

CHAMBERS OF COMMERCE IN INDIA

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POONA 4**

ASIA PUBLISHING HOUSE

**BOMBAY • CALCUTTA • NEW DELHI • MADRAS • LUCKNOW,
BANGALORE • LONDON • NEW YORK**

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1967

Printed in India

Published by V. M. Dandekar, Gokhale Institute of Politics and Economics, Poona 4
and Printed by M. H. Patwardhan at Sangam Press (P) Ltd., 383 Narayan
Peth, Poona 2.

FOREWORD

PLANNING in India is at present wedded to the concept of a mixed economy wherein two sectors, a public and a private, coexist. Over the years, considerable experience has been gathered regarding the problems of coexistence of the two sectors in a planned economy. Nevertheless, a system and a mechanism still remain to be devised whereby the development programmes in the private sector may be planned and implemented. The development in this sector continues to depend by and large on the volition and initiative of a large number of individuals with a pronounced laissez-faire bias resulting in diversion of scarce resources into non-priority and market-oriented uses, unbalanced urban development, neglect of backward regions and undue concentration of economic power in a few hands. In view of this, a certain amount of regulation and direction of the private sector has become imperative. This is recognized in the Draft Outline of the Fourth Five-Year Plan and it is suggested that we may distinguish certain industries as being more vital to the development of the economy and exercise greater direction and control over their development in the private sector. The chief instrument of direction and control envisaged seems to be allocation of bank credit. In respect of the remaining industries it seems that the planning in the private sector has of necessity to be indicative and flexible.

Regulation and direction of the private sector thus constitute today the weakest area in Indian planning. This is admitted in the Draft Outline of the Fourth Five-Year Plan and it is recognized that in order to discourage diversion of resources to non-priority uses and to emphasize priority uses, "fiscal, administrative and other methods of regulation, inducement, deterrence, vigilance and evaluation have all to be harnessed". Ideas in this respect are, however, yet far from clear.

It is in this context that, it is hoped, the present publication will be found of interest. The publication is the outcome of a joint study by Dr. M. V. Namjoshi, who is a member of the staff of this Institute, and Mr. B. R. Sabade, an ex-student of the Institute who is presently Secretary of the Mahratta Chamber of Commerce. The authors give a comprehensive account of the history, scope, constitutions, organization and finances of the chambers of commerce in India and describe the services these chambers presently render and the functions they perform. They also give brief accounts of organizations affiliated to the chambers of commerce and of other central organizations representing business. Finally, they consider the lines of future development open to the Indian chambers of commerce. In this, the authors draw upon the experience of chambers of commerce in different countries. As they point out, broadly speaking, there are three major types of chambers of commerce: the Anglo-American type characteriz-

ed by voluntary membership and voluntary undertaking of services, the Continental type characterized by compulsory membership and an obligatory list of minimum functions, and the Communist type which is more in the nature of a decentralized department of the government. The authors recommend a semi-official type intermediate between the Anglo-American and Continental types as suitable to the Indian situation and suggest a number of measures to rationalize the membership, scope and functions of the existing chambers of commerce and related business organizations. In their opinion, the Japanese chambers of commerce offer a good example of such an intermediate status. They also commend the role the French chambers of commerce play in regional planning and development. It is obvious that there is much scope for reform in this field.

The problem may conceivably be viewed from a wider angle. In a planned economy, there is a natural expansion of the government and this often leads to undue centralization and over-concentration of the decision-making process and authority. This needs constant watch and correction. This was realized in the case of programmes of rural development, and, during the Third Plan period, steps were taken to decentralize the democratic authority of government by setting up panchayat-raj institutions at the district and lower levels. It seems that there is a similar need for decentralizing the government authority in other spheres as well. Obviously, this requires careful consideration. However, clearly the chambers of commerce have a natural place in such a scheme of functional decentralization of government authority. It is equally clear that if the chambers of commerce are to share in the democratic authority, they will themselves have to be statutory bodies with compulsory membership constituting the relevant electorate. We may thus have district chambers of commerce with state federations federating into the all-India federation of the chambers. Thus constituted, the chambers of commerce will be in a legitimate position to share democratic authority of the government related to the fields of their activity.

There are several functions in respect of which the decentralization of authority may then be possible. In the first instance are certain matters of normal administration relating to commerce and industry such as licensing of new firms, licensing of issue of fresh share capital, and, in general, the administration of the Company Law. Secondly, there are numerous functions arising out of economic planning, such as allocation of imports and also of domestic materials, allocation of bank credit, price control over intermediate and capital goods in certain sectors, promotion of exports and generally all measures necessary to direct resources in the desired channels and to ensure the fulfilling of plan targets. In the field of commerce, the question of fair distribution of essential consumer goods of industrial origin is paramount, and the chambers of commerce must squarely accept the responsibility. Many other functions may be indicated. If democratic authority relating to these functions is devolved on the appropriately

constituted chambers of commerce, it should be their responsibility to administer these functions within the broad framework of policy laid down by the government.

Of course this presupposes that the business and industrial community will accept the basic policy underlying planned development, such as certain priorities in industrial development, avoidance of undue concentration of economic power in a few hands, balanced rural-urban development, and deliberate attention to backward regions. The difficulties in this respect are well known and need not be minimized. However, it seems that there is a better chance of the policy being accepted if the business and industrial community is organized in statutory bodies with statutory responsibilities rather than left to form associations to pursue interests of particular groups. The small business and small industry interest is also likely to be protected and looked after better through such democratic statutory bodies rather than through centralized administration in ministries and departments. In any event, the administration of programmes and policy through such bodies will have the important advantage of being done in public view of all those directly concerned. If it succeeds, it will have several other advantages. For instance, the formulation and administration of programmes will be done with greater knowledge and technical competence. Criticism of government policy and intentions will be better informed and more constructive. Finally, the more socially conscious and public spirited among the business and industrial community will find a forum for participating in national aims and objectives. This is essential. If economic development of the country must be achieved within the frame of a mixed economy, this cannot be done on the basis of a permanent conflict between the private sector and the planned economy. Means must be found whereby the private sector may submit to a system of democratic self-direction and regulation and the more responsible elements in this sector may associate themselves increasingly with national aspirations.

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January 1, 1967.*

ACKNOWLEDGEMENTS

We take this opportunity to thank all the chambers of commerce, local productivity councils, export promotion councils, and trade associations which co-operated with us. The information and assistance they so generously made available have been invaluable.

Among individuals who were specially helpful we should like to mention the following: Mr. P. Chentsal Rao, the Secretary, and Mr. R. S. Bisht, the Assistant Secretary, of FICCI; they helped us to procure comparative material from abroad besides rendering all possible help in different centres. Mr. L. R. Das Gupta, Secretary, Bharat Chamber of Commerce, who wrote the pioneer pamphlet on chambers of commerce in India in 1944, made many useful suggestions. Mr. G. R. Rao, Secretary, Southern India Chamber of Commerce, sent us some valuable comments. Mr. C. L. Gheewala, Secretary, Indian Merchants' Chamber; Mr. L. V. Dani, Secretary, Gujarat Vepari Mahamandal; Mr. S. R. Biswas, Secretary, Bengal National Chamber; and Mr. R. G. Mohadikar, Secretary, Maharashtra Chamber of Commerce, went out of their way to help us. We should also like to acknowledge the help given by Mr. N. K. Bhojwani, the then Executive Director, National Productivity Council, Delhi, and Mr. V. Ramchandran, Regional Director, National Productivity Council, Bombay. We are indebted to Mr. G. T. Chavan of the Editorial Department of the Gokhale Institute of Politics and Economics, for having made his professional skill freely available in preparing the manuscript for the press.

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CHAPTER ONE

Perspectives and Choice of Problems for Investigation

All chambers of commerce have one common characteristic

READERS FAMILIAR only with the chambers of commerce in the U.S.A., the U.K., or India would probably define these bodies as non-profit-making and non-political institutions which organize enterprises belonging to various fields on a regional basis for economic and representational ends. They would probably proceed to mention a list of functions usually undertaken by chambers of commerce, such as conveying or representing views of members on policy issues to government, conveying views of government to members, commercial intelligence, organization of common activities, participating in the development of public facilities, arbitration, etc.

The stress thus would be on the representative function and on certain common activities; the regulatory function of chambers of commerce would be hardly in the picture. It is clear, however, that in many countries, particularly on the continent of Europe and certain developing countries that have followed these models, it is the regulatory rather than the representative function of chambers that is stressed. When we say that the regulatory function is important, we do not suggest that chambers in these countries are more powerful than their members. We merely draw attention to certain limited powers, like maintaining a register, which, in other countries, rest with government departments, but are vested in chambers of commerce by law, thus making them a part of the apparatus of State regulation.

It must also be borne in mind that a general definition of chambers of commerce must be such as to cover chambers of commerce in communist countries. These chambers of commerce are like government departments though they do enjoy some initiative in organizing common activities, and, particularly in countries like Yugoslavia, have a limited representational function. The representation, however, tends to be that of a profession or of local interests rather than of class interests, unlike the chambers of commerce of countries like the U.S.A. and the U.K.

We find that the emphasis on different types of activities and on the character of chambers differs as between different groups of countries. It is clear that the organization of representation, regulation, and common activities and services for regionwise groupings of enterprise exhaust, in general terms, the range of functions performed, but that one or other of these functions may be relatively negligible.

We therefore isolate the organization of enterprises on a regional basis as the sole common characteristic of chambers of commerce. This common

characteristic can provide a useful basis for a completely general definition of chambers of commerce.

Chambers divided into four broad classes

To make comparisons manageable when variety is so great, it is useful to divide the chambers of commerce into four broad classes. Three of these classes are distinct types¹ with certain important characteristics. They may be called the Continental type, the Anglo American type, and the Communist type. These three types are characterized by different degrees of government intervention. The Continental type is characterized by compulsory membership and an obligatory list of minimum functions. The Anglo-American type is characterized by voluntary membership and the voluntary undertaking of services. The Communist type of chamber is a decentralized department emphasizing export-promotion and foreign private-business contacts. Particular countries may have chambers combining the characteristics of the three broad types enumerated and hence fall in a special category. We shall call this category the 'mixed' class of chambers of commerce. This mixed class of chambers of commerce would include semi-official chambers of commerce such as those found in Norway. The chambers of commerce in Norway are required to have their constitutions and the personnel on their executives approved by government. However, there is no compulsory membership. We thus have a combination of certain elements that go with the Anglo-American voluntary-membership type and of the Continental compulsory-membership type. We also include within the term 'mixed class' of chambers of commerce those chambers which combine elements of the communist type of chambers of commerce with those of the liberal type of chambers of commerce. Yugoslav chambers of commerce are a good illustration. They represent labour-managed enterprises in the region and hence are essentially different from the liberal type of chambers of commerce. They are also different from the communist type of chamber because they represent decentralized enterprises and not centrally managed ones.

¹ The three basic types of chambers of commerce are, of course, a product of history. Chambers of commerce originated in France. They were set up by the Government. With Napoleon's occupation of other countries identical bodies came to be set up there also. Voluntary chambers originated in England, though here also the State played a role in their establishment in a few cities as is shown by the fact that some chambers are chartered companies. The development of chambers in the U.S.A. was parallel to that in England. Both the Continental type and the English type spread to their respective colonies and dominions. The Communist type of chamber of commerce with its emphasis on bringing enterprises together for foreign trade purposes is a comparatively recent development. In recent decades different patterns of State intervention have resulted in combining elements from all the three types. Further, even within the same type, chambers of commerce may differ widely in the functions they emphasize. French chambers stress regional planning while West German chambers stress training, though both countries adopt the Continental model based on compulsory membership. The emphasis on particular functions depends upon the context of other institutions and the aims of the State.

Needless to state, the chambers of commerce in various countries that we have grouped together because they have what we have called the 'mixed' class chambers of commerce, show far more variations amongst themselves than do the chambers of countries belonging to the three main types.

We consider, in general terms, the main advantages and disadvantages of the first three broad classes or types of chambers of commerce. The fourth type, namely, the mixed type of chamber of commerce, is not discussed in general because of its greater heterogeneity. Our interest in the mixed class arises from the fact that it illustrates the possibility of combining characteristics from the main types to suit a given national environment.

Advantages and disadvantages of the different types of chambers of commerce

The Continental type enjoys enormous advantages arising from compulsory membership. Compulsory membership puts finance, voting procedures, and matters of economic administration such as collecting and disseminating information, on a systematic basis. Compulsory membership may involve firms only above a certain size and would vary in its impact on the individual member from a small fee for compulsory registration to the other extreme of what amounts to a minor addition to taxation. The compulsory-membership model has advantages for planning, for regulation, for instituting new functions, and for achieving equity between different businessmen. It also enjoys some advantages in developing high professional standards in the staff of chambers of commerce. Finally, the elimination of overlaps of functions and membership and the encouragement of planned specialization among chambers become easy.

However, while compulsory membership can open the way for improved representation, it can also replace representation by regulation. This, of course, is not an inherent limitation of this form of organization but is a characteristic that can easily accompany it. Even in France and Germany, businessmen have found that they have to organize many representative activities outside the official chambers where a tradition of rather rigid administrative procedures exists. The problems could easily be worse in a country like, say, India. The important point to be weighed is whether compulsory membership dovetails public as well as private effort, or whether it leads to conflicts between privately organized and officially sponsored bodies representing businessmen. Even when there is compulsory membership, it may often be preferable to have independent regulatory authorities and not expect chambers to carry through regulatory functions as the latter could very easily hamper the representative ones. In matters such as drawing up regional plans, however, there appear to be important possibilities in combining regulation and representation, while in other forms of regulation, a more minor role for chambers must be envisaged. It is, however, important not to eliminate the regulatory functions to the extent that happens in the U. S. A. or the U. K. type of chambers of commerce.

The strength of the liberal chambers of commerce such as those found in the U.S.A., the U.K. and India, lies in their being entirely voluntary organizations. It implies that instead of having an obligatory list of functions laid down by statute, it is possible to devote all energy to experiment with specialization in services according to local requirements. There is, of course, an opportunity to do this even if compulsory membership prevails, but it would require a more careful approach than has prevailed in France or Germany. In conditions such as in the U.K. or the U.S.A., chambers evolve mainly as generalized pressure-groups of private business. They represent a single class. They also tend to evolve along the lines similar to consultancy firms, and often provide certain services on a profit-making basis. They also combine the mutual and profit-making system in particular activities.

The weakness of the Anglo-American type of chambers of commerce, particularly of the Indian variant, lies in the undue scope it allows for narrow ambitions of individual businessmen for leadership, and the unsystematic overlaps and duplication that it leads to. Further, powerful groups find themselves in a position to pose as representatives of the business class. The tendency towards concentration of economic power manifests itself in the case of these types of chambers of commerce through devices such as associate membership, multiple membership, and votes based on size of member-enterprises, both at the local and at the national level. Chambers of commerce agree to financial arrangements that place the burden on large business houses; but in the process surrender power to these business houses. All talk of licensing through chambers becomes meaningless when many of them are almost completely subordinate to certain business houses.

The system of voluntary membership does give certain freedom. The objective of dovetailing public as well as private effort, however, is not served. Even the introduction of elementary regulative procedures that are in the interest of all, becomes impossible. The strengthening of the position of labour through devices like co-determination at the level of chamber of commerce also becomes impossible. Co-determination or bringing together different interests on the executives of the chambers is, of course, a step considerably beyond compulsory membership.

The third type of chambers of commerce, namely, the Communist chamber of commerce, is interesting in so far as it plays an important part in foreign trade. The relevance of this experience for other countries, of course, depends upon the character of other existing institutions.

The chamber of foreign trade of Eastern Germany, which holds the well-known, bi-annual Leipzig Fair, in which India has been participating, may be taken as typical of this type. The chamber is a public organization mainly concerned with foreign trade. It emphasizes foreign-trade functions by issuing certificates of quality and measurement, through arbitration, by co-ordinating advertising abroad, by organizing fairs and exhibitions, through market research in free-enterprise countries, and by estimating

export potential internally.² The chamber also used to co-ordinate a group of agencies handling foreign-trade transportation which is now taken over by a single transportation agency. Thus, of the three monopolies, that is the trade monopoly, the foreign-currency monopoly, and the transportation monopoly, the chamber assists most directly in the working of the trade monopoly.

The Yugoslav model of chamber of commerce in which fully decentralized, worker-managed enterprises meet together, represents a distinct sub-type within the communist pattern of chambers of commerce. Its representative character, its part in internal regional planning and in the supply of common services, set it apart.

From the foregoing discussion of the advantages and the disadvantages of the different types of chambers of commerce it is apparent that each type may facilitate but does not guarantee good performance in particular directions. The development of particular activities is usually possible under all the main types. Finally, individual differences between countries falling within the same type are of considerable importance.

It is possible to distinguish sub-types within these broad types. The Continental type of chamber of commerce may be divided into the corporate type as found particularly in Italy and the Netherlands, and the dirigist type as found particularly in France. The voluntary type of chambers of commerce may be divided into two broad categories, viz., chambers in the U.K. and the U.S.A., and chambers in the more underdeveloped countries adopting this form. The Communist type of chambers gives us two clear sub-types: one is the orthodox communist pattern of chamber which concentrates on problems of foreign trade, and the other is the Yugoslav type of chamber which has more similarities with chambers in the liberal countries.

