisation and development of the nation. They are perplexed and do not know what to do despite having all the powers and bureaucracy with them and find it easier to wash off their hands wherever possible. **One day they may even sell off the whole nation and we may watch it happen helplessly.**

According to our analysis it may be evolution of our economic colonialism despite “India shining” (Section 21.2). They mess up everything they handle, yet stay snug as a bug in the rug. The question arises who will punish them for their deliberate acts of omissions and commissions?

*PSUs have siphoned off the wealth of the nation
in the name of socialism.*

*“Rs. 40,000 cr have been spent in the past 10 years for
revival of 30 PSU’s, but not one PSU could be revived”*

— Arun Shourie, Union Minister for Disinvestment, March, 2003

10.2 The destruction of private sector industries

- Excess of everything is bad, the same was true of our polity and bureaucracy. Gradually they devised methods and means to keep private industries and business houses also under their thumb and belittle their existence. The private sector was throttled through

enforcement policies. The government imposed on them checks and controls, sort of mistrust, besides MRTP, DGTD, licensing and quota system. The draconian Industrial Licensing Act of 1951 that stipulated these provisions in the guise of socialism remained in force until 1991. It was enacted just when our country was about to take off. Income tax up to 97% in addition to wealth tax and their surveillance on the top of it. A license was needed to start or expand any industrial activity which engaged more than 50 workers. The big private business houses including foreign businesses were feared and distrusted. Special and watchful bureaucratic hurdles were deliberately created to curb the growth of the progressive companies. **All this was considered necessary in the interest of the nation and to achieve socialism. The treatment was like a dose by a quack for a possible disease without being sure of the disease.**

The bureaucratic clutches were so abusive that any reform would be followed up with pages of labyrinthine rules in the name of preventing abuse, making things even more complicated, involving more officials and hence more money. The system would never relent its ferocity. The licensing procedures earlier were so cumbersome, that every application was scrutinised on case-to-case basis by a number of officers and the applicant had to literally chase the file from desk to desk. **The cunning methods evolved by the bureaucracy are admirable. One had to literally genuflect and pray before the bureaucrats at every stage like our slave ancestors may not have ever done before the British imperialism.** It made our industries and business houses more dependent on the same system – like a child clinging to his mother even after a bashing from her. The staff down the ladder also devised ways to make a fast buck. Custody of a file (lest it is misplaced or lost) would mean money. Even the peon sitting on a stool needed to be pleased if one wanted to meet the boss.

It is noble to think or practise socialism but it is criminal to undermine and despise your own people in the name of it. PSUs taken under direct government control in the name of socialism may be good, but why were the private sector and their owners undermined and despised as a consequence of it?

The idea of mixed economy and its ludicrous implementation through sheer immaturity and inexperience destroyed the industrial base of the country and destroyed the basic discipline and work culture. The private sector too evolved methods and means to counter

these checks and circumvent their controls. They played cat and mouse with each other and settled scores through underhand dealings. The government staff had a field day. Now corruption has crossed all bounds and has become an order of the day. It has seeped deep into the basic fabric of our nation. Everybody hankers to make that extra buck and the nation bleeds. **Industries run in this manner can neither become capable nor progressive. Thus was stalled the industrialisation and future progress of the nation on the runway itself.**

- In addition to the above, a number of inspectors from ST, ED, IT, Factory Act, Labour Act, PF, bonus, pollution control, weight and measurement etc. and labour unions, will always be after the blood of the industries and keep harassing them and, mind you, not for the benefit of the nation or its people, only for their personal enrichments. It was evolution of large-scale corruption in our society which spread like wild fire. Who can know it better than me who has run his industry under such conditions for 24 years. How outrageous were these 24 years only I can tell. Others not in the field can never have that feel of trauma, like the pains of a rape victim, only the victim shall know, others may only take interest in her story or feel sorry for her plight.

All these constraints compelled our industries to be over-dependent on bureaucracy. These would delay and stop their routine work and divert attention from business to such extraneous tasks on day-to-day basis. It was enough to crumble the private sector and gag its growth. In the wake of liberalisation also these checks and controls have not softened as the system has devised new methods of extortions. Post-liberalisation the stakes have rather risen.

