

# Hazari Report on Ind. Planning & Licensing

## "Immature & Unscientific"

A 'CURRENT' Report

NEW DELHI: Many senior economic experts in the Planning Commission and the Ministry of Industrial Development here are privately expressing concern over the "immature and unscientific manner" in which their young colleague, industrial economist DR. R. K. HAZARI has written his interim report on Industrial Planning and Licensing Policy.

They feel Dr. Hazari has ventured into inferences from such incomplete and insufficient data, that his conclusion from them could only be described as "irresponsible" unless from the very beginning he (Dr. Hazari) was motivated by some political desire to discredit the House of Birlas, which otherwise is held in high esteem for making an appreciable contribution to the development of India's economy.

Dr. Hazari's report has come after the Monopolies Inquiry Commission report and in all fairness the young industrial economist should have taken some pains to verify facts, where his findings were at variance with those of the Commission, the senior economists of the Central Government feel.

In the absence of such a simple and obvious check, many members of Parliament along with top economists of the country are questioning how far Dr. Hazari's report could be relied upon. The flutter caused by the report in Parliament and undeserved criticism of the House of Birlas has shaken many industrialists' faith in the Central Government's ability to acknowledge in public the contribution of the big business in the economic development of India.

### Hollowness of the conclusions

The Government's proposed enquiry to ascertain whether in the issue of past licences there has been any discrimination in favour of any of the big business houses has been welcomed by industrialists, as it is only likely to reveal the hollowness of the conclusions arrived at by Dr. Hazari in his report.

It may be mentioned here that Dr. Hazari was appointed as an Honorary Consultant in the Planning Commission in July last year to conduct a study of licensing under the Industries Development Regulation Act of 1951 and the main objectives were:

(a) to review the operation of licensing under the Industries Act broadly over the last two Plan periods and more closely over the last six to seven years, including, the orderly phasing of licensing with reference to targets of capacity;

(b) to consider and suggest in the light of the present stage of economic development where and in what direction modifications may be made in the licensing policy.

Dr. Hazari in his immature enthusiasm went beyond the limits of the terms of reference of his assignment and brought in the purview of his study the industrial activities of the reputed House of Birlas, whose contribution to Indian economy is more than well-known.

No one can deny that they (Home of Birlas) have made a significant effort in the development of defence and export oriented industries; basic industries like machinery, machine tools, engineering goods, aluminium, chemicals, fertilisers and cement; essential consumer goods industries like cotton textiles, rayon, sugar, vanaspati and paper as well as a variety of manufactures such as cycles, automobiles and electrical goods catering to an improved standard of living.

The Birlas have, along with the Government, been instrumental in persuading foreign investors to participate in India's economic development and have initiated advance technology in the industrial structure of the country.

Even Dr. Hazari in his report admits Birla's "enterprise and

efficiency" and points out: "The recent general slack in investment or pessimism in expectations has not affected Birlas". When the other groups of industrialists were shy and inactive during the period, the Birla group ventured into new lines of manufacture.

Furthermore Dr. Hazari also admits that "among business groups, Birla appears to have reduced its import component substantially". And this is a fact, because when the average proportion of import component, out of total investment of all private sector industries for the period June 1964 to 1966 was 63%, the average of Birla companies was only 56%.

### "Incomplete data"

The very admission of Dr. Hazari that the data analysed by him in the interim report are "partial, incomplete and in some cases not fully reliable" should make his study redundant and futile. But for many in the Congress and the opposition parties, Dr. Hazari's report has become more than gospel truth.

Secondly the number of companies (270) supposed to be in the Birla group, which Dr. Hazari has taken as the basis of the calculations in his interim report, widely varies from the considered findings of the Monopolies Inquiry Commission. The detailed investigation of the Monopolies Inquiry Commission found only 151 companies to be in the Birla group. These companies consisted, not only of

Birla-managed companies, but also of some independent companies in which Birlas or their relatives had some financial interest. It may be noted here that if friends, independent relatives or employees or ex-employees are included in the Birla group, the number of 'Birla companies' can be arbitrarily inflated to any number.

According to MR. S. R. DAMANI, the question of favours in the issuance of licences to Birlas does not arise because the licences granted to the House

of Birla during the period referred to in the Hazari report were only 4 to 5 per cent of the total licences granted. It is worth noting here that licences are not granted by one or two officers but a series of expert

authorities scrutinise the essentiality and feasibility of the project under application before a licence is granted.

### On the merits of their applications

The companies of the Birla groups are issued licences on the merits of their applications such as lower foreign exchange requirements, ability to raise necessary capital, secure better technical collaboration and provide managerial skill and above all their capacity to implement the licence and create the necessary production capacity within government targets.

All other industrialists are free to apply for licences for the same article and actual sanction is given by the government after due consideration of

the merits of all applications. If others do not make applications, it is no fault of the Birlas.

Dr. Hazari gives a total of 938 applications submitted by what he calls the Birla group during the 9½ year period ending June 1966 and says 375 applications were approved by the Licensing Committee. Investment data for only 240 of these applications, Dr. Hazari says, was available, and the investment involved amounted to Rs. 246 crores, with an import component of Rs. 159 crores. For the remaining 135 approved applications for which investment data was not available,

Dr. Hazari estimated the investment figures by a simple rule of arithmetic, i.e., averaging the data for the 240 applications and boosting them up pro-rata for all the 375 applications.

The total investment figure arrived at by him in this manner is stated to be Rs. 384 crores, involving an import component of Rs. 248 crores. These conclusions are fantastically wrong firstly because Dr. Hazari has failed to give any particulars of 277 applications out of the total 938 mentioned by him. It cannot, therefore, be known if all or any of these applications were from Birlas.

Secondly, out of the 661 remaining applications, particulars of which he has given and which he calls Birla applications, only 481 applications were in fact from the com-

panies, included in the Birla group by the Monopolies Inquiry Commission, and the remaining 180 applications were from outside companies. This shows that the figure of 938 applications mentioned by Dr. Hazari is also incorrect.

It was pointed out in the Parliament that over 9,000 industrial licences were issued by the Government of India in the last ten years. The Birla group were given much less than 166 licences and this cannot be considered to be an excessive growth and more so in the context of the massive industrial development envisaged in the Plan period.

All along the Central Government have shown anxiety to encourage industrial expansion, and if even this moderate advancement were not made by

the Birlas, they would have failed in their duty, not only to their shareholders but also to the country. Under the present system of licensing, it is not possible for any one except the Government to prevent others from setting up an industry. But most of the industries are new ones requiring considerable initiative and strenuous effort and while Birlas ventured into them, other industrialists were apprehensive of the risk and the hazards involved. The doors were open to everybody, as to the Birlas, legally to apply for licences in these industries.

Mr. R. K. Bhuwarka, also from the Congress benches, pointed out that neither the Monopoly Commission nor the Hazari report had been able to find anything illegal in the activities of the Birlas. As for the concentration of economic power, he felt that the extent of the Birlas' power had been grossly exaggerated, and that several independent firms were incorrectly listed as being part of the Birla group.

Mr. Bhuwarka extensively quoted from a book on the corporate private sector, written by none other than Dr. Hazari. The book said that even monopolists in India must be allowed to expand further, otherwise growth of the economy would be retarded and even public sector companies would suffer.

JUNE 10, 1967