Selected activities of the chambers in individual countries

It is useful, as a first approximation, to classify chambers of commerce into types as we have done above. These types, however, do not fully indicate the flexibility of chambers of commerce as a form of organization. We mention below certain activities undertaken by the chambers in particular countries. It will bring out the range of variety. The activities selected for mention demonstrate variety and arouse interest from the comparative point of view. Full information³ is unfortunately not available on some of these activities, and we confine ourselves merely to indicating their general character.

In France, chambers of commerce are official bodies. They play a relatively important part in regional planning. The 209 French chambers of commerce are grouped together in 20 regions. These 20 regions were originally demarcated for military purposes because they had roughly the

² *The Communist Foreign Trade System*, Pryor, Frederic L., 1963, esp. p. 250.

³ See annotated bibliography at the end of this chapter for sources of information regarding chambers of commerce in different countries.

same population and happened to have a convenient central or nodal town in the network of railway communication. The chambers manage warehouses and port facilities. They also manage stock exchanges. The work done by chambers of commerce for the development of the areas under their respective jurisdictions, increased after World War II, owing to the emergence of an elaborate system of incentives and guidance for location of different activities.

The West German chambers of commerce are official bodies. They are at present remarkable for their large role in the training of apprentices.

In Italy and in the Netherlands there is co-partnership or labour-representation at the executive level of the chambers of commerce. That is an attempt at modifying the class character of chambers of commerce. The chambers are official bodies in both the countries. In the Netherlands, the employers' movements, based on religious traditions, influence the organization of chambers of commerce. The Catholic employers, for example, have a strong employer movement; it organizes study-circles, pilgrimages, etc., and in its propaganda emphasizes the importance of harmonizing individual freedom and social responsibility. This movement accepts that classes exist as a basis for ameliorative action but rejects the idea that purely a class-approach is an appropriate basis for business policy.

In Norway, chambers of commerce have been prevented from pressing an extreme class-point-of-view through the requirement that individuals elected to the executives of chambers as well as constitutions of chambers must have government approval. In Norway, chambers have neither a fully official nor a fully private status. They operate in a context of close control of private enterprise and a close link between trade unions and the ruling Labour Party. A stable Labour Government, as in Norway, is more likely to influence the choice of personnel for chamber executives so as to make the chambers more national oriented than class oriented.

In Finland, as in Norway, the bye-laws of chambers of commerce must be approved by the State Council. Further, at least 200 members must be secured to obtain recognition. Membership is voluntary and no specific services are expected by Government. In Sweden, controlling unfair competition is an objective of the chambers of commerce. The chambers advise their members on matters relating to the anti-monopoly laws and fair practices.

The British chambers of commerce represent the voluntary-membership type which was also adopted throughout the British empire. The chambers emphasize that they promote a two-way traffic. They offer their advice and function as consultative bodies to the Government, and also play a part in advancing business-aims at various levels. A characteristic worth noting is the attention they give to promoting the foreign trade of the country. The Birmingham Chamber of Commerce, particularly, does elaborate work in this regard. Interest in regional policy is reflected by the formation of informal unions of chambers of commerce for regions like Scotland, Yorkshire, etc. The profit-making as well as the mutual activities of the

British chambers of commerce are on a larger scale than those of the Indian chambers.

The chambers of commerce in the United States of America, where opinion has for long explicitly approved interest groups and bargaining among them as a factor stabilizing democracy, are voluntary bodies undertaking representative functions and have a well-developed tradition of participating in city planning. They pay attention to the development of overhead facilities and are active in promoting publicity and conventions in the interest of their members.

In Canada, chambers are non-official bodies. In contrast to the chambers of commerce in India, they do not issue certificates of origin. They are consolidated into State-level organizations paralleling the Federal structure. This, again, is a point of contrast with India.

In Latin America, the chambers in particular countries have developed activities suggestive for undeveloped countries. In Brazil, where chambers are official bodies, activities undertaken include cadastral surveys, negotiating with banks and making out life insurance policies. In Bolivia, where chambers are non-official organizations, chambers import and distribute petroleum and emphasize exhibitions of regional produce. The Central National Chamber of Commerce keeps a national register of commercial firms. It contributes to the income of the chamber. In the Honduras, chambers are official bodies. They maintain a register of agriculturists, labourers and traders, thus performing a statistical service that is financially profitable. In Mexico, where again chambers are official bodies, the central body representing chambers claims that trying to keep profit margins at 'reasonable levels' is one of their functions. In Columbia, chambers are official bodies and participate in planning-functions and inspection of joint-stock companies. They claim that 'they grant equal importance to the producer, the distributor, and the consumer.'

There are certain peculiarities of the chambers of commerce in Asia. In the Indian sub-continent the chambers of commerce were formed on a voluntary basis after the withdrawal of the East India Company from trade. The chambers of commerce in India continue to be rather unsystematic voluntary organizations in spite of the emergence of a context of planning. In Pakistan there is a compulsory bringing-together of the chambers of commerce in each city into two standard classes, and an appointment of a government regulatory body which can displace members of the executive. For other Asian countries, attention may be drawn to certain interesting minor characteristics. In Ceylon, there are chambers organizing provident fund for the employees of member firms. In Indonesia, the Indonesian Chamber of Commerce and Industry is a department of the Central Economic Council. In Iran, the chambers certify the financial standing of members. The Lebanon chambers give business guarantees. In Turkey, in any region, 60 per cent of those interested must make a request in order to make membership of the official chamber compulsory. This provision is of interest as it shows that a concept of minimum conditions

being fulfilled before recognition as a chamber is granted, is given importance even in countries where chambers are official bodies. It may be contrasted with the voluntary chambers in Finland where, as already seen, at least 200 members must be secured in order to secure recognition as a chamber. In Turkey, finance is out of members' contributions, payments for services, income from taxes and certificates of origin, and other documents they are called on to issue. The chamber movement as a whole is self-sufficient, but chambers, in certain areas, are subsidized by others. It should be noted that while the chambers are official, executives are elected by members and the executives in turn elect representatives to the central body. The general pattern of policy is one of promoting organization but encouraging business initiative.

Economic functions of the chambers of commerce in underdeveloped countries

Can one, apart from ideology, think of a pragmatically desirable list of functions for the chambers of commerce in underdeveloped countries, and in India in particular? At a purely general level it is obvious that no ideal list can be defined, but possibly, if the minimum characteristics of underdeveloped countries are taken into account certain planning functions that could usefully be undertaken by chambers of commerce without getting in the way of their representative function can be indicated. Particularly in the Indian case, as a considerable consensus on planning and State intervention exists, it may be possible to indicate certain minimum functions for chambers of commerce. There may be variations in the minimum and the maximum position and in the degree to which the performance of functions on a purely voluntary, mutual or profit-making basis is emphasized.

The very fact of underdevelopment suggests that chambers can be usefully permitted to handle a larger range of functions than might be worthwhile in developed countries. To what extent the functions can be pushed and in what matter supervision of members rather than representation of members can be expected will depend upon the type of chamber of commerce adopted.

However, there are certain matters in which certain functions should be performed by the chambers of commerce in underdeveloped countries. It is clear that all underdeveloped countries will have a considerable degree of planning. Even where intervention is minimized for ideological reasons, indicative planning of the French type is inevitable. While this affords more scope to private enterprise, there is no escape from policies relating to location, manpower and productivity which channel the activities of private enterprise. The necessity of the chambers of commerce participating in local regional planning and manpower planning, productivity movements, collection of statistics, etc., therefore arises. If proper forums for action are created, chambers could act in these matters. A standard list of functions could then be accepted. The function of regional planning may be treated as one of the universally necessary functions that would re-

quire local variations in activities. Chambers of commerce can usefully play a role in assessing the resources of small areas and participating in a dovetailing of public and private decisions at a local level. The chamber must also reconcile the needs of different industries and of different forms and sizes of enterprises in its proposals for regional development. From such an approach or acceptance of a definite role for chambers, there could follow implications such as subsidies for particular activities and for chambers of commerce in backward districts to be given either by government or by central organizations representing business. The accidental adoption of the U.K. model for chambers of commerce in India in no way strengthens the case for leaving things as they are.

A reference may be made here to our conception of what economists can say in their professional capacity about chambers of commerce. Economists, with their traditional emphasis on price analysis and industrywise studies, have been more interested in trade associations than in chambers of commerce. No doubt they have been interested in regional analysis, but this interest has not extended in any marked degree to regionwise organizations like chambers of commerce. After all, the shift of decision-making to a supra-enterprise level occurs more markedly in trade associations than in chambers. Except in France, chambers do not have open to them organized ways of influencing regional planning directly. However, chambers of commerce also offer problems that challenge the economists, not so much because of a shift in entrepreneurial decision-making through a bringing-together of enterprises but owing to the development of a variety of overhead activities and owing to the special opportunity to dovetail the working of different sectors at a regional level. Chambers of commerce do not stand by themselves but function in a context of other organization. The policies adopted by the State to regulate the development of other organizations and the type of regulatory apparatus it constructs, determine the type of chamber of commerce likely to be preferred to secure public ends. The minimum list of functions developed is a matter of public concern.

The political status of chambers of commerce

The questions of the proper political role for organizations representing business and the proper role for chambers of commerce are rather distinct. In Germany, for example, the different political parties are financed by central organizations representing business through a system of trade associations collecting fixed contributions from their members on the understanding that they would be distributed in certain proportions to the middle and right political parties. Even in Germany, however, the chambers of commerce have been kept aloof from politics by law. They are also prohibited from undertaking negotiations in labour matters. The British chambers of commerce also refrain from collective bargaining and do not participate directly in financing political parties. Generally speaking, it is the big corporations that tend to be interested in political activity, though there are cases of chambers of commerce and associations being pressuriz-

ed by such interests into political campaigns to support an extreme private-enterprise point of view.

Chambers of commerce may attempt to propagate a particular view about the proper status of private enterprise, or they may attempt the more limited task of helping in working out the details and variations of draft legislation that forms part of a generally accepted framework defining the status of enterprise.

Chambers of commerce, for the latter purpose, require contact with the legislatures as well as with advisory bodies, and representation on them. In this matter a semi-political role for business is quite inevitable, and there can be no question of trying to isolate them from politics in this sense. The attempt, where made, is directed towards preventing a class-approach to politics from developing.

The voluntary type of chamber of commerce understandably creates many difficulties in matters of representation in legislatures and advisory bodies because of overlaps in membership, inadequately representative membership and the competition to represent the business class that is typical of these bodies. However, there can be systematic conventions evolved and adjustments made in this matter so that this particular defect is minimized.

The compulsory-membership type is relatively free from this defect but raises important problems of freedom for its executive body. There are different degrees to which governments can influence the choice of executives. Pakistan, for example, exercises very close supervision, while Norway merely requires the approval of government for elected members, but no nomination of members is involved. There are also differences in the degree of representation granted to these bodies. In countries where there are economic and social councils or functional bodies acting as a third legislature and giving advice on indicative planning as, for example, in France, the chambers acquire an improved position.

The choice of a proper organizational form for chambers of commerce thus involves a concept of the political function as well as of the economic function of these bodies. If an important role in helping to formulate regional plans is to be assigned to these bodies, a particular pattern of representation on consultative bodies suggests itself. It is not possible to choose between the two broad types of chambers of commerce, namely, those with compulsory membership and with voluntary membership, on political grounds alone. However, given political objectives, one can suggest the modifications that are necessary within either type to fit a given situation. The political aspect has to be taken into account in balancing the regulative and the representative functions of chambers of commerce.

Choice of problems for investigations into chambers of commerce in India

In the next chapter we begin our presentation by estimating the total number of chambers of commerce and the total number of different categories of their members in India. The geographical and the size coverage of membership of chambers of commerce and the degree to which it is

reflected in the composition of executives has been taken into account. It lays the foundation for the later discussion of overlapping jurisdiction. It will also help the reader to visualize financial problems in so far as they are related to differences in type of membership.

In Chapter Three, we discuss the different sources of finance of chambers of commerce. They include weighment fees, subscriptions by different categories of members, and charges for services rendered. In Chapter Four we ask to whom, why, and how services are rendered by chambers of commerce, and raise the question of rationalization in the context not of jurisdiction but of particular functions and activities. Any possible reorganization will have to take into account facts regarding regional as well as size coverage of membership, finance available, and services rendered. It will also have to take into account possible ideal schemes in this matter. The ideal schemes have been contrasted with the existing situation.

It has been possible, in a few cases, to discuss schemes of rationalization by making quantitative calculations of their implications for particular states. A scheme for exchange of membership among chambers of commerce in Maharashtra is, for example, discussed in Chapter Eight. When, however, we discuss all-India proposals for rationalization, such as, for example, those that would flow from adopting the Continental model of chamber organization, we keep the discussion at a more general level. The consequences for the country as a whole of choosing between the basic types of chambers of commerce such as those having compulsory membership, voluntary membership, etc., can be described only in broad terms, as the detailed provisions that would accompany such arrangements cannot be fully envisaged. We attempt to make this discussion useful by taking into account certain convenient assumptions in these matters. We also take into account the existing sub-types among chambers of commerce in India in order to show how each sub-type has to be fitted into any general reorganization.

The sub-types can be identified with reference to differing income and membership ranges, varying degrees of dependence on weighment and measurement fees, the provision or otherwise of secretarial facilities, with reference to whether the chamber is located in a large urban centre or small town, and on the basis of whether the bulk of the membership is British or Indian. There are differences of functions in the sub-types derived from these factors. In Chapter Five, we go into abstract considerations of principles of equity and efficient organization and into problems of their implementation by asking the question whether there can be any general principles of a non-controversial character that should be incorporated in chamber constitutions and in the constitutions of central bodies representing business. In this chapter we also examine questions concerning the status of the professional staff in chambers of commerce. How this status is related to other aspects such as the working of chamber constitutions and the equitable and effective performance of functions has been dealt with. The problem whether rationalization can be brought about

through compulsory membership or through some form of self-regulation, required us to go not only into the facts enumerated above but also into the problems of State intervention and of the organization of central bodies representing business. From Chapter Six onwards, we broaden the focus of the discussion. We discuss the functioning and the possibilities of reorganizing central bodies representing business. In Chapter Seven, we go into questions concerning the operation and regulation of organizations organized either on an industrywise or regionwise basis; organizations that are often affiliated to chambers of commerce and organizations and are sponsored by them such as local productivity councils, manufacturers' and merchants' trade associations, export-promotion councils, and associations organizing forward markets. It raises many questions regarding State intervention in these intimately related supra-enterprise activities, and links up with the questions of rationalizing chambers and defining their legal status. Trade associations, in particular, present problems similar to those of chambers of commerce but involve more complicated questions of economic policy. The local productivity councils and export-promotion councils show the potential of State compulsion in shaping organizations and are very suggestive for a study of chamber organization. In Chapter Seven, the different possibilities of businessmen- and government-sponsored schemes for rationalizing chambers are discussed. Finally, we sum up by attempting to indicate a minimum list of conclusions and recommendations on which broad agreement is likely. Throughout the report we have discussed the chambers with reference to how they affect important policies and broad concepts of economic and social organization. Questions about the representation of these bodies in advisory positions and of their links with parties and parliament have already been raised in general terms in Chapter One. In every chapter an attempt has been made to assess how far and in what way the chambers affect the concentration of economic power. The potential of the chambers in undertaking particular planning-functions in fields such as the guidance of location, collective bargaining, etc., was also a constant preoccupation. The desirability of re-allocating finances and functions within the movement has been considered in Chapters Three and Four, i.e. the question of rationalization also appears in all chapters. The whole argument leads towards giving perspective of the lines of development open to Indian chambers of commerce.

After indicating the directions in which our enquiries were oriented, it is necessary to complete the picture by describing the procedures we followed.

We estimated the total number of significant chambers of commerce in India (the chambers of commerce having an annual income of above Rs. 10,000), at 50 in 1961. These bodies were the focus of our inquiry. A questionnaire designed to elicit information useful to discuss the problems we had selected was mailed to 72 bodies. Thirty-five chambers answered the questionnaire fully. Thirty-four of them had an annual income above Rs. 10,000 and, therefore, fell within our definition of significant chambers. Data on some points like income, membership, etc., were available for 42

chambers of commerce, with the company law administration, and for 44 chambers of commerce, with the Federation of Indian Chambers of Commerce and Industry (FICCI). The annual reports of the chambers, available in various libraries, were also a source of information. Of the chambers regarded as significant, for 41 chambers of commerce we obtained either answers to the questionnaire (34 cases) or information from the other sources mentioned (7 cases). The bodies excluded from the purview of our study exist in small towns; though they use the term "chamber of commerce" to describe themselves could be more properly called "miscellaneous traders' associations" and sometimes "associations running forward markets". Of the 41 significant chambers of commerce for which we have information, the 35 chambers of commerce answering our questionnaire represent the overwhelming bulk of the estimated total income (over 90 per cent) and membership (over 80 per cent). These proportions would not change significantly even if the likely income and membership of the nine bodies for which we have less complete and less homogeneous information, are taken into account. Even if the still smaller bodies which we have treated as insignificant are taken into account, the proportions mentioned may probably be affected by hardly five per cent in the case of income, and 10 per cent in the case of membership. For formal completeness, it is necessary to state that the 35 chambers answering our questionnaire were in numbers only half of the bodies to whom the questionnaire was mailed. Still larger numbers of these smaller bodies that call themselves chambers of commerce were later identified. C. M. Pandit's Directory of World Chambers of Commerce and Trade Associations, includes most of these small bodies and gives in all 123 chambers of commerce⁴.