- Apart from replying to the show cause notices and filing of the monthly returns, industries were also required to maintain a score of registers ready and up-to-date for sales, purchases, stocks, work in process and a number of labour registers etc. For industries, it meant engaging more staff rendering them unviable (specially small industries). Little time and energy would be left after such a rigmarole, to attend to one's industry or develop one's business. The industries thus ended up producing inferior products paying little attention to quality, technology, upgradation or adoption of modern management techniques. Our products are now despised even in the home market in the face of better foreign products.

Industries in large sector could do well to some extent because of their resources and manpower availability to address such abuses. All these checks and controls remind us of *jazia* tax levied on Hindus by fratricide Aurangzeb as a consequence of Shivaji's agitations. **But in our free country what harm had the industry done to the government or its bureaucracy that they resorted to such an avenge. This attitude of government towards its own people is beyond imagination and is baffling.**

ILL-CONCEIVED PROTECTION TO OUR INDUSTRIES

The governments have been saying, and people have been listening that Indian industries were unduly protected by reservations, import restrictions, lower interest rates, special quotas of raw materials, price preferences and many such concessions, yet the industries slackened on quality and have been raising their prices at the cost of consumers. Government said it and people accepted it because people are ignorant.

In fact in the name of protection the industries were further caged. They could neither witness the affluence of the global market nor was the global market able to see them. Imports were made costly to protect our industries (this was necessary also in absence of exports as we earned little foreign exchange). The government termed this a "protection to the Indian industries." But the highly suppressive checks, controls and curbs played deterrents to the natural working and growth of our industries. R&D jumped out of the window as our industries lost initiative, drive and leadership. It marred product innovation, development and excellence. The whole industrial sector gradually became sick and outdated. **With this protection the Indian industries big or small, who could be like lions, were caged and told, "look – we were protecting you lest the hunters may hunt you." They protected the industries like the police handles the culprits with baton.** Our system has throttled entrepreneurs and industries through its "scorch industries" policies. On the top of it a "not for you" judicial system. There is nothing left out of an entrepreneur at the end of the day. And then everybody blames him for poor quality and high prices. While it is true, he has been helpless. What does one expect of a person chained for 44 years on the lure that he was being protected from a wolf outside. **And then all of a sudden, he is set free when actually there was a wolf.**

- Their protection to industries reminds us of the story of *The Faithful Monkey* from *Panchatantra* of that prince who once after a hunting spree rested under a tree, his faithful monkey taking guard. A fly

constantly bothered the prince no matter what the monkey did to keep it away. Ultimately the monkey pulled out the sword from his master's scabbard and hit it on his nose when the fly was sitting on the tip of it. The monkey displayed his unflinching loyalty for his master but the prince got killed and the fly disappeared unhurt. **What to say of the sincerity and protectionism of the government for the industries? It destroyed the industrial base, sent economy to jitters and country to rags.**

So much cruelty by the king and his soldiers on the local subjects is unheard of. It would be the first rule of its kind where the cruel king and his soldiers have been ruling the roost and inflicting regular cruelty, injury and so much of insult to its own innocent subjects. One is flabbergasted at the attitude of our system towards the industries, business houses and the common man and their step-motherly treatment for them. After all we had accepted them as our guardians to look after our welfare. Then why such harsh treatment? **Why should they belittle or harass their own subjects? As if polity and bureaucracy too are invaders of our soil and not a part of us like the British were not.** The harm our guardians have done to this country and the consequent sorrows and grief they have inflicted on its people perhaps may have no parallel in the annals of history. Even the cruellest emperor of a country or the most barbaric invader would not have inflicted so much injuries and sufferings on its people that, in the guise of guardians, our own people have inflicted on us.

Some glaring examples

Kill industrialists lest they become richer, no matter how many jobs they create or how much support they provide to Indian economy.

- **When the late Aditya Birla, one of our great industrialists was refused permission to expand his industrial base in his own country, he set up the world's largest textile and chemical plants in various South-East Asian countries such as Thailand, Indonesia, Malaysia and the Philippines. His stupendous success was greatly applauded worldwide. The plants are still running. This single example is a testimony of the manner in which our industrial base was eroded and industrialists disregarded. Such a philosophy and step-motherly treatment to our industries was a disaster knell for our own industries and a weak economy ahead. And all this was in the name of socialism. Our leaders with such perverse thoughts and philosophies are responsible for our debacle. Now**

our ministers, Prime minister and Chief ministers are visiting affluent countries on regular basis and also holding frequent seminars in India and abroad to cajole MNCs to invest in India and also open up their industries and shops on our soil! How can one define this kind of absurdity? The consequences of open market conditions (except those few benefited by such policies) are a result of such half cocked and lop-sided, self-inflicting and sinister policies of our earlier leaders. Also see Section 20.2.

