

SBR Workshop

**Effective State Business Relations: When Does It Happen And Why
Does It Matter?**

Country Inn and Suites, Jaipur

18th December (09.45-10.00 hrs)

At the outset, I would like to congratulate the sponsors and researchers of this project for selecting a topical issue i.e. the nature of relationship between state and businesses, which in turn has significant bearing on the development path of any economy.

This issue unfortunately has not been getting the attention it deserves for a long time, or at least it has not been addressed in the right way. For most part, the question of debate was whether the state should run businesses by themselves or not and it took a long time to find out that the answer is no.

Once that was settled, the next obvious and relevant question has been ‘what should be the ideal approach of state towards privately owned businesses so as to facilitate healthy and balanced growth of the economy’.

Instead of addressing this question head on, the standard practice in countries like India has been to let the relationship between state and businesses evolve under the influence of prevailing political conditions and economic ideologies. The result is many different hues of state-business relationships existing across Indian states that have as many different implications for respective development paths of each state.

The evolution of SBR in India has seen many ups and downs. The spirit of cooperation between political leaders and big business that characterised the freedom struggle – Gandhi’s closeness to the Birla’s and Tata’s nationalistic urges – thinned in the immediate post-independence era with the former reposing confidence in a state led mixed economy characterised by public sector monopolies in many strategic/important sectors.

Such restrictions were to be compounded in the late sixties and early seventies through the follies of the License Raj – a cobweb of controls which was instituted supposedly to prevent dominance but actually served to protect traditional business from incursions by fresh blood. The resultant situation of stagnant efficiency stunted Indian economic growth by extinguishing entrepreneurial talents.

This state of affairs continued till the late eighties which was marked by significant changes – the near death of licensing and the consequent rise of a set of imaginative and risk loving entrepreneurs who had been hardened by the rigours of the licensing era.

Liberalisation in the early 90’s lured foreign investment into India and made its domestic counterpart more attractive – the rise of Reliance in the 80’s was followed by the more refreshing rise of the software giant, Infosys and similar firms led by technocrats of high pedigree. The telecom revolution was ushered in later by a combination of imaginative private enterprise and the arrival of new technology.

Camaraderie blossomed between big business and politicians with boundaries becoming blurred. This often had a dark side to it – the government was rocked by major scandals from time to time. Over the course of a couple of decades, the political caging of business had been, according to some, replaced by the commercial enslavement of politics.

This fast paced and colourful history of Indian big business and its relationship with the government is known to many of us. But it is far from a comprehensive account of the history of Indian business as a whole, especially its relationship with the state. It neglects the Indian small and medium business sector which has made significant contributions to India's economic march. These constitute 45 percent of Indian industrial output and 40 percent of its exports. However, individual hotlines to politicians and ministers are not a possibility for such entrepreneurs and chambers of commerce are often used as a rallying point to attract attention.

Not much is known about how such businesses have organised themselves and how such organisation has evolved over time, except for a cursory awareness of the existence of state business associations. There is ignorance about how these have interacted with each other and with the government; whether these, in association with the government, have been agents of competition or collusion; and how the state has sought to control such business through stamp duties, labour legislations etc. This history, while not as colourful as that of big business, is infinitely more nuanced and probably analytically richer, as it has been characterised by variations over time as well as space corresponding to fluctuations in political regimes.

The unique research work carried out under this project has unearthed many insights about the history of evolution of SBR in India and several African States. Novelty of this endeavor is that the channels through which SBR influences economic development has been brought to the fore and subsequently important policy recommendations emerge from the study.

A robust beginning has been made here. Outputs of this project should have maximum reach out and its recommendations should result in implementation so that healthy cooperation between government and business helps to scale new economic heights.

I wish all the best to those who are involved in this project and urge you to carry the spirit of this initiative forward till the ultimate objective of balanced and equitable growth is achieved.