Another line of inquiry was through personal interviews and discussions with chamber officials. The good offices of the FICCI were also used for securing further information. The FICCI circularized its member bodies requesting them to answer the questionnaire and give such help as they could. Further, this body issued an international circular requesting information about the chambers of commerce, through our embassies as well as through central organizations representing business abroad. The latest copies of the acts in different countries as well as literature and notes on the organization and operation of chambers were thus obtained.

During the course of the enquiry it was also found possible to expand the range of the study to include other organizations bringing together managements. Questionnaires were addressed to trade associations and local productivity councils. A circular requesting information and materials was also addressed to all export-promotion councils. Considerable published material was available as regards the functioning of associations; 67 trade associations answered our questionnaire; 24 out of the 45 local productivity councils and 12 out of 16 export-promotion councils also supplied information.

⁴ Directory of World Chambers of Commerce and Trade Associations, Ed., C. M. Pandit, Published by K. C. Shah, (Publisher of Indian Export Trade Journal, Sayajiganj, Baroda), Nootan Printery, opp. Khanderao Market, Baroda.

APPENDIX 1

The following table shows the number of chambers and the official status of chambers in most of the countries of the world.

<i>Serial No.</i>	<i>Year</i>	<i>Name of the Country</i>	<i>Number of Chambers</i>	<i>Official/ Non-official</i>
<i>North America</i>				
1	1956	U.S.A.	3600	Non-official
2	1954	Canada	700	"
<i>South America</i>				
1	1954	Brazil	200	Official
2	1956	Mexico	186	"
3	1956	Columbia	54	"
4	1954	Argentine	53	Non-official
5	1954	Bolavia	17	"
6	1954	Nicargua	13	Official
7	1954	Honduras	4	"
8	1956	El Salvador	1	Non-official
9	1953	Uruguay	1	"
<i>Europe</i>				
1	1956	Great Britain	300	Non-official
2	1956	France	209	Official
3	1956	Italy	92	"
4	1956	Spain	89	"
5	1956	West Germany	80	"
6	1954	Netherlands	64	"
7	1956	Belgium	60	Non-official
8	1954	Greece	42	Official
9	1953	Switzerland	37	Non-official
10	1956	Sweden	25	"
11	1953	Austria	17	Official
12	1953	Finland	16	Semi-official
13	1954	Yugoslavia	14	Official
14	1956	Portugal	11	"
15	1954	Norway	8	Semi-official
16	1953	Denmark	3	Non-official
17	1953	Bulgaria	1	Semi-official
18	1956	Czechoslovakia	1	
19	1953	Hungary	1	Official
20	1953	Luxemburg	1	"
21	1956	Poland	1	"
22	1954	Rumania	1	"
23	1953	U.S.S.R.	1	"

APPENDIX I (Contd.)

Table continued

<i>Serial No.</i>	<i>Year</i>	<i>Name of the Country</i>	<i>Number of Chambers</i>	<i>Official/Non-official</i>
<i>Asia</i>				
1	1954	Japan	380	Official
2	1961	India	123	Non-official
3	1956	Turkey	111	Official
4	1954	Jordan	8	Semi-official
5	1956	Pakistan	8	Non-official (Now official)
6	1956	Iraq	7	Semi-official
7	1956	Syria	4	Official
8	1956	Israel	3	Non-official
9	1953	Afghanistan	1	Semi-official
10	1953	Indonesia	1	Official
11	1956	Lebanon	1	"
12	1956	Thailand	1	Non-official
13	1956	South Viet Nam	1	"
<i>Australia</i>				
1	1953	Australia	332	Non-official
2	1953	New Zealand	51	"
<i>Africa</i>				
1	1956	Union of South Africa	140	Non-official
2	1956	British Commonwealth countries	64	"
3	1956	French Union countries etc.	97	Official
4	1956	Egypt	33	Official

Sources: Directory of World Chambers of Commerce issued by the International Chamber of Commerce 1957: Latest Acts regulating chambers for Afro-Asian and European countries specially collected for this enquiry.

APPENDIX II

ANNOTATED REFERENCES TO SELECTED MATERIAL ON CHAMBERS OF
COMMERCE IN DIFFERENT COUNTRIES

We give, in Section I, (A) a list of Acts relating to chambers of commerce. The Acts themselves are an excellent source for international comparison of chambers of commerce. (B) A few important notes on chambers of commerce in particular countries supplied by embassies and handouts by important central organizations representing business abroad are listed next. (C) Finally, we list a few more notes prepared by secretaries of Indian chambers of commerce who were deputed abroad. These notes were circulated to member bodies of the FICCI.

In Section II we give select references to published literature on chambers of commerce. The first sub-section lists general references that enable one to reconstruct the history of the chambers of commerce of the world as a part of general business history. Subsequent sub-sections give additional references to the literature on chambers of commerce and trade associations in particular countries.

SECTION I

(A) *Acts relating to Chambers of Commerce*

1. International chambers of commerce : Chambers of commerce in the world—laws and regulations 1950. This is a compilation of the texts of available laws and regulations up to 1950. As some of the more important Acts were passed thereafter, this collection provides only a historical benchmark.

2. The texts of the following acts were received in response to a request made by the FICCI at our instance to our embassies and central organizations representing business abroad.

(a) *West Germany*

Law on the Provisional Settlement of the Regulations Governing the Chambers of Commerce and Industry of December 18, 1956.

(b) *Japan*

Japan Chambers of Commerce and Industry Law: Law No. 143 of August 1953.

(c) *Netherlands*

1. The Netherlands Act of 21st August 1920 which may be translated as Chambers of Commerce and Industry Act of the Netherlands.
2. The Trade Register Act of the Netherlands.

(d) *Pakistan*

1. The Trade Organizations Ordinance 1961.
2. Rules and Regulations governing certain aspects of Constitutions of Chambers of Commerce and Industry in Pakistan, *Gazette*, May 28, 1962.

(e) *Italy*

The Decree Law of the Lieutenant Governor, September 21, 1954, No. 320, which set up chambers of commerce as elective bodies to replace the earlier corporate organs created by the Fascist regime.

(B) *Notes supplied by Embassies and Central Organization representing business*

1. *Note Verbale* discussing Italian chambers of commerce.
2. Chambers of Commerce and Industry in Japan : A booklet prepared by the Japan Chamber of Commerce and Industry, describing the historical evolution of chambers of commerce and emphasizing that at present (a) chambers are public organizations, (b) they represent all businessmen and not merely their members, and (c) a registration system is fundamental to their operations.

APPENDIX II—(Contd.)

(C) *Notes Prepared by the Secretaries of Indian Chambers of Commerce who visited Europe*

(a) Note circulated by R. G. Mohadikar of the Maharashtra Chamber of Commerce, Bombay, on 'The pattern of chambers of commerce and industrial associations in Foreign countries.' R. G. Mohadikar stresses the importance of the function of maintaining a register and of associating agriculturists with chambers of commerce. The note followed a 19-week study-tour of Europe and Great Britain to study chambers of commerce.

(b) Note prepared by D. Srinivasan of the Southern India Chamber of Commerce, Madras, on "Organization of British Chambers of Commerce." This sums up Srinivasan's impressions of British chambers during the period 7th March to 11th May 1953.

SECTION II

Published Literature on Chambers of Commerce

1. General References

(a) *Encyclopaedia of Social Sciences*; Article on Chambers of Commerce.

(b) *Encyclopaedia Britannica* : Article on Chambers of Commerce.

The two Encyclopaedia articles give a terse history of the evolution of the continental type and the Anglo-American type of chamber of commerce since the foundation of the first chamber of commerce in Marseilles in 1599. The history of the continental chambers is particularly important because of the paucity of sources. The Marseilles chamber, according to the article in the *Encyclopaedia Britannica*, appears "to have settled the merchant law and the customs of the port, was entrusted with the appointment of consuls and the control of French consulates in the Levant, fitted out expeditions against corsairs, owned fleets, sent embassies to the Barbaresque countries, and also organised commercial missions." The rise of nation states and the increasing inconvenience of combining municipal and commercial functions led Louis XIV in the year 1700 to order the creation of chambers of commerce in several cities and entrusted them with the nomination of deputies to the Royal Council of Commerce which he had created in Paris. There followed many vicissitudes, chambers being suppressed during the French Revolution in 1791 and re-established by Napoleon in 1804, but what is important for us is that in their origin and development in France the State always played a key role. Previous to 1898 it was illegal for the chambers of commerce in France to hold joint meetings for the discussion of matters of public interest and they were not even allowed to correspond or consult in any way except through the medium of the Minister of Commerce.

(c) *International Chamber of Commerce : World Directory of Chambers of Commerce* : This is very useful for getting an idea of the variety of activities undertaken by the chambers of commerce in different countries.

(d) Gross, Charles, *The Gild Merchant*, Vol. I.

Chapter IX of this book establishes a connection between the latter history of gild merchants and the early history of chambers of commerce. It also shows how the gild merchant either disappeared, merged in the civic polity, became a select body or a gild unconnected with trade, or was replaced by an aggregate of the craft fraternities. The author brings out how the onerous self-destructive restrictions of gilds were superseded by the stimulating measures of chambers of commerce. The author gives the following interesting footnote which shows the connection between the gild merchant and chambers of commerce. As in the case of the chartered companies that sprang from the gild merchants, it is the discontinuity in organization rather than the continuity of membership, that is important. To quote the footnote on page 165 : "The formation of such Chambers has proved to be of invaluable advantage in forwarding the public good. They acquired honour and privileges for the towns, promoted commerce in every department, united divided interests, C.C...2

APPENDIX II—(Contd.)

diffused a knowledge of economical principles, and paved the way to commercial extension." (Levi, Chambers and Tribunals of Commerce, 9.) For the Chamber of Commerce of Bristol, which was established in 1823, see *Munic. Corp. Com.* 1835, p. 1208. The Chamber of Commerce of Limerick was created by a charter of Geo. III, June 2nd, 1815, "and is (in 1835) in a great degree composed of the same members as the Guild of Merchants."

(e) Beard, Miriam, *A History of the Businessman*

This work is the best general account of the changing social role of the businessmen in various countries over the whole of history.

(f) (i) Hopkins E., Washburn, *India Old and New*, 1902, Edward Arnold, London. Article on Ancient and Modern Hindu Guilds.

(ii) Gadgil, D. R., *Mahajan and Nagarshet in Poona City* (in Marathi), 1962.

Both these accounts help to emphasize the discontinuity between older merchant organizations and later chambers of commerce in India. Further research, however, may yield a different picture, especially in Ahmedabad.

2. France

(a) Ehrmann, H. W., *Organised Business in France*, Princeton, 1957. A very comprehensive account of the employers' movement in France. Important for bringing out the weaknesses of French official chambers in the context of non-official associations rather than their strength as forums for regional planning.

(b) Taylor, Griffith (ed) : *Geography in the 20th Century*, 1957, Methuen, London.

Chapter XV has a bibliography which lists references on the working of economic regions in France.

(c) There is a growing body of literature on regional dispersal activity in France describing incentives and disincentives as well as the variety of new promotional and financial institutions created. This is relevant only as a background to understand chambers of commerce and is mentioned only because of our strong advocacy that chambers must play a greater role in regional planning. Among these we may mention :

(i) Vasseur, Michel, *Le Droit de la Reforme des Structures Industrielles et des Economies Regionales*, 1959.

(ii) Faucheux, J., *La decentralisation industrielle*, 1959.

(iii) Sayers, R. S., *Banking in Western Europe*, 1962, gives a brief account of French financial institutions from the point of view of regional development.

3. Germany

(a) Almond, G. A., *The Politics of German Business* (Mimeographed by the Rand Corporation, 1955).

This is an excellent account of the organization of business in West Germany. The link with politics and the role of central organizations is brought out in detail.

(b) Shuman, Abraham, *Co-determination*, Public Affairs Press, Washington, 1957.

Provides a minimum background for understanding the relation between organized business and organized labour in Germany.

4. Yugoslavia

(a) Balog, Nikola, *Annals of Collective Economy* (1959), Associations of Economic Organization.

An excellent general account of chambers of commerce and trade associations in Yugoslavia.

(b) Dunlop, John, *Industrial Relation Systems*, 1958. Henry Holt and Company, New York.

APPENDIX II—(Contd.)

Chapter VII discusses Yugoslav industrial organizations and includes on page 298 the following comment : " Enterprises are organized into chambers and associations to promote the interests of individual sectors of the economy, such as hotels and restaurants, building and constructions, or enterprises engaged in foreign trade. They may engage in production research and dissemination of information, may represent the enterprises before state organs and are consulted on drafts of applicable regulations. The chamber is governed by an assembly elected from the workers' councils of the member enterprises which in turn elects a managing board and director. The chambers have ' courts of honor ' which treat with problems of ' good business practices ' and ' fair competition ', although they apparently are not to consider questions of price. "

5. India

(a) Dasgupta, L. R., *Chambers of Commerce in India*, published by the Eastern Chamber of Commerce, in 1945.

This is a pioneer pamphlet on chambers of commerce in India.

(b) Silver Jubilee Souvenir 1927-51 issued by the FICCI, 1952.

(c) Histories of individual chambers of commerce are available for the Bengal, Bombay, Madras, Bengal National, Bharat, and Indian Merchants' Chambers. Shorter histories of other chambers are also available in their reports, souvenirs, and handouts.

6. Britain and the U.S.A.

Detailed historical material is available for individual organizations in these countries, but apart from the general accounts already mentioned, there is no good analytic book on chambers of commerce. We give below a few references that are important for some narrow problems that fall within our field.

(a) P.E.P. : *Industrial Trade Associations : Activities and Organization*, George Allan & Unwin, London, 1957.

A full-scale study of all aspects of trade associations: contains some references on the functioning of the Federation of British Industries, National Union of Manufacturers, and British Chambers of Commerce.

(b) Blondel, J., *Voters, Parties and Leaders*; 1963.

Chapter VI gives an interesting discussion of the problems involved in the representation of interests, especially business interests.

(c) Key, V. O., *Politics, Parties and Pressure Groups*, Crowell, 1959.

Chapter IV gives a short account and lists some key references on the growth of chambers of commerce and central organizations representing business in the U.S.A. The lobbying aspect of these organizations is particularly emphasized.

(d) Lamb, G.D. & S. S. Kittelle : *Trade Associations—Law and Practices*, Little Brown and Company, The Trade Regulation Series, 1956.

This book may be taken to be representative of the U.S.A. literature on trade associations, which mainly discusses the application of anti-monopoly regulations to these bodies. The reports of British Restrictive Practices Courts are of even greater interest in this regard.

(e) Merrilmo, Willard V., " The Business leader's role in politics ", *Business Horizons*, Vol. III, No. 2, 1960, p. 38 and Levitt Theodore, " Business should stay out of politics ", p. 45 of the same issue.

(7) Japan

(a) Langdon, Frank C., " Organized Interests in Japan and their Influence on Political Parties ", *Pacific Affairs*, Vol. XXXIV, No. 3, Fall 1961, pp. 271-78. This helps to bring out the role of purely non-official business organizations in Japan.

CHAPTER TWO

Chambers of Commerce in Independent India

Historical

The chambers of commerce in India have always been purely voluntary bodies. In the 1830's when the East India Company withdrew from the trading activity, chambers of commerce were established in Calcutta (1833), Madras (1834), and Bombay (1836). Down to the 1880's the chambers of commerce were solely British. It was after the 1880's, that Indian chambers of commerce began to be formed. By that time a considerable number of Indian businessmen had begun to enter modern trade and industry. The motivation of defending national interests on the commercial plane was already clearly visible. The Bengal National Chamber of Commerce (1887) and the Indian Merchants' Chamber (1907) were clearly the expressions of this interest. The first Indian chamber of commerce had been founded in Coconada in 1885, and the rapid spread of the movement to different cities and regions was indicative of the new atmosphere of nationalism.

The chambers of commerce established by Indian businessmen did not follow the pattern laid down by some of the older *Mahajans*, which brought together businessmen belonging to different castes in a common organization. There was also no close analogy in chamber organization with the older position of *Nagarseth*, which was a hereditary position. The model for chambers organized by Indians was provided by the chambers of commerce organized by the British business-community in India. Membership was technically open to all. The officials were not hereditary appointees; they were elected. The absorption of British ways of operation is quite clear. Sectional differences such as those based on sub-castes and region did continue in practice to limit the expansion of chambers of commerce. Very often only the members of a particular community or regional grouping could be organized in a chamber and more than one chamber emerged in many cities. Thus traditional factors and social divisions continued to be background influences but the explicit principles of organization adopted were British. The voluntary form of this organization led to duplication and overlapping in a situation in which sectional feeling was strong.

As a result of these historical origins, there emerged a rather marked irrationality in the membership coverage of the chambers of commerce. This irrationality in coverage has not yet been corrected. There is also the persistence of a number of small bodies which call themselves 'chambers of commerce' but hardly have the resources and influence to perform significant functions. The number of larger chambers continued to grow,

and by the end of World War II there were 38 chambers of commerce which included 11 organized by the British businessmen in India. The number of the British chambers of commerce has not increased in recent decades. Local Indian groups have continued to set up chambers with considerable variety in the geographical coverage and the size-coverage of their membership.