- The house of Tata's is another example. They were not extended a free hand to build a still larger industrial base and also inculcate in other industries a culture of discipline, dedication, development, high quality of products and services. Their achievements in the fields of steel, power, commercial and passenger vehicles, railway engines, research, IT services and medical institutes are testimonies of their dedication. What good has the nation done to itself or its people by putting a curb on their growth?

We have no affiliation with these individuals neither do we know them personally. But this is what we have learnt and felt for them and their contribution towards industrialisation. There would have been thousands of such industrial houses who could have built a sound industrial base for the country, if only they were allowed to do so. Government policy to retain all powers unto themselves and executing everything through its bureaucracy has been crooked and a farce, **as if the government and its bureaucracy alone were the nation and the rest were aliens. It is astonishing why our earlier leadership was so averse to the progress and well-being of the nation?** Were these acts a result of ignorance or deliberate sinister designs? **We have now become a large nation with narrow attitudes, extremely backward and awfully poverty- stricken race on earth. Such a nation could never progress and we never did. Our own guardians and so much loved ones acting as fratricides have killed their own industries and pushed the subjects to abject poverty. No surprise today we are a third-world nation in true sense, irrespective of the feeling we may be conveying through 'India shining' slogans. Government NREG scheme (2005) to provide jobs to one member in a family living below the poverty line itself is a testimony to it, reflecting the stark poverty our rural masses are reeling under.**

*We chopped the same branch on which
we were sitting.*

- **Sick textile industries:** Sometime back we read a news item on the status of sick textile industries in Maharashtra. They became sick during late 1980s and 1990s, possibly because of obsolete technology, outdated product or less-efficient old machines, high overheads or costly labour or better fabric available in the market. The mill owners pleaded with the government to allow them to retrench labour or use their extra space for some other business. But it was not acceded to, ostensibly with the interest of the labour in mind. A good thought indeed for the labour (but at the back of it were their votes, more than their welfare). Many governments changed but due to vote politics no one did much on this issue. One government, however, allowed a part of the surplus land (again on piecemeal basis) to be used for other commercial purposes but with a number of riders, once again in the name of labour welfare and bureaucratic supremacy.

Well, whatever it be, the question arises whether such restrictions on industries are advisable and more importantly should such matters prolong for years, when the condition of the industries is deteriorating alarmingly? Are we not trying to build a sick industrial base and forcefully shackling the industrialists? Just as a child needs freedom for natural, physical and mental growth, so does an industry. But we have shackled them and rendered them incapable of taking decisions for their own good. Ultimately one day the industries get crushed under the debris of this insensitive system. It has destroyed the industrial base and sent the country to shambles while the weaker section which it was supposed to benefit, is not benefited. **We must know that the weaker section of society cannot be supported unless the stronger sections (as we call them), are strong enough to support them.**

The false protections and consequent delays are destructive and meaningless. When an industry is not viable, why force it to run and make the situation worse? A sick unit or closed unit cannot pay the labour, do what one may. Besides, it is a loss for the financial institutes and bankers (whose huge outstandings (NPA's) keep making news headlines). Remember, out of nothing one cannot get something. How can such policies help the labour? We do not understand. The poor labour also live on false hopes making their plight more miserable. **No industrialist would ever like to sell or close down his industry except under compulsive circumstances, unlike the ungrateful government of India selling the PSUs. Selling or closing is painful.** Yet sometimes a situation may arise when business

becomes unviable. In such a situation every effort should be made to revive the industry if possible, and if not, allow it to be closed.