We have already indicated towards the end of Chapter One that these chambers of commerce, with the exception of certain insignificant bodies, can be described adequately.

Sub-types of the chambers of commerce in India

The reader will find it useful to keep in mind a rough and ready picture of the sub-types of the chambers of commerce in India. The services offered by different chambers are rather similar, but on examination it is possible to distinguish the sub-types which explain differences in the range and efficiency of the services offered. These sub-types seem to depend on the following factors: (1) The size of income of the chambers of commerce naturally affects the services that the chamber can provide. Income tends to be determined by the type of geographical coverage of membership and the sizes of member-firms. Classifying the chambers of commerce by income partly overlaps with the second principle of classification, namely, (2) that into British and Indian chambers of commerce in India. The British chambers of commerce in India tend to have high incomes owing to the fact that their members are large concerns as well as the fact that several of them are located in ports and enjoy a considerable income from weighment fees. The British chambers of commerce in India provide a larger range of consultancy and information services than most Indian chambers of commerce provide. In fact, one of the reasons that make it convenient to treat the British chambers of commerce as a separate group is that quite a few people in the field suggest that Indian chambers of commerce should evolve along the same lines. At first sight one would be tempted to explain the larger range of services offered with reference to their income. However, this is only one factor. Objectives in the policy field and the lobbying techniques employed give the classification into the British and the Indian, an independent importance. (3) The source of finance is another significant factor for the purpose of classification. The membership subscriptions, weighment and measurement fees, and charges for specific services influence the level of services provided. (4) It is convenient to classify the chambers of commerce into those offering secretarial services to association members and those not offering such services. (5) Finally, the chambers of commerce can be classified into those in the large urban centres and those in smaller towns. This classification also has a partial overlap with the classification according to incomes, as chambers in large towns tend to have higher incomes. This, however, is not true universally, owing to the existence of as many as five or six chambers in important centres. Some of these chambers are quite small by the income criteria. The classification into urban chambers

Table 1 : MEMBERSHIP OF INDIAN CHAMBERS OF COMMERCE IN 1951 AND 1962

Name of Chamber	Year of foundation	1951		1962		Plus or minus changes in	
		Members	Affiliated associations	Members	Affiliated associations	Members	Affiliated associations
1. Bengal Chamber of Commerce	1834	307	26	290	30	- 17	+ 4
2. Bombay Chamber of Commerce	1836	354	1	535	7	+ 181	+ 6
3. Madras Chamber of Commerce	1836	97	5	113	6 (including 5 chambers)	+ 16	+ 1
4. Cochin Chamber of Commerce	1856	-	-	41	-	-	-
5. Bengal National Chamber of Commerce, Calcutta.	1887	500	42	284	36	- 216	- 6
6. Indian Chamber of Commerce, Cochin.	1898	100	-	209	5	+ 109	+ 5
7. Bharat Chamber of Commerce, Calcutta	1900	619	13	719	20 (including 3 chambers)	+ 100	+ 7
8. Federation of Commerce and Industries (Hyderabad State), Hyderabad-Deccan	1900	-	-	197	13	-	-
9. Madhya Bharat Chamber of Commerce, Lashkar (Madhya Bharat)	1906	207	Some mandis committees	-	-	-	-
10. Indian Merchants' Chamber, Bombay	1907	2,716	123	2,160	137	- 556	+ 14
11. Southern India Chamber of Commerce, Madras 1	1909	879	41	889	32	+ 10	- 9
12. Indian Chamber of Commerce, Tuticorin	1913	130	-	209	-	+ 79	-
13. Mysore Chamber of Commerce, Bangalore	1916	400	22	1,062	39	+ 662	+ 17
14. U.P. Chamber of Commerce, Kanpur	1914	194	-	139	1	- 55	+ 1
15. Western India Chamber of Commerce, Bombay	1914	380	-	500	-	+ 120	-
16. Federation of Gujarat Mills and Industries, Baroda	1918	78	-	173	-	+ 95	-
17. Calicut Chamber	1923	-	-	23	-	-	-
18. Madura-Rannad Chamber of Commerce, Madurai, 1924		282	-	1,046	40	+ 764	+ 40

19.	Indian Chamber of Commerce, Calcutta 1.	1925	340	21	348	28	+ 8	+ 7
20.	Bharat Chamber of Commerce, Patna 1	1926	383	—	540	2	+ 157	+ 2
21.	Maharashtra Chamber of Commerce, Bombay	1927	608	18	814	24	+ 206	+ 6
22.	Andhra Chamber of Commerce, Madras	1928	594	—	787	36	+ 193	+ 36
						(including 6 chambers)		
23.	Travancore Chamber of Commerce	1928	54	1	45	2	— 9	+ 1
24.	Indian Chamber of Commerce, Coimbatore	1929	205	3	425	11	+ 220	+ 8
25.	Karnatak Chamber of Commerce, Hubli	1929	450	—	423	14	— 27	+ 14
26.	Merchants' Chamber of U.P., Kanpur	1932	190	—	138	—	— 52	—
27.	Orissa Chamber of Commerce, Cuttack 2	1932	152	—	120	—	— 32	—
28.	Muslim Chamber of Commerce, Calcutta	1932	119	—	500	—	+ 381	—
29.	Mahratta Chamber of Commerce and Industries, Poona 2	1934	280	—	923	12	+ 643	+ 12
30.	Assam Chamber of Commerce, Shillong	1937	111	—	—	—	—	—
31.	Punjab Federation of Industries, Amritsar	1937	35	—	—	—	—	—
32.	Marwar Chamber of Commerce, Jodhpur	1939	1,300	—	—	—	—	—
33.	Surat Chamber of Commerce, Surat	1941	414	—	765	23	+ 351	+ 23
34.	Saurashtra Chamber of Commerce, Bhavnagar.	1943	517	—	—	—	—	—
35.	Jaipur Chamber of Commerce and Industries, Jaipur	1943	315	—	320	3	+ 5	+ 3
36.	Tamil Chamber of Commerce, Madras 1	1944	168	—	107	—	— 51	—
37.	United Chamber of Trade Associations, Delhi	1944	—	58	—	61	—	+ 3
38.	Madhya Pradesh Chamber of Commerce, Nagpur 1	1944	207	—	360	—	+ 153	—
39.	Western U. P. Chamber of Commerce, Meerut	1945	135	—	150	—	+ 15	—
40.	Hindustan Chamber of Commerce, Madras	1945	144	—	125	—	— 19	—
41.	Gujarat Vepari Mahamandal, Ahmedabad 1	1949	633	70	1,877	122	+ 1,244	+ 52
	Total for 41 Chambers		14,594	444	17,356	704		
	Total for 33 Chambers for which there is two-point data		12,424	444	12,895	691	+ 471	+ 247

and mofussil chambers has an independent importance from the point of view of rationalization proposals, which should take this distinction into account in discussing functions and finances.

Of the 35 chambers of commerce giving detailed answers to our questionnaire, seven were British and 28 Indian; 12 were in the income-range above rupees one lakh, 10 between 25,000 and 100,000, and 13 below 25,000; 11 had weighment facilities while 24 had not; nine had secretarial facilities while 26 had not; and eight belonged to the older industrial centres, (Calcutta, Bombay and Madras) while 27 did not. The five sets of sub-types indicated earlier have been used at various stages in this report.

Post-independence developments

It is necessary to make some estimate of the total coverage of the membership of the chambers of commerce and of changes therein in the post-war period.

The two-point data presented in Table 1 reveal certain broad structural changes after independence.

It may be seen from the table that in 1951, 33 chambers had 12,424 ordinary members and 444 association-members, and in 1962, they had 12,895 members and 691 association-members, an overall increase of 471 in members and of 247 in association-members. This suggests that the trend was towards an increasing link-up of associations with chambers and increased organization of associations, while the interest of the concerns and individual businessmen in the chamber-of-commerce movement remained stagnant. This loss of interest was evidenced in the old centres and not in the new centres that were coming up. The starting of a few new chambers in new centres, such as the one at Gandhidham, between 1951 and 1961, the increase in membership of the chambers of newly rising centres, and the fact that no chamber was started in the old centres during this period, tend to support this observation, though in the older centres there are exceptional chambers which have increased their membership.

Of the 33 chambers, 15 gained both in members and in affiliated associations, five lost in members but gained in affiliated associations (in the larger centres), seven gained in members but not in affiliated associations, one gained in associations but lost in members, four lost in members and had no affiliated associations, one lost in both members and associations.

In general, the chambers in important mofussil areas and middle-size cities, particularly in the reorganized states, made gains. The chambers in Calcutta, Bombay and Madras, while gaining in affiliated organizations, have remained stagnant in membership. This is reflected in the cases of the Indian Merchants' Chamber and the Bengal National Chamber which lost 556 and 216 members respectively, between 1951 and 1962. In the middle-size cities, among the chambers making great gains may be mentioned the Gujarat Vepari Mahamandal, the Madura-Ramnad Chamber, the Mysore Chamber, and the Mahratta Chamber, which recorded an increase in membership of 1,244, 764, 662 and 643 respectively, in the same

period. The formation of associations has also been activated in these areas. Associations may arise owing to the initiative of chambers as often as owing to monopolistic or common-activity intentions or both; chambers have shown interest in promoting such formations.

The pattern of the growth of membership, especially the contrast between the old and the new centres, suggests that it is difficult for the chambers to increase their membership after a point. Unless membership is made obligatory, no significant change in the percentage of total business covered by chambers is likely.

The comments made above are based on the data relating to 33 chambers of commerce. These 33 chambers of commerce cover almost all existing chambers with a substantial annual expenditure, say, above Rs. 50,000, and a few smaller chambers. The total number of chambers affiliated to the FICCI in 1961 was 44; they represented almost all of the larger chambers (with the exception of the British chambers) and some of the smaller ones. Some of the latter are often associations of wholesale and retail traders in small centres and would not deserve the title if a strict definition was adopted. If, however, the organizations that call themselves chambers of commerce in India, are to be counted, the best list is available in the second edition (1954-55) of the *Directory of World Chambers of Commerce and Trade Associations*, edited by C. M. Pandit.¹ It lists 123 chambers of commerce and about 1,075 associations in 226 Indian towns covered in the Directory. This coverage so far as India is concerned, is far more comprehensive than that of the International Chambers of Commerce Directory or the Indian Merchants' Chamber Directory. These figures may be compared with the total of 400 organizations, including seven chambers and 393 associations, counted as a result of the census of these organizations in West Bengal. This census suggests that while there is some difficulty in getting to know about the existence of associations, no serious difficulty need arise in making an exhaustive listing of the chambers of commerce. The Forward Market Commission's list of recognized associations helps to draw attention to a few minor bodies in small towns, which call themselves chambers of commerce. We may also compare the coverage of all the above-mentioned lists with the coverage of the 1951-52 Gokhale Institute enquiry which covered 25 chambers of commerce in the 10 largest industrial centres as measured by labour employed and 408 associations in the same centres.

The relatively poor coverage of the chambers of commerce as regards area (we have less than 50 significant chambers for over 250 districts) and the relative insignificance of the proportion of businessmen and factories covered are noteworthy. Some idea of the potential for expanding membership can be obtained by considering the information available in standard statistical sources. In the 1961 census, out of the total working force of 188,419,362 not less than 7,640,045 were in trade and commerce. It may

¹ Pandit, C. M., *Op. cit.*,

be roughly stated, on the basis of 1951 figures, as detailed reports for 1961 are not yet available, that only about one fifth of these are employees, the rest being self-employed. The number of those engaged in retail trade is particularly high, being 51 lakhs, out of which 22.5 lakhs were engaged in selling foodstuffs in 1951.² In 1961, India had about 50,000 registered factories, i.e., the factories employing 10 or more and using power, and all employing 20 or more even though they may not be using power. The total number of joint-stock companies at work during the year ended 31st March 1960 was 26,897. There is also a very large number of manufacturing households, but in the absence of artisan chambers of commerce of the German type, these households need not be considered. The total number of factories and of traders, however, is constituted, in the main, of small factories and of individuals with small incomes. Figures for trade classification of business-incomes assessed for the year ended 31st March 1961 can help some rough guess about potential expansion of chamber- and association-membership. In all 477,152 business-incomes were assessed in that year. The total membership of below 15,000 for all chambers of commerce listed in Table 1, and the fact that the number of association-members is still below 700 (691 in 1962) suggest that there is much room for expansion. The association-members of the chambers, probably represent, on generous estimates, hardly a fifth of the probable total number of associations. If added together the base membership of the FICCI member bodies would be around 35,000 (membership at two removes, such as 15,000 members of the 51 trade associations constituting the United Chamber of Trade Association which is a member of the FICCI is not counted. The large membership of the food-grain traders' organizations which are not members of the FICCI is a special aspect of the situation. The Federation of All-India Foodgrain Dealers' Association supplied us with a list of its affiliated associations which numbered as many as 345. The full figure for base membership was not made available to us but may be inferred from the following information. The Federation of Foodgrain Dealers' Associations, in one of its publications,³ points out that about 3,00,000 retailers are engaged in the trade (this seems smaller than the census figure, and probably covers an important segment of urban traders only). A report in *The Economic Times*⁴ stated that about half of these were organized in associations. This suggests a base membership of around 150,000 for the 345 associations. The Retail Grain Dealers' Federation of Bombay supplied us with membership figures of its seven component associations, which together amount to 8,214. Of these the Bombay Grain Dealers' Association alone accounted for 4,700. Scattered figures available for other centres also confirm the impression of considerable coverage. How-

² *Census of India, Vol. 1, India, Part 1-A Report, p. 103.*

³ *Federation of All-India Foodgrain Dealers' Associations, Bombay, Production and Distribution of Food-grains in India, Part II, Page 42, 1959.*

⁴ *The Economic Times, Bombay, April 14, 1964.*

ever, as in the case of goldsmiths, it is difficult to get reliable figures for the extent of organization in this section of business. Other sections of retail trade, for example, the cloth retailers we describe in Chapter Six, are much less organized. Broadly, it may be said that large business is fully covered and that coverage for smaller business is good but not complete in the older industrial centres. The subsidization of *mofussil* chambers, even if temporary, should seem to be the proper line for membership drives. The amount of resources and burdens that compulsory membership would yield can also be envisaged from these figures.

Geographical coverage of chambers of commerce

An examination of the statewide distribution in 1962 of the membership of 41 chambers of commerce in our basic table yields some interesting results. Four states, namely, Maharashtra, Madras, Gujarat and West Bengal, account for 13,951 out of a total of 17,356 members. Maharashtra alone, which has the highest membership, accounts for 5,292 members, that is, a little below one third of the total. Madras and Gujarat rank second and third respectively, with 3,071 and 2,871 members. West Bengal, which represents a more highly developed form of chamber-and-association movement, has only 2,141 members, thus ranking fourth. Out of a total of 690 affiliated associations, Maharashtra has 180, Gujarat 145, Madras 125, and West Bengal 114. With one exception, Chambers of Commerce in West Bengal are found in Calcutta. In Maharashtra, the chambers of commerce are located in Bombay, Poona and Nagpur. In Madras and Gujarat they are more widely dispersed and more chambers of commerce exist; however, Madras City has a group of chambers and Ahmedabad is the home of the dominant Gujarat Chamber of Commerce. The total membership in other states accounts for only a small fraction of the total.

The geographical coverage of chambers of commerce reveals both absence of coverage of districts, talukas, small towns and villages, and duplication in some cities and areas. Thus both the movements, one for extension of coverage and merger, and the other for constitutions that give balanced representation to various types of interests within an area are, broadly speaking, desirable lines of rationalization. As at present it is quite clear that the geographical area from which membership is drawn in the case of the chambers of commerce in India is largely a matter of historical circumstances rather than of neat division according to areas or their business importance. Thus membership may be spread over the whole country (though actually mainly confined to a particular community, size, class of business, etc.), over a state, a division, a few districts, a district, a taluka, a city and nearby centres, part of city, etc. The formal coverage of area and the area from which the bulk of the membership is drawn may also differ.

In the case of one state, viz., West Bengal (excluding Calcutta) it is possible to make slightly more detailed comments, as this is the only state for which a full census of the chambers and the associations was attempted. For Calcutta

and for chambers in other states our information is from answers to our questionnaire. Table 2 sums up the results of the West Bengal study (excluding Calcutta). There is only one chamber in 15 districts. There are 62 'general' trade associations, 24 'specific' trade associations and 14 'specific' industry associations. In 'specific' trade lines, those important for distribution (cloth) or production (jute and fish) figure prominently. 'Specific' industry associations are of rice mills, brick-fields, co-operative braziers, oil mills, etc. It seems clear that at least districts with a fairly

Table 2 : CENSUS OF CHAMBERS AND ASSOCIATIONS IN WEST BENGAL
(EXCLUDING CALCUTTA)

District	Total towns and business centres	Total organizations	Specific trade associations*	General trade associations	Specific industry associations	Chamber
Bankura		3	1 (cloth)	—	2	—
Birbhum		4	2 (cloth)	1	1	—
Burdwan		12	2 (cloth)	7	2	1
Coochbehar		3	—	3	—	—
Darjeeling		7	3 (2 cloth, 1 timber)	4	—	—
Hooghly		8	3 (1 potato, 1 chaka, 1 jute)	2	3	—
Howrah		5		2	3	
Jalpaiguri		3	1 (fish)	1	1	—
Malda		1		1		—
Midnapore		9	2 (cloth)	6	1	—
Murshidabad		14	7 (1 cloth, 2 retailers, 1 rice, 1 rickshaw, 1 bullion, 1 artdar)	7	—	—
Nadia		8	2 (1 cloth, 1 jute)	6	—	—
Purulia		2	1 (cloth importers)	1	—	—
24 Parganas		16	—	16	—	—
West Dinajpur		6	—	5	1	—
Total		101	24	62	14	1

* Information in brackets specifies trade to which those organizing associations belong.