10.3 Ill-conceived labour laws

- We have been basking on the glory of false democracy and its lucrative “democratic rights” doled out by our polity. It is like giving undue liberty and laxity to a child by his parents without inculcating good habits in him. Going astray for such a child is no surprise. Labour interpreted these democratic rights as their freedom to indulge in unwarranted direct actions and expressing their grievances with a vengeance. But indiscipline and unethical rights cannot mean welfare. This is like children abusing their own parents. The first casualty was their own moral character. Indiscipline and arrogance were the virtues our labour and so also the general public soon adapted. To earn their support the political class not only ignored the wrongs they were doing to the nation, they also enacted wicked labour laws in favour of the labour. And then to win their votes there was a competition amongst political rivals as to who could entice the workers more than the other. Not only this, the labour was also provided near immunity from law and no industry in the country could turn a worker out for whatever reasons, the procedures to do so were so cumbersome and impractical. Such unethical appeasement policies not only destroyed the basic character of our people, discipline and sincerity also licked the dust. It was the evolution of our character that we are. **Gradually we became a race with little mettle and more flab. Inefficiency, poor work culture, callous attitude, disregard for our duties and responsibilities became the fashion of the day, unaware of the harm we were doing to our own selves and the nation.** In private institutions, industries and business houses, labour became a totally unmanageable and non-cooperative workforce. The quality of work and work output suffered a great setback and their attitude towards management became contemptuous. They became fearless as they always enjoyed government protection. Abusing and undermining the management by strikes, go-slow, tool down, conciliations, negotiations and agitations out of non-issues became the regular scenario of our industrial sector (somewhat similar to our non-cooperation movement against the British rule during our struggle for freedom). We forgot that then we were fighting against the British imperialism for our sovereignty. Now our industries were working for the nation and our own people. Could we apply the same rule of thumb now?

But this was the message sent out loud and clear by our guardians to its people in the name of “democratic rights.” Now we can distinctly see it as a calculated move to spread out feeling of partisanship between the employees and the employer to fight amongst themselves, become weak and assure the polity to rule without deterrence. **What should one call such a guardian, who instead of inculcating in its people a sense of discipline, good culture and citizenship and respect for their work teaches them to disregard duty, abuse the employers and strike work.**

- The private sector was capable of achieving a faster industrialisation and support the economy. It was the moral obligation of the government to protect this sector that the government itself had allowed to exist. It was deceitful of polity and the bureaucracy to undermine the private sector through their dubious labour laws and create a wedge between the labour and the employer. If we look at it closely, this too was similar to the “divide and rule” policy practised by the British. Our country thus got fragmented and the beneficiaries were polity and bureaucracy. A disunited and disgruntled populace now fight amongst themselves and have lost all strength to fight the treacherous system.
- Labour unions mushroomed and labour offices flourished. It was free for all unions, labour and labour offices. Lots of money would transact between the management, unions and the labour office, while only little would reach the labour. The illiterate labour remained illiterate and poor. They took to an easy course and gave little heed to learning good skills and are great losers at the end. Under liberalisation, they have fewer and fewer jobs. In ignorance they have ruined their own selves. We wish they realised one day that for this plight of theirs, their guardians alone were responsible.
- The industrialists gradually lost control over labour and they too adopted an attitude of compromise and appeasement. The result was obvious: to circumvent their nuisance and to somehow keep their show running. Attention from work culture, quality and R&D shifted to manipulations and compromises with the labour, polity and bureaucracy. And gradually the show impeded rather than progressed. Many units became sick and a large number closed down, while the remaining barely managed to survive. Since the votes of the large labour force was the prime objective, the educated class, professionals, businessmen and industrialists, who constituted only a small percentage, gradually became non-entity and were

marginalised. They became a class that everybody (system and the masses) despised for no fault of theirs. No one realised that without this class the country will not be able to sustain even what it was able to sustain. If we close down all industries and business houses, then who will create jobs and who will meet the expenses of the system? But our large illiterate masses would not understand this while it did not matter the system. **The whole nation suffered but the lower class suffered the most and they still do not like to understand this.**

- In a nutshell all this has eroded human values and destroyed the national fabric. In the euphoria of power and pelf, polity and bureaucracy have always been playing ostrich and do not want to see the harm they are doing to their own people and the motherland. They should not forget, it was their moral duty to bring about prosperity and well-being for its people (they are under oath to do so). **Even step parents do not treat their step children so harshly as our own polity and bureaucracy have treated its people. Like a divided home can never flourish so also a divided nation – and we have not flourished.** The above is an illustration of how our own guardians have played Kalidas¹ and destroyed their own industries and the labour. So far we had known that only a snake can kill its child, but in the above case our guardians have committed this sinister act with their own helpless people.
- Growth of the secondary (industrial) sector is vital to build the economic base of a nation. Well being of this sector and social justice to the workmen both are important while framing the industrial policies. Social justice at the cost of economy is not only meaningless, it also kills our own goose. No one likes to deny social justice to a workman nor is averse to his well-being but everything has its means and values. Industrial unrest, strikes, lockouts, slow down, tool down and abuse to management cannot mean welfare but have surely dragged the country to our present wretchedness. Whatever be the causes of an unrest, law should not give liberty to anyone to strike work or affect productivity by any means. Productivity is the only hope that can bail us out from unemployment and poverty, and provide a healthy economic base. How can we kill our own horse or chop the same branch on which we are sitting?