Source : Compiled on the basis of information collected for the West Bengal Business Convention, May 1962. See their publication : *Chambers and Associations of Industries and Trade in West Bengal*.

large number of associations and trading centres should have chambers. Organizations exceed centres in four northernmost districts and, of course, Calcutta, otherwise centres exceed the number of organizations. This suggests lack of organization, or more probably, dependence on Calcutta (as shown by *mofussil* members of the Calcutta chambers).

In Calcutta, the Indian Chamber of Commerce has a membership that is countrywide, and also a section of membership that is confined to Calcutta and its environs. The Bengal Chamber, the Bengal National Chamber, and the Bharat Chamber, on the other hand, are confined to Bengal and Assam, mostly the Calcutta area.

The unsystematized situation in other states may be partly judged from the following information. In the case of the Upper India Chamber of Commerce, membership is drawn from all over India. Activities include practically all trades and industries, banking and insurance. The Jaipur Chamber of Commerce and Industry is a divisional chamber and covers the whole of the division, i.e. the whole of the former Jaipur State. The Gujarat Vepari Mahamandal⁵ has a membership that is mainly, but not wholly, confined to Gujarat State, but also touches the centres like Bombay, Madras, Calcutta, New Delhi, Madhya Bharat, Kanpur, Kolhapur, etc. The Bhuj Chamber's membership is drawn from Bhuj taluka. The Surat Chamber of Commerce covers the South Gujarat Region, i.e. Surat district, Dangs district, and Broach district. The Gandhidham (Kandla Port) Chamber draws its membership from Kutch, Gujarat, Rajasthan, the Punjab, Bombay and Pondicherry. The All-India Exporters' Chamber, with which are incorporated the All-India Exporters' Association and Africa and Overseas Exporters' Chamber, has a large percentage of its membership in Western India, but may be said to cover, not only Maharashtra, Gujarat, but Madhya Pradesh, Uttar Pradesh, Madras, Andhra, and West Bengal. The Indo-German Chamber represents the whole of India and Germany, but the members of the managing committee are drawn from Bombay city. There exist four regional committees. This indicates the dispersal of the membership. The Indian Merchants' Chamber has the bulk of its members and affiliated associations in Bombay, though Surat and a few other centres also contribute members. The Maharashtra Chamber of Bombay and the Mahratta Chamber of Poona, apart from local membership, have affiliated associations and members mainly in Western Maharashtra. The Sholapur Chamber serves that district and the surrounding areas. The Nag-Vidarbha Chamber draws its membership mainly from the Vidarbha Region although some members are from Jabalpur and Raipur in Madhya Pradesh. The Karnatak Chamber attempts to cover Mysore State and the adjoining Kannada-speaking areas. The Kanara Chamber draws its membership from various towns and villages in South Kanara district. The South India Chamber of Commerce has affiliated associations

⁵. ' For comments on the geographical coverage of chambers in Western India also see Chapter VII where possibility of rationalization in these matters is discussed.

and members not only in Madras proper but in the states of Madras, Andhra Pradesh, Mysore and Kerala. Similarly, the Madras Chamber of Commerce, though its most important members are in Madras, draws its membership from the whole of South India. The Cochin Chamber of Commerce has a membership that is mainly confined to the trade and commerce of the West Coast of India. The Indian Chamber of Commerce, Guntur, draws most of its membership from this *mofussil* district. The Madura-Ramnad Chamber of Commerce has members primarily from Madura and Ramnad districts, though a few are from other districts in Madras State. The Travancore Chamber of Commerce has members from Kerala State but some have head offices in Bombay. The membership of the Jamshedpur Chamber of Commerce is from Bihar.

Size-coverage of chambers of commerce

It is worth considering certain additional facts regarding size coverage, against the background of the facts we have presented regarding regional coverage. The four main British chambers—Bengal, Bombay, Madras and Upper India—certainly represent large managing agency houses only and have no small businessmen among their members. The Indian Chamber of Commerce, Calcutta, and the FICCI itself may also be said to be dominated by some among the 25 largest Indian managing-agency houses through the device of controlling multiple voting units, both firms and associations, or smaller chambers. Middle-size business, which falls above small and is close to the lower reaches of large in our definition, frequently exercises leadership in a number of *mofussil* chambers owing to their contacts and ability to incur miscellaneous expenditures that came in handy in a variety of ways such as elections, representation in capitals, functions, etc., etc.

Among the chambers in which small businessmen⁶ form a clear majority, we may mention the Jaipur Chamber of Commerce (217:100), the Chamber of Commerce, Gandhidham (Kandla, 112:40), the Sholapur Chamber of Commerce (37:6), the Nag-Vidarbha Chamber of Commerce (158:29), the Karnatak Chamber (375:41), the Kanara Chamber (385:45), the Indian Chamber of Commerce, Guntur (206:27), and the Travancore Chamber of Commerce (29:18). The United Chamber of Trade Associations, Delhi, is a body bringing together retailers and wholesalers, and is predominantly small scale. In at least some of the cases mentioned, there is no domination by the large businesses. The All-India Exporters' Chamber (210:140) also has a predominance of small businessmen. The Small-Scale Industries, Federation to which 60 associations are affiliated, and the All-India Manufacturers' Organization (AIMO), Indian Merchants' Chamber, the Southern India Chamber of Commerce, the Mahratta Chamber, and Gujarat Vepari Mahamandal, owing to their numerous membership, inevitably have many members in the small-business category

⁶. Having fixed assets below five lakhs. The ratios of small to big business among members have been supplied by chambers in their answers to our questionnaire.

(though they belong to both the affiliated associations and the membership proper). Giving greater voting-weight to associations which have a large membership, would be one way of giving greater weight to small business, better, perhaps, than the formation of small-scale-industry wings in chambers.

Composition of the executive committees of the chambers

We now turn to the issue how far the composition of the executive committees of the chambers reflects efforts to represent small and big businesses to represent specific regions and trades, and how they attempt to adjust the problems that arise as a result of the same organization's having both association members and individual members.

Among the chambers reporting special facilities for small business were the Indian Merchants' Chamber, the Mahratta Chamber, the Jaipur Chamber, the Jamshedpur Chamber, the Gujarat Vepari Mahamandal (Information Centre), the Kanara Chamber, and so on, but, on the whole, the tendency was [to have special bodies rather than sub-committees, as conflicts between such sub-committees and the parent body could conceivably arise in special circumstances.

In general, the tension between the large and small businesses exists but cannot be said to be strong; certain techniques of agitation (strikes)⁷ and certain arguments identifying the good of a particular class of enterprise with the general interest can be taken advantage of by small business only: within chambers, however, the emergence of small-scale wings has had results similar to having an additional affiliated association;

The size-composition of chambers has considerable influence on the character of elections. In the case of chambers which represent large managing agencies, elections do not play an important role.

We have noted some of the special arrangements made to give representation to different sizes, regions, trades, etc. One of the important devices for giving representation in a balanced way is that of appointing co-opted and ex-officio members to the executive. Quite often, however, this device is used either to retain control in the hands of a small group of persons or to give representation to affiliated associations which may in turn be under the strong influence of a few industrial houses. In quite a few cases, however, this device is used to secure more balanced representation. It must, however, be emphasized that the mere existence of a provision to co-opt members is not sufficient proof of balanced representation and that particularly when the ratio of co-opted to elected members is such that the co-opted members represent a very high proportion of total members, as happens, for example, in the case of a few leading chambers in Western India, the device does not appear to serve its purpose.

⁷. Among the interests that have threatened strikes on occasions are bus-fleet owners, restaurant owners, cycle-shop owners, grain traders, and vegetable sellers. The grain traders' agitation was by far the most important. The United Chamber also headed a hartal to protest against the sales-tax measure.

Table 3 gives the total number of executive members as against co-opted members, and it appears that the considerable variation does not represent a very satisfactory state of affairs. There are no exact standards about the number of members an executive committee member can effectively represent. The grouping together of ordinary members and affiliated associations in the same organizations also confuses the mechanism of representation. More systematic arrangements in this regard could be brought into being either through voluntary efforts of businessmen or through legislative action. Unless this systematization is attempted, business will continue to present a rather confused image in pressing various cases and measures.

The constitutions of certain chambers make explicit special provisions to give representation to different interests on their executive committees. Even where there are no explicit provisions, however, these considerations would come in while co-opting members on the executive. Of the chambers studied, five had special provisions to represent different industries and trades, two had special provisions to represent different regions, three had special provisions to represent different sizes of business, one had an explicit special provision to represent different communities, while seven had provision to give association-members representation on the executive.

Some of the provisions in these matters could be considered in more detail as the answers sent by a few chambers revealed interesting arrangements in this regard. The Jaipur Chamber of Commerce has an elaborate classification of fields and activities from which one, two or three members are drawn to make up a total of 27 elected members. The Gujarat Vepari Mahamandal states that it gives consideration to associations and different regions though no constitutional provision exists. The fact that 15 out of 40 members are co-opted makes this easy. The Surat Chamber of Commerce has a committee of 45 members of which 14 are representatives of affiliated associations. Special care is taken to give representation to different regions as can be seen from the following extract from the Chamber's answer to our questionnaire: "Every year after the election of the President and Vice-President, the members of the new managing committee will co-opt from amongst the Associate Members of each of the Talukas of the Districts of Surat, Broach and the Dangs, an adequate number of members on the following basis after ascertaining, in the manner deemed fit by the members of the New Managing Committee, the views of the Associate Members of each Taluka. One member will be co-opted for the first 33 or less members in each Taluka and for every subsequent 33 members one more member will be co-opted provided that in no case the number of such co-opted members will exceed four from any particular Taluka." The Nag-Vidarbha Chamber of Commerce has 24 elected and six co-opted members on its executive. The Chamber states: "...although there is no provision in the Constitution for separate representation for different trades, industries, regions or size of business or associations it is a convention that at the time of election proposals are made accordingly and also accepted. After the election, if it is

C Table 3 : STRENGTH AND COMPOSITION OF CHAMBER EXECUTIVE COMMITTEES IN 1962

Name of Chamber	Year of foundation	Executive members elected	Executive members co-opted and ex-officio	Total executive members	Total membership	
					Members	Affiliated associations
1. Bengal Chamber of Commerce	1834	—	—	11	400	—
2. Bombay Chamber of Commerce	1836	—	—	13	535	7
3. Madras Chamber of Commerce	1836	10	2	12	113	6 (5 chambers)
4. Cochin Chamber of Commerce	1856	6	—	6	41	—
5. Bengal National Chamber of Commerce, Calcutta	1887	24	12	36	284	36
6. Upper India Chamber of Commerce		7	5	12	149	—
7. Indian Chamber of Commerce, Cochin	1898	—	—	—	209	5
8. Bharat Chamber of Commerce, Calcutta 7	1900	25	6	31	719	20 (including 3 chambers)
9. Indian Merchants' Chamber, Bombay	1907	26	29	55	2,160	137
10. Southern India Chamber of Commerce, Madras 1	1909	32	7	39	889	32
11. Madura-Ramnad Chamber of Commerce, Madurai	1924	26	6	32	1,046	40
12. Indian Chamber of Commerce, Calcutta 1	1925	19	4	23	348	28
13. Maharashtra Chamber of Commerce, Bombay	1927	—	—	—	814	24
14. Andhra Chamber of Commerce, Madras	1928	32	3	35	787	36 (including 6 chambers)

Table 3—STRENGTH AND COMPOSITION OF CHAMBER EXECUTIVE COMMITTEES—(contd).

Name of Chamber	Year of foundation	Executive members		Total executive members	Total membership	
		members elected	members co-opted and ex-officio		Members	Affiliated associations
15. Travancore Chamber of Commerce	1928	9	—	9	45	2
16. Karnatak Chamber of Commerce, Hubli	1929	47	—	47	423	14
17. Mahratta Chamber of Commerce and Industries, Poona 2	1934	28	27	55	923 (636)	12
18. Kanara Chamber		17	—	17	430	4
19. Surat Chamber of Commerce, Surat	1941	37	8	45	765	23
20. Indian Chamber of Commerce, Guntur		21	4	25	244	11
21. Jaipur Chamber of Commerce and Industry, Jaipur	1943	27	8	35	320	3
22. United Chamber of Trade Associations, Delhi	1944	17	4	21	—	61
23. Nag-Vidarbha Chamber of Commerce		24	6	30	187	6
24. Janshedpur Chamber of Commerce		23	2	25	240	—
25. Gujarat Vepari Mahamandal, Ahmedabad 1	1949	27	8	35	1,877	122
26. Chamber of Commerce, Gandhidham, Kandla	1953	17	3	20	152	5
27. Indo-German Chamber	1956	11	—	14	607	—
28. Sholapur Chamber	1961	16	2	18	277	4

felt that representatives of any trade, industry, or association are not elected, their interests are represented by co-option. This convention has been well followed and every year the Executive is well represented." The Kanara Chamber of Commerce has a convention that a member from outside Mangalore is always elected to the executive which consists of 17 members. The Indian Chamber of Commerce, Guntur, to which 11 associations are affiliated, has no special provisions. It states: "It may be noted that Association representatives and other important gentlemen are taken as special invitees on the Committee, and they partake in the Executive meetings and give their advice, but they do not have any voting power to exercise." The Madura-Ramnad Chamber of Commerce has 26 co-opted members on its executive. It has 40 associations affiliated to it but they are treated as ordinary members in the matter of voting-rights, each member having one vote. The Chamber states: "Trade and Industry in this area are fully represented on the Committee, members being co-opted to represent traders not represented by the elected members of the Committee." This arrangement is very different from the Indian Merchants' Chamber or Southern India Chamber of Commerce, but no satisfactory arrangement combining associations and ordinary members has emerged.

The United Chamber of Trade Associations, which is unique in that it has a membership of trade associations only, has a managing committee of 21 members. Seventeen are elected by the general house in the annual general meeting, and the constitution provides, these must be drawn from 11 distributive fields, viz., the cloth trade having three representatives, four other trades two each, and the rest one each. Four members from trades, not included in these 11, are co-opted.

Finally, a few comments may be made here on one aspect of the image of chambers of commerce. It relates to the extent to which a chamber seems to represent the business of the region under its jurisdiction. The type of constitution and the type of functions stressed tend to determine this aspect of the chamber's image.

The general or complete image would be influenced by several factors. They would include matters such as the way memoranda were presented, the quality of representatives sent to advisory committees, the speakers invited to its functions, etc. The relative stress on services rendered to government and to members would also influence it. Ideological issues are, of course, an important factor. It is in this context of numerous dimensions contributing to the general image that the more limited aspects discussed here must be evaluated. There is, however, no doubt that the complete and fair representation of the business of a region, the importance of the area, and the functions performed by the chamber are the primary or the basic factors in the formation of a chamber's image. Then again, it makes a big difference whether a chamber concentrates on rendering services to a few important members, or concentrates on a more comprehensive set of services. A clear legal status helps in conferring prestige on chambers. In the absence of such a status, the restriction of the term

“chamber of commerce” to a body which meaningfully represents the business of an area is important. There should be no impression of a conflict of interests between those who run a chamber and are its office-bearers, and the general body of businessmen, both members and non-members. The structure of geographical coverage as well as size coverage, and the composition of the executive are, therefore, of basic importance.

CHAPTER THREE

The Finances of Chambers of Commerce

Analysis of Incomes

In 1961, the 45 chambers of commerce for which the company law administration had data, had an income of Rs. 91,11,456. The 35 chambers of commerce for which we have obtained detailed data had an annual income of Rs. 80,96,001. It is only for some of the smaller chambers that detailed financial statements were not obtained. The larger chambers are included in both lists. An analysis in aggregate terms of the income and expenditure of the 35 chambers of commerce is presented in Tables 3, 4 and 6 in Appendix II to this chapter.

The aggregate income of the 35 chambers of commerce under consideration can be broken up into 34.29 per cent received from members' subscriptions, 23.93 per cent from secretarial fees, 22.96 per cent from measurement and weighment certificates; the balance being recovery of expenditure and profit on a variety of miscellaneous profit-making services.

Members' subscriptions may be regarded as mutual income, and no specific expenditure has to be incurred by the chamber for this purpose. For the other activities, naturally, an expenditure would be necessary. In providing secretarial facilities to associations, for example, the objective may be to make a profit for the chamber to break even, or to subsidize, associations and increase the influence of the chamber, but in all cases a substantial expenditure would be necessary. Measurement and weighment also require a considerable establishment, but profits on this activity, unlike the issuance of certificates of origin, are high. Separate companies for weighment and measurement have been organized both in Bombay and Calcutta. The port towns tend to have an advantage in this matter. Of the 42 chambers authorized to issue certificates as on July 2, 1955, 29 were situated in port towns and 13 in the interior.