1. Kalidas (from our epics) was the person who was cutting the same branch on which he was sitting.

- **Let us not confuse, the first and the foremost is welfare of the nation and its poor masses which requires a clear vision and prudent policies. We cannot compromise on this nor dole out concessions that dilute this philosophy. We must make people work rather than stop them from working.** Discipline and responsibility to one's duty are the basic virtues to build a strong and prosperous society or a nation. Any philosophy, preaching to the contrary, is a farce. In our own interest, we must shun indiscipline and callousness and cultivate discipline and conscientiousness to our responsibilities and duties. Those who preach against this are our enemies even if they are our guardians. **Dear countrymen, remember nothing comes the easy way, one has to work hard to achieve something. Anybody advising us to the contrary is our enemy, not a well wisher. We all know that work is worship. It is unfortunate that our system neither works itself nor allows others to work. Those in the system surely cannot be our true guardians.**

The sinister support of the government to the labour has produced a large workforce of seasoned non-performers and regular problem creators. By this treatment the mother has spoiled her own children. The labour force that should have been a strength of the industry has become a liability of the nation. A force that should have supported its own brethren by raising productivity and creating more avenues of employment is responsible for large-scale sickness and closure of industries in the country and shrinking employment opportunities. Industrialists or other employers are now averse to employing them. The love is lost and so also care for each other. I can say so authentically because I have employed them in large numbers in my own industry. What could have been an asset of gigantic human resource has become a liability of an unwieldy human race. Now we are neither able to provide employment to those millions out of jobs nor take the best out of those who are in jobs. **Let us not forget, a private industry is not of an individual but of the nation. Sickening of it is a national loss more than of an individual. Idle machinery, locked capital, unemployed labour, loss of revenue, all these are national losses.**

10.4 Overtime (OT)

Some government rules and regulations are hard to follow. For instance overtime (OT) at double the rate of wages is something which most industries (particularly small and medium) are unable to pay. Government philosophy behind this is to encourage more regular

employment. But in the face of market uncertainties industries are not interested in adding to their recurring overheads by additional work force as business cannot always be good. What will happen in case of a slump or shortage of order booking. Industries are not empowered to retrench excess staff. Besides this, industries are also supposed to pay ESI, PF and Bonus on the OT amount making the OT an increasingly costly proposition which the industries can ill afford. Moreover if there is a power cut during the day, industries perforce have to work overtime to meet their production schedules or market commitments (which was not required in the normal course). But OT has been made extremely costly. The government regulations thus are irrational and clash with the interests of the industry.

Under such conditions the industries are forced to violate rules. To counter this, the government has a vigilance and enforcement department which keeps an eye on their activities like vultures on a carcass. Should we call it exploitation of labour by the industry or exploitation of the industry by the system? Thus began the manipulations and underhand dealings. The labour is not benefited but a conflict is surely created. They are in any case happy with single OT as this is their additional income. The treacherous rules and regulations are therefore unfounded and impractical. **In the name of welfare of workers one cannot make the industry sick. But industries regularly become sick. Is the labour welfare taken care of?**

10.5 Indiscriminate holidays

As a means to appease communities of all castes, creeds, religions and languages the government doles out irrelevant holidays indiscriminately, unmindful of the hardships it may be causing to the daily wage earners many of whom may not find means of living on such holidays. Besides, the production and business losses which a poor country like ours can ill afford. Sometimes due to holidays we are closed for four to five days at a stretch and such occurrences are quite often. This leads to disruption of work, delays and inefficiency. Even different states observe different holidays. This is not conducive to a concerted work culture. **Religion is important but not at the cost of work.** It would be advisable to have common holidays in general and only a few local festivals be observed over and above the fixed ones by the states. **In our new system we will like to make it one nation one people.**