We now consider proportions of income received from different sources for different groups among the 35 chambers of commerce under consideration. We group together the seven British chambers of commerce in India as distinguished from the 28 Indian chambers of commerce. Similarly, we consider chambers providing secretarial facilities and the rest, chambers undertaking weighment and measurement and the rest, and finally, chambers having an annual income above Rs. 50,000, and the rest.

The British chambers of commerce in India, as a separate group, earned 26.88 per cent of their income from membership subscriptions, as against 46.60 per cent earned from the same source by the Indian chambers of commerce as a group. From secretarial fees, the British chambers gained

32.61 per cent of their total income, as against 11.44 per cent earned by the Indian chambers of commerce. If comparison is restricted to the Calcutta centre, the contrast in this item would not be marked, as providing secretarial facilities is also an important activity of the Indian chambers in this centre. The British chambers of commerce earned 23.96 per cent from weighment and measurement, etc., as against 22.17 per cent earned by the Indian chambers of commerce from the same source. The British chambers of commerce earned six per cent of their total income from labour advisory services, as against 1.32 per cent earned from the same source by the Indian chambers of commerce. In this item the contrast would hold for the Calcutta centre also. The British earnings from arbitration amounted to 3.64 per cent, as against 0.19 per cent of the Indian chambers. As regards rent, it accounted for 3.15 per cent of the income of the British chambers, and 4.6 per cent of the income of the Indian chambers. A more marked development of advisory services is one of the main characteristics of the British chambers of commerce. The relatively low burden on direct-membership subscriptions and the higher burden on affiliated associations, though the latter is not meant to make a profit, are to be noted. Individual British chambers such as the Madras, and the Upper India chambers of commerce, differ from the general British pattern. The Madras Chamber has chambers affiliated to it. While these affiliated chambers derive their income from sources typical of the British pattern, the Madras Chamber itself derives its income, almost entirely, from membership subscriptions. The U. P. Chamber also has a higher percentage of membership-subscription income. Among the Indian chambers, those in Calcutta approach the British pattern most closely. They are, however, interested in having affiliated associations as much for the sake of influence as for the development of advisory services.

If the 35 chambers of commerce are classified into those having weighment income and the rest, 11 chambers of commerce (five British and six Indian) appear to have benefited from this activity. These 11 chambers derived only 27.52 per cent of their total income from membership fees, as against 70.63 per cent derived from the same source by the 24 remaining chambers, which included 22 Indian and two British chambers.

Classifying the chambers of commerce into those providing secretarial facilities for affiliated associations and the rest, we found that nine chambers provided these facilities, and 26 did not. Of these nine cases, the three most significant ones in terms of income were in the Calcutta area. Of these nine chambers there were five that did not have weighment activity. These nine chambers drew 23.87 per cent from weighment, as against 21.32 per cent drawn by the 26 other chambers, and hence the income from this source cannot be regarded as being significantly different. On the other hand, the fact that these nine chambers got or took only 29.35 per cent of their income as membership fees, as against 51.46 per cent taken from the same source by the other 26 chambers, is significant. It suggests that having affiliated associations, despite protestations by chamber representa-

tives to the contrary, leads to important economies. How else could a better range of services be provided to members for a smaller percentage and even a smaller absolute contribution? However, patterns of rationalization other than common secretarial services also can achieve these results. Particularly when the affiliated associations are not those belonging to highly organized oligopolistic industries, there does not appear to be much advantage to be gained by providing common secretarial services. The Gujarat Chamber did not find this activity useful. The Bharat Chamber has hesitated to expand this facility. The United Chamber of Trade Associations, Delhi, which brings together small retailers' associations, has not found it necessary or profitable to undertake many activities. The advantage of having closely-affiliated associations for developing consultancy services is something that has to be demonstrated. Certain chambers, for example, the Bombay Chamber, provide them without having a very large income from associations.

If chambers of commerce are classified according to size, difficulties appear to be acute particularly below a size of Rs. 50,000 annual income. These small chambers are characterized by the absence of activities like weighment, and do not have the opportunity to spread overheads over many activities or over facilities for affiliated associations. To counter this, fixed investments have tended to become an important item for some of the smaller chambers. Rent, in particular, is a popular item with the smaller chambers. The importance of this item is also substantial for a few chambers that have higher income. For example, in 1961, the Andhra Chamber with an income of Rs. 71,054 had rent income of Rs. 11,895. In many cases, interest on fixed deposits and securities held is also sizeable though, in general, a minor item. Advertisements in journals are a good source for the larger chambers as also the sale of publications, various advisory services, etc. It may be noted that donations and contributions from important members appear to be more important as sources of finance in small and middle-size chambers.

The extent to which chamber incomes are concentrated in a few bodies may be judged against the background of the fact that in 1961 the 45 chambers of commerce for which the company law administration had data, had an income of Rs. 91,11,456. Of this income, the two largest chambers accounted for about one third, and the 10 largest chambers for about one half. These proportions would be higher if only the population of 35 chambers for which detailed data are available, is considered. On the other hand, this apparent concentration would appear less marked on account of the fact that the income of the largest chambers consists largely of income from secretarial fees, and income from weighment and measurement. The concentration is not so marked if membership subscriptions alone are considered.

Taxation problems, and possibilities of new sources of income

¹ The recent decision of the Supreme Court on the assessment of income-tax of the Andhra Chamber of Commerce has raised the possibility of a

vigorous attempt by the chambers of commerce to expand profit-making activities. Such expansion would not encounter opposition. On the other hand, attempts to improve finances through membership drives which would involve a considerable curbing of rivalries between chambers through some voluntary demarcation of jurisdictions, or an increase in services given, seem to be more difficult to organize. It should be possible, at least in some cases, for smaller chambers to follow the example of some of the larger chambers, in starting profit-earning activities. New activities that would meet regional overhead and planning-needs should be explored. As it is necessary for chambers of commerce to undertake more activities and to have more finances for the purpose, it becomes increasingly likely that public authorities would make grants for specific activities available. It is also possible that the exemption of chambers from taxes would win acceptance. This leaves the chambers free to decide on the most important lines of development.

At present, chambers of commerce are taxed so far as their mutual income is concerned like charitable and religious trusts. With the Supreme Court decision the other sources of income will also be similarly taxed. The Select Committee that had examined the question before the Supreme Court went into it, had been of the opinion that advancement of an object of general public utility which involves the carrying-on of any activity for profit, should not come within the ambit of a charitable purpose.¹ The Supreme Court, on the other hand, has stressed the analogy of chambers to other associations of professionals, and on these grounds, exempted the Andhra Chamber from income-tax.

While this position of the Supreme Court is acceptable for the reasons already stated above, it has an important limitation. Chambers of commerce, as already seen, are capable of a representative and a regulatory role or objective which cannot be described as a religious or a charitable one. It would have been more in line with modern, social and economic thinking if the Court had sharply distinguished chambers of commerce from both professional associations and trade associations. Trade associations may have a profit-seeking element arising out of monopoly activities and may also engage in activities directly enhancing the profits of their members rather than in just profit-making activity for the association. Thus, a chamber or association earning profits for itself and for its member bodies can be sharply distinguished. It is also necessary to bring out the strength of the case for making increased finances available through specific grants rather than through tax exemptions. It is analogous to

¹ M. C. Bhandari has given the following points in his discussion of legal definition of charity: In defining charity, courts have held that intention of donor is not proof of charitable purpose, that public and not private benefit must be involved, that charity need not be confined to the poor but cannot be to the exclusion of the poor, and that political purposes are not charitable purposes, etc. On the other hand, to quote a decision favourable to business in this category, it has been held that education as a charity need not be taken in the narrow sense of teaching only. See also Appendix II.

Section 15 of the Indian Trade Unions Act, which lays down that the registered funds for the trade union shall not be spent on objects other than those specified in the Section. Special funds for purposes like welfare or political funds are permitted under certain rules. In the case of a chamber, it can be reasonably held that the need for allowing a combination of mutual profit-seeking, subsidized activities, and subscriptions, should call for a special set of regulations.

The business community had reacted to the situation arising from the Select Committee's recommendations, in two main ways: Employers' associations dealing with labour matters in Eastern India as well as the Employers' Federation of India changed their constitution and became trade unions so that no taxes could be charged on the profits arising from their advisory services. The Andhra Chamber, on the other hand, went to the Supreme Court, and secured a favourable decision. As regards future development, it appears desirable for chambers to increase profit-making activities of a consultancy and educative character. They should also try to build up a case for the subsidization of definite activities as the undertaking of common activities with government is likely to appeal to many chambers of commerce.

The expenditure side

As can be seen from Table 6 in the Appendix to this chapter, on the expenditure side 61.81 per cent are spent on staff, 8.56 per cent on weighment departments, 3.11 per cent for printing, 2.23 per cent in taxes, and there are a number of miscellaneous items including subscriptions to other business bodies, generally accounting for under one per cent of total expenditure.

Classifying 35 chambers into British and Indian, we found that the most striking contrast between the seven British and 28 Indian chambers on the expenditure side was in salaries; this item accounts for 73.69 per cent of total expenditure in the British chambers and 44.18 per cent in the Indian chambers. This may be explained partly by higher salary-scales and partly by the maintenance of specialized staff for advisory services. Activities such as weighment and providing facilities for affiliated associations of importance also tend to swell the salary bill and push up salaries. Chambers having secretarial facilities for associations spent 67.70 per cent on salaries, as against 32.98 per cent spent on the same item by the rest. Though accounting-peculiarities in individual chambers prevent showing a clear-cut correlation between the large size of a chamber and the proportion spent on salaries, it can be taken that larger chambers spend a higher proportion on salaries. As the size of the chambers increases, more systematic standards for the staff come to prevail. Provident fund and similar facilities are provided by most of the larger organizations and by a few of the smaller organizations. The subscription to other chambers and associations appears to be a burden for the size-classes from Rs. 10,000 to Rs. 30,000, as the annual fee of Rs. 1,000 charged by the FICCI can become a significant item. The smallest size-class cannot afford to become

a member of the FICCI at all. Printing is rather a heavy item of expenditure of almost all the chambers and always substantially exceeds the expenditure on libraries and seminars. If more planning-functions are to be undertaken, a change in the pattern of expenditure in these matters is inevitable. The annual reports could be rationalized and made useful documents. Activities like the information centre run by the Gujarat Vepari Mahamandal as well as the activities of the Bengal Businessmen's Convention show an attempt to finance a different type of activity. None of the chambers has yet attempted to participate in integrated planning at the regional level. Government machinery itself is in a state of evolution in this matter, but chambers should be able to pioneer as satisfactorily as any other agency can. Incidentally, when the requirements of development are kept in view, the expenses on travelling seem rather low and those on refreshments rather high.

Co-ordination of activities and pooling of resources

So far, the activities of most of the chambers have not been extensive enough to require co-operation among the chambers, on a permanent basis. The organization of activities on a more effective scale, depends on finance and can be facilitated if certain functions are specialized in by particular chambers of commerce. A scheme in which certain minimum functions are laid down for different sizes of chambers of commerce, and in which definitely identified chambers rendered certain services to the rest on payment, would help to conserve resources. Particularly in activities like export-promotion, research, training-programmes, etc., it may prove to be essential.

There would be other services of a representational character and of an essentially local significance which could not be handled for all.

The availability of funds at the national and local levels is also significant in this context. In 1961, the income of the six central bodies representing business at the all-India level, which we have described in Chapter VI, was about one seventh of the income of the 45 chambers.

It is clear that without a substantial increase in the income of the central bodies, they cannot come to the assistance of the local bodies or state-level bodies on a scale significant enough to alter the character of these organizations. Several supplementary measures, however, could help in this matter, though only in a small way. The merger of chambers in the large centres to form larger chambers, or co-operation among them in schemes to help small chambers could be useful. Probably, the avoidance of overlaps with other organizations, governmental and non-official, would increase possibilities of obtaining subsidies to carry out certain functions.

Effective services would be more possible for smaller chambers of commerce if statewise schemes to make materials available to them are devised, and this in turn would put the chambers in a position in which they could ask members to pay more. A favourable effect on finances is also likely if competition for membership among chambers is restrained through a scheme of geographical demarcation.

APPENDIX I

Table 1: ANALYSIS OF AGGREGATE INCOME AND EXPENDITURE OF SELECTED CLASSIFICATIONS OF CHAMBERS OF COMMERCE

Grouping of Chambers	Income				Expenditure		
	By membership subscription	For secretarial fees	Measurement and weightage	Other sources of income	Salaries, etc.	Rest	
A {	7 British chambers	26.88	32.61	23.96	16.55	73.69	22.31
	28 Indian chambers	46.60	11.44	22.17	19.79	44.18	63.72
B {	11 Chambers having weightage facilities	27.52	27.49	27.76	17.23	70.74	29.16
	24 Chambers not having weightage facilities	71.63	7.48	—	20.89	34.40	75.60
C {	9 Chambers having Secretarial facilities	29.35	31.92	23.87	15.36	67.70	32.30
	26 Chambers not having Secretarial facilities	51.46	—	21.32	27.22	32.98	67.2

Table 2 : SOURCES OF INCOME OF CHAMBERS OF COMMERCE
APPENDIX I—(Contd).

Name	By mem- bership subscrip- tion	For secr- etary fees	Measure- ment and weight and other certificates	Certif- icates of origin and surveys	Adver- tise- ments in journals	Sale of publi- cations	Labour advisory services	Income- tax advisory services	Contri- butions of chamber represen- tatives
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Bengal Chamber of Commerce	8,02,333	15,26,866	6,08,667	53,222	—	—	2,89,846	—	—
2. Indian Chamber of Commerce, Calcutta	3,58,850	2,64,750	4,06,462	3,902	—	—	—	—	—
3. Bombay Chamber of Commerce	3,39,615	44,050	4,07,495	—	3,943	—	—	—	—
4. Indian Merchants' Chamber	2,30,850	—	91,205	19,404	19,870	514	—	—	1,761
5. Southern India Chamber of Commerce	65,260	—	14,606	11,202	23,110	630	—	—	—
6. Bengal National Chamber of Commerce	1,42,250	64,810	—	—	—	5,336	7,207	—	19,268
7. Indian Chamber of Commerce, Cochin	12,620	—	1,80,083	—	—	2,516	—	—	—
8. Punjab-Delhi Chamber of Commerce	87,900	—	—	4,640	—	—	34,500	—	—
9. Indo-German Chamber of Commerce	1,56,673	—	—	—	—	—	—	—	—
10. Cochin Chamber of Commerce	8,200	—	1,00,178	6,143	—	410	—	—	—
11. Gujarat Vepari Mahamandal	95,000	—	—	—	12,562	727	—	—	—
12. Mahratta Chamber of Commerce and Industries, Poona	62,745	22,060	—	—	—	—	—	—	—
13. Madras Chamber of Commerce	83,725	—	—	3,720	—	—	—	—	—
14. Andhra Chamber of Commerce	44,785	—	—	1,436	—	7,786	—	—	—
15. Bihar Chamber of Commerce	54,975	—	—	—	—	—	—	—	—
16. Upper India Chamber of Commerce	52,750	600	—	1,430	—	—	—	—	—

17.	Travancore Chamber of Commerce	8,946	3,500	25,172	6,444	—	—	—	—	—	—	—	—
18.	Oriental Chamber of Commerce	16,100	—	—	7,550	—	—	—	—	—	—	—	—
19.	Jaipur Chamber of Commerce and Industry	8,225	—	—	—	—	—	—	—	—	—	—	—
20.	Madura-Rannad Chamber of Commerce	20,578	—	—	—	1,155	—	—	—	—	—	—	—
21.	Surat Chamber of Commerce	24,480	—	—	—	—	—	—	—	—	—	—	2,000
22.	Kanara Chamber of Commerce	7,779	—	2,830	1,948	—	—	—	—	—	—	—	—
23.	Nag-Vidarbia Chamber of Commerce	6,715	—	—	—	—	—	—	—	—	—	—	1,000
24.	Western U.P. Chamber of Commerce, Meerut	10,005	7,815	—	400	—	—	—	—	—	—	—	—
25.	Madhya Pradesh Chamber of Commerce	10,372	—	—	—	—	—	—	—	—	—	—	—
26.	Central Gujarat Chamber of Commerce	12,401	—	—	—	—	—	—	—	—	—	—	—
27.	Calicut Chamber of Commerce	2,467	—	15,745	4,979	—	—	—	—	—	—	—	—
28.	Indian Chamber of Commerce, Guntur	2,454	—	—	—	—	—	—	—	—	—	—	—
29.	Orissa Chamber of Commerce & Industry, Cuttack	8,500	—	—	—	—	—	—	—	—	—	—	—
30.	Indian Chamber of Commerce, Tuticorin	3,772	—	4,418	1,777	—	—	—	—	—	—	—	—
31.	Indian Chamber of Commerce, Coimbatore	9,825	—	—	625	—	—	—	—	—	—	—	—
32.	Sholapur Chamber of Commerce	7,175	—	—	—	—	—	—	—	—	—	—	—
33.	Chamber of Commerce, Gandhidham (Kandla)	2,982	1,416	—	—	—	—	—	—	—	—	—	—
34.	Bhuj Chamber of Commerce (Kutch)	3,952	—	—	—	—	—	—	—	—	—	—	—
35.	Belgaum Vyapari Sangh	2,948	—	—	—	—	—	—	—	—	—	—	—
	Total	27,68,207	19,35,867	18,56,861	1,27,822	60,640	22,289	3,31,553	24,029	—	—	—	—
	Percentage	34.23	23.94	22.96	1.58	0.75	0.28	4.10	0.30	—	—	—	—

APPENDIX I—(Contd.)
 Table 2 : SOURCES OF INCOME OF CHAMBERS OF COMMERCE (Contd.)