With so many holidays one gets tempted to take one or two more leaves to avail of holidays for the whole week. It leads to planning holidays rather than planning work. In government offices where work

is through papers and files, the files remain pending and the public suffers. The whole department becomes nonfunctional in the absence of any missing link because of huge hierarchy and over-staffing. The bureaucratic holdups are devised such that it breaks the spine of businesses and industries. When everything is controlled by the government it becomes impossible for a private enterprise to operate, as one has to obtain some letter of clearance from the government, quota, licence, or some kind of certificate without which he cannot proceed with his work. While the government and its staff is ecstatic, businesses and industries toil and the nation bleeds. Once again people may think it harms only a particular person whose work suffers but it is their ignorance. In fact it is the nation and consequently the people who suffer but due to our ignorance we refuse to see this.

10.6 Policy of industrial discrimination

Strange but true that laws of the same land differ from state to state and industry to industry. This has induced a feeling of disobedience and demarcation. Many laws are fraudulent and framed with sinister motives. Some examples:

(I) SALES TAX

It varies from state to state. The deficit states impose heavy to very heavy taxes to augment their revenues. They forget that it harms their own industries and trade. An industry particularly and the trade generally is not confined to a state. One should be able to sell his products anywhere in the country. When discriminative measures are enforced, manipulation takes place to evade taxes. Many industries and trade, not able to cope with the situation become sick. Disparities kill industries and trade. Similar to the situation created by WTO.

(II) EXCISE LAWS

Similar are the excise laws. So long as the excise varies from product to product it is understandable but when it varies for the same product depending upon the size of industry, its labour strength, capital investment, power consumed, turnover or years of operation, then surely it is fraudulent. Either it is done in ignorance or due to ulterior motives. It leads to an unhealthy competition and prompts the borderline industries to adjust their records or show themselves as small units in order to adjust turnover. Still bigger units may show two units or may stop expanding to avail of the concessions. Both are unhealthy and undesirable. Any fiscal policy that prompts manipulation or evasion is bad and ill conceived.

Since a small-scale entrepreneur would not like to lose the fiscal and factory law benefits by becoming bigger, he prefers to stay small. Consequently, we have witnessed only horizontal sprawling of this sector. There has been no vertical growth of this sector. Small sector perforce has remained small. An entrepreneur would prefer to have two or more smaller units rather than one large one, without realising that it is more harmful for him as it divides his attention in maintaining separate records and accounts besides as many returns and assessments for sales tax, income tax, excise and all other statutory government requirements. All this has led to a weak industrial base lacking quality, quantum and work culture and has resulted in stagnation.

(III) TAX HOLIDAYS

Most of the states when they develop a new industrial estate, entice entrepreneurs by offering them several incentives such as, holidays on sales tax and income tax, capital subsidy and lesser margins on loans etc. Such short-term benefits neither go a long way nor serve the required purpose. Lot of money is spent in developing such areas by the government, banks, financial institutes and entrepreneurs but in a few years these become sick industrial areas blocking a lot of scarce capital. They generate industrial conflicts and disparities amongst the already existing units in the nearby areas leading to manipulation and evasion of taxes. In the process many units go sick. **We cannot have two-pronged policies for one kind of industry. If the government has to provide incentives provide them in terms of uninterrupted and adequate power, communication and commutation facilities, R&D centres, roads and other infrastructure.** While these basic services are missing, areas are developed afar from the cities. Entrepreneurs, due to the lure of incentives, establish their industries in such areas but soon realise their mistake in the face of appalling working conditions. By the time they find some alternative their units become sick. We have personally witnessed this in UP, MP, Rajasthan, Haryana, and HP. Today, while many units have closed down many are in red in most of the newly developed industrial areas.

(IV) WAGE POLICY

In our country it differs from industry to industry and on the strength of the labour force, thus generating yet another kind of disparity which is deliberate. The reason given is that it benefits a small industry that employs lesser labour force. But this is illogical! It may help the industry but harm the labour who get lesser wages as a reward for working for a small industry than their counterpart in a nearby big industry. Can

the size of a factory change the necessities of an individual? This also leads to manipulations as the neighbouring industries also tend to pay less to their employees.