Name	Contri- butions of chamber executive members	By- admis- sion fees	For arbitra- tion	Rent	Plus balance	Invest- ments and interest	Dona- tions	Exami- nations	Total income
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1. Bengal Chamber of Commerce	—	—	1,74,730	1,49,720	—	9,107	—	—	36,37,970
2. Indian Chamber of Commerce, Calcutta	—	8,500	6,036	—	56,911	238	—	—	11,29,192
3. Bombay Chamber of Commerce	—	—	—	—	33,570	23,508	—	—	8,27,575
4. Indian Merchants' Chamber	—	—	—	—	18,923	—	—	14,675	4,17,240
5. Southern India Chamber of Commerce	—	4,700	—	1,04,606	9,182	5,976	—	—	2,54,334
6. Bengal National Chamber of Commerce	—	5,450	—	—	—	1,290	—	—	2,49,299
7. Indian Chamber of Commerce, Cochin	—	2,110	—	181	38,713	7,707	—	—	2,10,031
8. Punjab-Delhi Chamber of Commerce	—	5,500	—	—	—	—	—	—	1,77,916
9. Indo-German Chamber of Commerce	—	—	—	—	—	—	—	—	1,56,673
10. Cochin Chamber of Commerce	—	1,500	—	—	5,948	6,966	—	—	1,23,828
11. Gujrat Vepari Mahamandal	—	—	—	—	4,772	15,296	—	—	1,05,200
12. Maharashtra Chamber of Commerce and Industries, Poona	26,500	—	—	—	—	91	—	—	1,02,250
13. Madras Chamber of Commerce	—	1,300	846	—	—	8,978	—	—	99,196
14. Andhra Chamber of Commerce	—	2,175	—	11,895	6,886	122	—	—	71,054
15. Bihar Chamber of Commerce	—	2,900	—	—	—	—	—	—	70,372
16. Upper India Chamber of Commerce	—	—	130	2,277	9,915	—	—	—	67,458

APPENDIX I—(Contd.)

Table 3 : MEMBERSHIP SUBSCRIPTION AS PER CENT OF TOTAL INCOME

<i>Name</i>	<i>By membership subscription</i>	<i>Per cent</i>
1. Bengal Chamber of Commerce	8,02,333	22.05
2. Indian Chamber of Commerce, Calcutta	3,58,850	31.78
3. Bombay Chamber of Commerce	3,39,615	41.04
4. Indian Merchants' chamber	2,30,850	55.33
5. Southern India Chamber of Commerce	65,260	25.66
6. Bengal National Chamber of Commerce	1,42,250	57.06
7. Indian Chamber of Commerce, Cochin	12,620	6.01
8. Punjab-Delhi Chamber of Commerce	87,900	49.41
9. Indo-German Chamber of Commerce	1,56,673	100.00
10. Cochin Chamber of Commerce	8,200	6.62
11. Gujarat Vepari Mahamandal	95,000	9.03
12. Mahratta Chamber of Commerce and Industries, Poona	62,745	6.14
13. Madras Chamber of Commerce	83,725	84.04
14. Andhra Chamber of Commerce	44,785	63.02
15. Bihar Chamber of Commerce	54,975	78.12
16. Upper India Chamber of Commerce	52,750	78.19
17. Travancore Chamber of Commerce	8,946	15.94
18. Oriental Chamber of Commerce	16,100	40.16
19. Jaipur Chamber of Commerce and Industry	8,225	28.69
20. Madura-Ramnad Chamber of Commerce	20,578	73.97
21. Surat Chamber of Commerce	24,480	88.62
22. Kanara Chamber of Commerce	7,779	30.83
23. Nag-Vidarbha Chamber of Commerce	6,715	31.00
24. Western U. P. Chamber of Commerce, Meerut	10,005	48.29
25. Madhya Pradesh Chamber of Commerce	10,372	51.46
26. Central Gujarat Chamber of Commerce	12,401	63.21
27. Calicut Chamber of Commerce	2,467	13.87
28. Indian Chamber of Commerce, Guntur	2,454	14.03
29. Orissa Chamber of Commerce & Industry, Cuttack	8,500	50.42
30. Indian Chamber of Commerce, Tuticorin	3,772	27.85
31. Indian Chamber of Commerce, Coimbatore	9,825	86.46
32. Sholapur Chamber of Commerce	7,175	99.89
33. Chamber of Commerce, Gandhidham (Kandla)	2,982	42.47
34. Bhuj Chamber of Commerce, Kutch	2,948	85.15
35. Belgaum Vyapari Sangh	2,948	85.15
Total	27,68,207	34.23

APPENDIX I—(Contd.)

Table 4: AGGREGATE INCOME FROM EACH HEAD FOR 35 CHAMBERS OF COMMERCE

	<i>Head</i>	<i>Total</i>	<i>Per cent</i>
1.	By membership subscription	27,68,207	34·23
2.	For secretarial fees	19,35,867	23·94
3.	Measurement and weighthment (and other certificates)	18,56,861	22·96
4.	Certificates of origin and surveys	1,27,822	1·58
5.	Advertisements in journals	60,640	0·75
6.	Sale of publications	22,289	0·28
7.	Labour advisory services	3,31,553	4·10
8.	Income-tax advisory services	—	—
9.	Contributions of chamber representatives	24,029	0·30
10.	Contributions of chamber executives	36,815	0·46
11.	By admission fees	40,008	0·50
12.	For arbitration	1,81,742	2·25
13.	Rent	2,97,022	3·67
14.	Plus balance	1,92,838	2·39
15.	Investments and interest	84,924	1·05
16.	Donations	9,230	0·11
17.	Examinations	14,675	0·18
	Total income	79,84,522	98·75

APPENDIX I—(Contd.)

Table 5 : SALARIES, ETC., AS PERCENTAGE OF TOTAL EXPENDITURE

<i>Name</i>	<i>Amount</i>	<i>Percentage</i>
1. Bengal Chamber of Commerce	27,14,341	74·61
2. Indian Chamber of Commerce, Calcutta	8,38,634	74·27
3. Bombay Chamber of Commerce	6,34,875	76·72
4. Indian Merchants' Chamber of Commerce	1,56,140	37·42
5. Southern India Chamber of Commerce	74,620	29·34
6. Bengal National Chamber of Commerce	20,923	8·39
7. Indian Chamber of Commerce, Cochin	12,896	6·14
8. Punjab-Delhi Chamber of Commerce	80,529	45·26
9. Indo-German Chamber of Commerce	—	—
10. Cochin Chamber of Commerce	81,415	65·75
11. Gujarat Vepari Mahamandal	39,922	37·95
12. Mahratta Chamber of Commerce & Industries, Poona	42,120	41·19
13. Madras Chamber of Commerce	68,600	69·16
14. Andhra Chamber of Commerce	21,054	29·63
15. Bihar Chamber of Commerce	28,863	41·01
16. Upper India Chamber of Commerce	38,831	57·56
17. Travancore Chamber of Commerce	13,965	24·88
18. Oriental Chamber of Commerce	25,906	64·61
19. Jaipur Chamber of Commerce and Industry	6,108	21·31
20. Madura-Ramnad Chamber of Commerce	8,420	30·27
21. Surat Chamber of Commerce	13,125	47·51
22. Kanara Chamber of Commerce	7,025	27·85
23. Nag-Vidarbha Chamber of Commerce	13,841	63·91
24. Western U.P. Chamber of Commerce, Meerut	7,485	36·12
25. Madhya Pradesh Chamber of Commerce	7,687	38·14
26. Central Gujarat Chamber of Commerce	5,354	27·29
27. Calicut Chamber of Commerce	7,070	39·74
28. Indian Chamber of Commerce, Guntur	4,184	23·92
29. Orissa Chamber of Commerce and Industry, Cuttack	7,575	44·94
30. Indian Chamber of Commerce, Tuticorin	3,854	28·46
31. Indian Chamber of Commerce, Coimbatore	6,890	60·64
32. Sholapur Chamber of Commerce	1,205	16·78
33. Chamber of Commerce, Gandhidham (Kandla)	2,433	34·65
34. Bhuj Chamber of Commerce, Kutch	280	7·01
35. Belgaum Vyapari Sangh	1,507	43·53
Total	49,97,677	61·81

APPENDIX I—(Contd.)

Table 6: AGGREGATE EXPENDITURE ON EACH HEAD FOR 35 CHAMBERS OF COMMERCE

	<i>Head</i>	<i>Total</i>	<i>Per cent</i>
1.	Weightment expenses where separately available	6,92,044	8.56
2.	Examinations	—	—
3.	Taxes	1,80,334	2.23
4.	Interest paid out	23,038	0.28
5.	Minus balance (Excess of expenses)	31,947	0.40
6.	Salaries, wages, bonus and contribution to provident fund and superannuation fund ;	49,97,677	61.81
7.	Subscriptions to other associations and chambers	66,486	0.82
8.	Labour department	21,104	0.26
9.	Printing	2,51,452	3.11
10.	Library	31,708	0.39
11.	Seminars	8,135	0.10
12.	Refreshments	43,754	0.54
13.	Travelling	24,012	0.30
14.	Expenses on security services where available	—	—

APPENDIX II

ON THE PROBLEM OF THE TAXATION OF THE INCOME OF CHAMBER OF COMMERCE

While discussing the finances of chambers of commerce we have referred to the taxation problems and possibilities of new sources of income of these bodies. We had made a mention therein of the decision of the Supreme Court in the case regarding income-tax assessment of the Andhra Chamber of Commerce. The Supreme Court in this case had opined as follows : “...an object beneficial to a section of the public is an object of general public utility. To serve a charitable purpose, it is not necessary that the object should be to benefit the whole of mankind or even all persons living in a particular country or a province.” Therefore, the Supreme Court held that the objectives of the Andhra Chamber of Commerce served a charitable purpose and therefore its income was not taxable.

This was an important judgement from the point of all the chambers of commerce since not only their ‘mutual income’ but also their income from other sources was not to be taxed. This gave wide scope to the chambers to raise their income and hence we had concluded in Chapter Three that the decision had raised the possibility that chambers of commerce would attempt to expand profit-making activities vigorously. But after this decision there have been some developments in this field and the purpose of this appendix is to mention them in brief and offer our comments.

(a) The Income-Tax Act was amended in 1961. The definition of ‘Charitable Purpose’ prior to 1961 and thereafter as per the Income-Tax Act is not the same. The definition of ‘Charitable Purpose’ under the amended Act “includes relief of poor, education, medical relief and the advancement of any other object of general public utility, *not involving the carrying on of any activity for profit.*” These italicized words were not in the definition under the Income-Tax Act prior to 1961.

(b) The question is whether the corresponding provisions in the Income-Tax Act 1961 had made a material difference so that the surplus derived by the chambers of commerce from the special activities for which specific fees were charged would attract the tax. This came up for discussion before the Income-Tax Appellate Tribunal ‘A’ Bench Calcutta. The question arose in the case of Indian Chamber of Commerce, Calcutta, against the Income-Tax Officer, ‘L’ Ward, Calcutta, (I.T.A. No. 7501 of 1965-66 dated 20-4-1966.) The contention of the Chamber in this case was that the income derived from arbitration fees, fees for certificate of origin, and income from the activities of weighment and measures at Calcutta Port were parts of an incidental income and it was not the main object of the Chamber. The Tribunal upheld this view and concluded : “...any surplus derived from the ancillary activities of the Chamber, activities in order to promote its principal object i.e. to render assistance to the trading and commercial community would not involve carrying on of any activity for profit so as to disentitle it from the exemption of tax under Section II.”

(c) Apart from this decision, there are two other important decisions. One is in the case of Bengal National Chamber of Commerce and Industry, Calcutta, and the other is in the case of Madhya Pradesh Chamber of Commerce and Industry, Gwalior. In the case of Bengal National Chamber of Commerce and Industry v. The Income-Tax Officer 'L' Ward, Calcutta, which came up before the Income-Tax Appellate Tribunal, 'A' Bench, Calcutta (I.T.A. Nos. 8681 and 8682 of 1963-64, I.T.A. No. 940 of 1964-65, dated 6-4-1965), the Chamber accepted the taxability of the income earned by rendering specific services such as secretarial service rendered to associations and labour advisory service to members. It also accepted the taxability of interest receipts and miscellaneous receipts. The only dispute involved in these appeals was about the taxability of voluntary contributions made to the Chamber by its members on the Executive Committee, members who were sent as representatives on public bodies and others. Since these donations were intended to cover up the deficit in the Chamber's Budget, and since there was a 'mutuality', the receipts in question were not treated as a taxable income by the Tribunal.

In the case of Madhya Pradesh Chamber of Commerce and Industry, Gwalior, v. The Income-Tax Officer 'A' Ward, Gwalior, which came up before the Income-Tax Appellate Tribunal, Delhi Bench 'A', New Delhi (I.T.A. Nos. 625, 626 and 627 of 1961-62 dated 29th April 1966), the contention of the Chamber was that the income from property and dividends was exempt under Sec. 4(3) (i) of the Income-Tax Act. The Tribunal agreed that "the income of the Chamber was from the property and dividends and neither the assets of the Chamber nor its receipts were to be utilised for the purposes of giving dividends or bonus or any other benefits to its members past or present." Accordingly, the Tribunal held that the income from property and dividends was exempt from taxation.

Though these decisions have been in favour of chambers of commerce, under the present Income-Tax law, we feel that the chambers do not and cannot escape income taxation. In this context there are two questions which need to be answered : (1) Should the income of the Chamber be exempted as *income derived from property* held under Trust for wholly Charitable purposes ? (2) Is the income derived by the Chamber from specific services performed for its members an income "derived from property held under Trust wholly for charitable purposes ?"

Section 28 (iii) regards income derived from specific services performed for its members as business income. (Section 28 iii Says : "The following income shall be chargeable to income-tax under the head Profits and gains of business or profession ... iii. income derived by a trade, professional or similar association from specific services performed for its members.") Section 2 (24) (v) specifically includes this type of income in the definition of "income" under the Act. Such income would, therefore, remain a chargeable income unless there is a specific exemption granted in this respect by the Act.

Can income from specific services rendered for its members be regarded as income derived from property held in Trust for charitable purposes ? It is true that "property" has a wide connotation and would include a business also. But the Chambers do not carry on a business of performing specific services. Rather, as we have seen in the case of Indian Chamber of Commerce, it is the contention of the Chamber that the income from such services is an *incidental* income. Even if it is argued that the income is derived from a business it is doubtful whether it can be held that such business is property settled on trust to the Chamber. Considering all these aspects, we feel that the income from specific services performed for its members cannot escape taxation. The income derived from non-members for specific services was always taxable.

The stand of the Government is also clear on this point of taxation of chambers of commerce. It has never accepted the contention that a chamber of commerce is an institution which should qualify for exemption from tax. Item 14 of the minutes of the Taxation Advisory Committee meeting held on 16th October 1962, reads : "the suggestion for amending the law for exempting Chambers of Commerce could not be accepted...." Even if, therefore, the Supreme Court holds that the Chambers do qualify for exemption, the Government may amend the law to take away such exemption.

There is, however, a strong case for Government doing something to put the finances of the chambers of commerce on a sound footing. This can be done, for example, by entrusting them with new and profitable responsibilities such as keeping a register of members and making registration obligatory. Such a move, like tax exemption, would add to the general resources of chambers of commerce. It is necessary to have either a measure for strengthening the general resources of chambers of commerce or to arrange grants-in-aid for specific approved purposes.

In the meantime, the chambers have to rely on measures like increasing fees and membership, undertaking more profitable activities, etc. They can also explore the possibility of organizing some of their activities, like weighing, in separate companies, while other activities, like research, are organized as trusts. This simplifies the taxation problem. It, however, tends to replace what should be one organization by a cluster of organizations, and does not fully solve the problem of finance.

It is therefore necessary for the Government to consider the case of relieving the financial problems of the chambers of commerce, and to treat them as a type of organization distinct from trade associations.

CHAPTER FOUR

Services Given and Functions Performed by Chambers of Commerce

A CHAMBER OF COMMERCE has certain similarities to a firm, a political party, an applied economic research institution, a court of law, a regulatory authority, a teaching organization, a relief organization, and so on, due to its wide range of functions. However, it is the differences from these other types of organizations, even when similar functions are performed, that must be underlined. Unlike a firm, profit-making is not the main objective of a chamber. Unlike a political party, a chamber does not attempt to develop a grass-root political campaign and may even try to be aloof from basic political ideologies. Unlike an applied economic research institution, it tries to build up a case for specific interests rather than taking a neutral approach. It hasn't the sanction and force of a court of law. Its potentialities for regulation are limited by the fact that it is primarily a representative body. Its significance in teaching and training is more in co-ordinating facilities and interpreting the requirements of business and developments rather than in having a tradition of knowledge. It is different from a relief organization in so far as its operations have to be casual in a sphere in which no definite responsibility lies with it.