Similarly determination of ESI, PF and Bonus etc. are also based on similar considerations. Strength of labour force, use of electricity and number of years the industry has been in operation are some qualifying criteria for these benefits to reach the labour. If government helps the new industries, it harms the people working therein. This also leads to an avoidable disparity, conflict and dissatisfaction amongst the people working for such units. This also leads to adjustments and manipulations of records by the borderline industries in order to circumvent such conflicting laws to their advantage. This causes enforcement by the government agencies and underhand dealings. An innocent entrepreneur is also lashed with the same whip of bureaucracy as the dishonest one and one day he also becomes like him. Manipulations have now become order of the day.

Corollary

Law means parity and equality of application. Against this simple norm, the laws of our land have doled out disparities and created inequalities amongst equals leading to class conflicts, breeding mistrust and corruption at all levels. This is a highly undesirable situation for a nation to surmount and a hindrance to its progress.

(V) DISCRIMINATIVE DEARNESS ALLOWANCE (DA)

With the aim of providing financial help to the weaker section who are employed with the government or wherever government can exercise its control (organised private sector and business houses), the government periodically announces (even with retrospective effect) a compensatory rise in dearness allowance (DA) for the lower class employees and labour. This also is discriminative, arbitrary and lacks prudence. While the government cares for some, it ignores the rest generating partisan feelings. The benefit goes only to a particular section. There is no provision for employees not working for the government or employees of the unorganised sector, peasants, landless labour, self-employed, under-employed, unemployed, daily wage earners and all those who have no such government support. How are they to be compensated for this act of government? More so, when such pay revisions cause more inflation and consequent hardships to all those who have no support. **Why should government treat different people of the same land differently?** Even then the upper category workmen defined by their salary slabs and the senior staff members are not benefited by such DA rises as if they are immune from all hardships.

Such reliefs are therefore discriminatory and ill conceived. Taking care of one particular class and ignoring the rest is bad governance.

The fallacy is that this rise is all of a sudden and from retrospective effect and payable by the industries and the business houses on an immediate basis, without realising that they may already be hard pressed because of higher costs of inputs and overheads and may not be able to claim it from their buyers. Many of them face serious hardships on account of this, affecting their businesses severely. Larger industries, business houses and stockists may still be able to cope with this as they may be able to pass on the buck to their buyers by raising the prices and in the process even earning higher profits (sometimes a fortune) on available stocks. Steel industry is one such industry that has made hundreds of crores overnight. Such rises usually have cascading effect and result in repeated inflations at short intervals upsetting the stability of prices and causing hardships to the industries and the common man.

Conclusion

- Discriminative policies breed large-scale corruption. The bureaucracy aware of the manipulations, resorts to checks and controls and has a field day. Lots of money are transacted. Those who do not yield are harassed and penalised. In the process, many innocents are also convicted, once again generating a feeling of contempt and mistrust. By the end of the day even a scrupulous entrepreneur becomes unscrupulous.
- The Indian consumers not aware of the aforesaid ground realities, blame the industries for the poor products, high prices and poor services. They call them cheats without realising that it was not the industries rather the unscrupulous checks, controls, surveillances, indiscriminate rules and regulations and many more constraints illustrated above that are responsible for this. Our industries throttled and caged thus, have become weak and outdated. It may appear that they are fleecing the people but it is not true. In today's scenario it is however true that many of these are outdated. The condition of our industries is like a *peepal* tree. In its natural growth it is very huge and glorious and provides shade and greenery to the passers-by but becomes a bonsai when planted in a small planter and kept indoors. Our industries were always suppressed and never allowed to grow. **Now the situation for our industries is: either face the competition or perish. Indian industries have thus suffered an untold misery. They have been ruined and killed with slow**

poisoning but the general public perhaps may not understand this. The situation is improving post- liberalisation.

Public sector never worked and the private sector was never allowed to work. Thus was destroyed our industrial base, the national character and the whole nation sank like the great Titanic ship. Sort of a multi-frontal destruction of Indian economy. We are now calling minders (MNC's) from outside. They will run our industries, agriculture and services before our eyes, negate our self-esteem and we will watch them work for us helplessly (somehow the process is impeded, see Chapter 21). With our perennial deficit financing, rising trade deficits, and financial debts - consequent interest and debt servicing burdens (Chapter 5) history of East India Company cannot be ruled out. This may perhaps be evolution of our economic colonialism. Remember! how Babar, who established his Mugal Empire on our soil was invited by one of our rulers only (Section 21.2). **For post-liberalisation scenario, see Chapter 21.**