Before we proceed to discuss individual functions, it is useful to note a few broad points regarding to whom, why, and how services are rendered by chambers of commerce. The following variations are typical : A chamber may emphasize serving member-associations or member-firms. It may emphasize city members or *mofussil* members.¹ It may confine itself to dealing with matters of general interest to all members, or may serve the requirements of individual members as and when they arise. The emphasis tends to be influenced by the power structure and the conventions existing in a particular chamber. Further, a chamber of commerce may serve government by helping in policy formulation or by putting through government-schemes and -policies. A chamber of commerce may serve its geographical region through promotional activity; or serve specific sub-sections of society, or the nation as a whole, through various activities, such as assisting in reha-

¹ For example the Mahratta Chamber incurred an expenditure of Rs. 155 per member in 1964. Membership subscription for *mofussil* members was only Rs. 50, and hence Rs. 105 per month can be one estimate of a 'subsidy' to *mofussil* members. It may also be noted that bigger companies pay up to Rs. 500 and executive committee members Rs. 300 per member, thus contributing in slightly higher proportion to the 'subsidy'. It can, of course, be argued that city members, particularly those making larger contributions, derive more benefit from chamber facilities.

bilitation. Behind the standard list of functions, which we indicated while discussing the definition of chambers of commerce in Chapter One, lie the resources and the spirit of the particular institution. It is the latter that gives the real picture. A chamber of commerce may render services either because fees are received and a profit made or for other reasons. Some services, for example, may be organized on mutual basis and may result in breaking even. Others may be offered even at a loss because it is felt politic to do so.

Representative functions

The representation of members and the provision of a forum to bring them together on a systematic basis is, perhaps, the main function, at present, of chambers of commerce. Its effectiveness depends on how wide the membership base is in the given region, how well the composition of the executive reflects the composition of the membership, and on the representations drafted and presented in legislatures and advisory committees. Representation is supported by effective research, by the appointment of effective personnel to represent chambers on advisory committees, and by effective contacts with the legislature.

Research to support representation

One group of services rendered by chambers of commerce is thus of a representative character and involves preparation of memoranda and economic intelligence and research through the compilation of statistics, publishing journals, annual reports and research studies, and maintaining a library. In this aspect of work, the chambers of commerce combine the representative function with functions analogous to those performed by an applied economic research institution or department. Appropriate technical action by the secretariat, which usually involves drafting a memorandum, is given weight by the fact that the executive body which approves it represents identifiable business-interests. Government officials are often inadequately informed; there are many instances of their depending quite largely on certain parts of the memoranda supplied by chambers. This is not to deny that better standards in preparing memoranda would greatly increase the influence of chambers.

It should be emphasized that chambers both make available and interpret information. A chamber of commerce is as much a clearing-house of information as a forum to express views. The preparation of memoranda is after all an effective focussing of information that is important for policy. Many of the other functions of a chamber, e. g., collecting and publishing statistics, publishing annual reports, publishing a journal and other material, and economic research, also involve dealing with information or economic intelligence. The maintenance of a library may also be looked at from the same point of view. If these functions connected with information are considered together, they help one to visualize how a chamber of commerce presents certain parallels with an applied economic research institution.

A few comments may be offered here on the present standard in these matters. Libraries are generally poor; they concentrate more on journals than on reference material essential to bring out regional peculiarities. They are seldom used even by the secretariat, and the total amount spent on them in 1961 by the 35 chambers of commerce was Rs. 31,708. The FICCI library and those of a few chambers are adequate, otherwise this activity is merely formal. The journals published by certain chambers like the Indian Merchants' Chamber, Mahratta Chamber, Maharashtra Chamber, and others, are allotted small resources. They do not reach the standards set by journals like *The Economic Weekly*, *The Economic Times*, or *The Financial Express* and also do not give intelligence concerning the region. Some journals and special bulletins do give legislative and other information pertaining to import-export, traffic control, and labour. They are solely of interest to members. Even from this point of view there is room for improvement. Often they contain matter of all-India interest rather than just local interest; to this extent one journal can do the job equally well. A further doubt arises because some of the general journals conducted by chambers contain an amount of propaganda that states the business view-point for an audience, namely businessmen, who are more in need of information of the opposite point of view or of practical significance. The annual reports, the printing of which represents a burden to smaller chambers, can be easily rationalized and much smaller reports printed. On the other hand, many valuable memoranda are not printed at all. An annual all-India collection of these memoranda, and a publication based on them, can reflect the economic situation. The FICCI, the Employers' Federation, the AIMO, and some others, issue questionnaires to their member bodies when they want to build up a case on particular issues. In general, however, the response they are able to obtain and the details into which individual chambers are capable of going, place severe limitations on this form of "economic intelligence", "research", or "gallop poll". The primary unit—the chamber—often does not know the details about its members, even their size, and cannot collect information from them effectively, except when the members are anxious to build a case. The lead has to come from local businessmen, if information is to be collected; this happens only when there is a crisis or an immediate policy-objective. The views of dominant members often get reflected, except in cases of chambers having a competent secretariat. Specialization makes the chambers of commerce in the large centres, e. g., Calcutta, somewhat more effective in this matter. The Bombay Chamber is the only case where statistics are collected for government by the chamber. In general, there is little activity and no uniformity in the matter of collection of regional statistics by the chambers of commerce². The information centre of the Gujarat Vepari Mahamandal and

² Incidentally, chambers in other countries, e.g., the U.S.A., also do not have a very high reputation in these matters. The encyclopaedia of social sciences article on chambers of commerce, for example, comments on this aspect.

the efforts made to serve members by the larger chambers may be mentioned but need to be carried much further. Industrywise associations also have rather varied standards in these respects, but their information is often of a more detailed nature than that available to chambers.

Lobbying

The evaluation of 'lobbying' carried on by various chambers is our next task.

As compared with Germany and France, and even England, the representation of special interests in India is very undeveloped, and the tradition that the party is the main intermediary between the citizen and government, i. e., a single-column approach to democratic practice, is strong. Further, it is some of the large managing-agency houses rather than the chambers and associations that have concerned themselves with political parties and candidates for elections. Chambers therefore mainly operate at the minister level, the elected M. P. level and at the secretariat level. Some, especially the AIMO and some other regional chambers, operate at the level of the press, while leading individual businessmen connected with the FICCI have been increasingly discussing increased political action and creating an 'image' for business (the suggestions discussed have been very varied, including influencing through parliament, setting up 'peoples' capitalism committees' etc., one proposal even suggested the distribution of funds to non-communist candidates). Broadly, however, it may be said that Indian business is at present politically weak and does not have the mechanism to control any party in detail. Certain large managing-agency houses are directly connected with the financing of political parties, but, certainly, they are not the only pressure-group operating in the parties which are typically multi-class in composition. The bureaucracy and the army represent substantially independent government power. In general terms one can say that class power is not comprehensively or systematically articulated, and, in important segments, is merely a pervasive and fluid sense of cohesion. There are many centres and levels of power rather than a hierarchical organization with formal lines of authority ending in an apex occupied by the large interest-groups.

Almost all the chambers of commerce answering the questionnaire kept in touch with the M. P.s and the M. L. A.s, and the answers of 22 small and medium chambers, have been taken out for special comment. All of these 22 claimed that they kept in touch with the elected representatives from their own area, and about half of them claimed that they kept in touch with the representatives in other areas also, that is in the state capital and Delhi. Only five chambers of commerce sent memoranda to the M. L. A.s and the press. The Surat Chamber has addressed as many as 80; the Howrah Manufacturers' Associations, 50; while the Madura-Ramnad Chamber of Commerce, the Travancore Chamber of Commerce, the Federation of Small-Scale Industries, Baroda, had sent three memoranda each on specific bills. In general, the tendency was to leave lobbying to the FICCI

and use the regional contacts to get regional benefits or to support particular industries and houses. The chambers were very active in state-reorganization politics. The Surat Chamber, the Karnatak Chamber, the Indian Merchants' Chamber, the Mahratta Chamber and the Maharashtra Chamber, and a few more, may be mentioned in this connection. The chambers of commerce in a State like Bengal did not have to face this problem. The Karnatak Chamber of Commerce makes the following comments: "This Chamber was perhaps one of the pioneer organisations in the movement for the formation of a separate state of Kannada speaking people. Scores of delegations were led. The Chamber has also patronized the efforts made by similar bodies by financial assistance on a generous scale by the office bearers of this chamber." The Travancore Chamber of Commerce states that its only connection with politics was members' contribution to Congress Election Funds in 1952 and 1958. Individual members of the executives of various chambers and individual secretariats have also tried to use their influence in these elections.

The larger chambers in Calcutta and Bombay have M. P.s among their members and operate more like the FICCI and in co-ordination with it rather than like the smaller chambers.

Among associations of single industries also, we find a tendency to keep in touch with a few M. P.s who specialize in the particular industry, and to participate on an informal basis in election finance.

Representation through members acting on advisory committees

Finally, the chambers of commerce participate actively in policy-making through representatives on a variety of advisory bodies influential in the regulation of business and in the development of regional infrastructures.

Promotional activities

The chambers of commerce perform a variety of promotional activities. These activities may cover matters as far flung as actively assisting in setting up other institutions such as colleges, commodity exchanges, informal employment exchanges, and even stock exchanges, in particular regions. Their activities also include guidance to new entrepreneurs and solving individual problems of established entrepreneurs, in matters connected with government policy, labour, taxation, etc. The undertaking of training is also an important activity coming under this head. As at present, it is, in fact, more highly developed than activities involving the setting-up of institutions having importance for economic life. We therefore go into detail in the matter of educational and training activities conducted by chambers of commerce.

Education and training

In the field of education, the activities of the chambers are quite noteworthy.

The Indian Merchants' Chamber, for example, holds diploma and certificate examinations in more than 20 centres distributed all over India; there are at present more than 60 recognized institutes affiliated to the Chamber, which coach and send up candidates for the examinations. Diplomas are for five specialized groups of studies, viz., Business Organization and Management, Banking, Company Secretariat, Accountancy and Income-tax, and Insurance; for each diploma, candidates have to take five papers pertaining to that group. Certificate examinations are for awards of certificates of proficiency in individual subjects such as shorthand-and-type-writing, and other individual subjects of commercial importance. Smaller chambers of commerce, such as the Travancore Chamber of Commerce, are centres for holding the Indian Merchants' Chamber commercial examinations.

The establishment of colleges of commerce has often been assisted by chambers of commerce. The Indian Merchants' Chamber was associated with creating a faculty of commerce in the University of Bombay, and in getting the Sydenham College of Commerce and Economics started. Similarly, the Mahratta Chamber was connected with the foundation of the B. M. College of Commerce, Poona; and the Karnatak Chamber states that the College of Commerce, Hubli, was started primarily by the efforts of the Chamber which raised a fund of over a lakh of rupees. In general, however, commerce syllabi have not distinguished themselves sharply from arts ones and lack even such emphasis on theoretical rigour as the latter partly achieve. Both commerce and arts, in practice, if not in theory, combine a practical bias with general intellectual training, and the commerce colleges have not been able to record any clear-cut achievement. This has led to a new interest and emphasis on management classes and the productivity movement. The Surat Chamber of Commerce, for example, is organizing management classes for the benefit of even non-members. In general, it is the management associations and the productivity councils that are undertaking such activities in the larger centres. They have not yet amounted to adequate training for different varieties of managers, and while the scope for innovation in this field is very large in India, achievements have been small. The combination of private-management skills and public-economic-planning skills at various managerial levels appears to be the need of the hour.

The Rao Committee which examined problems of commerce education, makes two specific suggestions involving chambers of commerce, on page 43 of its report.³ The first suggestion is that it would be useful if teachers of commerce are associated, whenever possible, with local branches of organizations like productivity councils, management associations, institutes of personnel management, and other bodies where businessmen get together to discuss their problems and improve their efficiency.

³ Report of the Special Committee for Commerce Education, July 1961, All-India Council for Technical Education, Ministry of Scientific Research and Cultural Affairs, Chairman V. K. R. V. Rao.

This is naturally a matter in which chambers of commerce have a certain responsibility. The suggestion has not been implemented on a systematic basis though informal attempts in this direction have been made in some centres. If chambers of commerce interested themselves more in problems of all sections of society in their regions, and in the planning-processes, they would be more likely to have the type of approach envisaged by the Rao Committee.

The other suggestion of the Rao Committee is the starting of commerce workshops in commerce colleges to make students familiar with the appliances, forms, documents and procedures that are used in industry and trade. This, too, is a field in which chambers of commerce can organize co-operation between personnel drawn from different businesses and commerce colleges.

Regulatory activities

It need hardly be emphasized that the regulatory activities of chambers of commerce are necessarily very limited in scope. They have so far included schemes like voluntary price-control, fair trade-practices, arbitration, etc., while there have been proposals for further action along regulatory lines.

Voluntary price-control

The efforts at voluntary price-control made by chambers of commerce during the recent emergency serve as an illustration. This action consisted mainly in calling meetings of affiliated associations and helping to co-ordinate their decisions. Earlier war-time experience in the U. S. A. and Japan had shown that this type of action does not succeed in the absence of sanctions, and the experiment need not have been repeated here. It is, of course, possible, in spite of rising costs and differentials in rates of profits, to make such a scheme work in the very short run of at best a few months, but the danger lies in the fact that it is generally used as an argument to avoid State intervention even when long-run action is necessary. The incentive to break rules is strong in a voluntary price-regulation scheme, and once some members start breaking rules others follow.

Fair trade-practices

The discussion of a model code of fair practices also indicates the awareness of the FICCI of social pressures requiring that chambers and associations regulate the firm. The code of fair practices includes matters such as accuracy of information regarding quality, publicity of prices, and avoidance of hoarding. It appears that trade associations can do more than what chambers of commerce can do in this particular field. However, it may facilitate matters if chambers help associations in organizing the maintenance of such standards and try to get certain minimum levels of procedure accepted in all fields.

Arbitration

The chambers of commerce almost universally undertake to arbitrate among their members. The number of cases referred to chambers by mem-

bers is naturally very small. It is only where the membership belongs to a particular field, or where the promotional aspect of arbitration becomes important, that this activity is significant. The Merchant Committee⁴ noted that 21 chambers and associations are at present operating in this field. It is possible that if chambers and associations elaborate their activities in the direction of promoting fair business-practices, these activities may have to become more widespread. The difficulty is in finding arbitrators with sufficient standing and sufficient disinterestedness to command the respect of the disputants. In fact, the work has a certain analogy with a court of law and involves problems of the independence of the chamber's secretary and arbitration committee *vis-a-vis* chamber members.

The Merchant Committee has recommended the formation of a central organization to be named "Indian Council of Arbitration" and registered under the Societies Registration Act, 1860, to strengthen the work of the existing organization. This recommendation has been implemented.

The magnitude of arbitration activity at present, may be judged from figures cited by the Merchant Committee. About 400 complaints of the aggregate value of about Rs. 50,00,000, are received annually from foreign parties. The Committee also estimates that there are about 40,000 exporters and importers participating in the foreign trade of India and that over one lakh individual consignments are handled by them every month. These figures relate to a year when India exported goods worth about Rs. 750 crores. The importance and the size of this activity, therefore, are likely to increase. Internal arbitration also is likely to increase in importance if codes of fair trade-practices are evolved for different fields of activity. With the appointment of the Monopolies Commission, increased attention to these matters appears likely.

Contradiction between representation and regulation

Another aspect of regulatory problems has been handled by the Santhanam Committee⁵ which had certain specific suggestions to offer on the role of chambers and associations in licensing and allocation of scarce goods. They suggested that ministries in consultation with trade organizations could work out principles of recognition, protection of the small trader, prevention of arbitrariness, etc., in this matter. In effect they suggested that membership of a recognized trade-organization should be a condition for obtaining a licence, quota, etc. It is, however, clear that the working-out of such procedures would involve the acceptance of clear-cut regulatory procedures and could not conceivably be organized by private groups on their own initiative. A committee on corruption, naturally, could not go into the problems of the scope and functions of the authorities undertaking regulation of industry.

⁴ Report of the Committee on Commercial Arbitration, 1964, pp. 41 and 3, Govt. of India, Ministry of Commerce, Chairman, B. T. Merchant

⁵ Report of the Committee on Prevention of Corruption, 1964, pp. 42-43 para 6.4, Govt. of India, Ministry of Home Affairs, Chairman, K. Santhanam.

Though the suggestion was indirect, the sensitivity of Indian business to the political environment resulted in the allied questions of compulsory membership and the organization of chambers for the purpose of administering quotas and licences, being discussed. The Committee of the FICCI, however, did not support reorganization.

Special contingencies and activities

Turning to another type of function, we find that chambers of commerce often act to relieve contingencies such as floods or famines. Unless the donation is quite small, the collection for the purpose is made from members. In general, collections from members are more common than outright donations from chamber funds. This, of course, is the usual way of operation of a wide variety of Indian public institutions. Among the chambers undertaking flood relief were all the chambers in Bombay, Calcutta and Madras, as well as the Surat Chamber, the Mahratta Chamber, the Jamshedpur Chamber, the Upper India Chamber, the Jaipur Chamber, the Gujarat Vepari Mahamandal, the Chamber of Commerce, Guntur, the Karnatak Chamber, the Kanara Chamber, the Madura-Ramnad Chamber, the Travancore Chamber, etc. Of the 35 bodies for which there is detailed information, only eight had not undertaken this activity. Three chambers reported that they had undertaken famine-relief work also.

One of the less commonly undertaken functions was the organization of the Eye Relief Camp by the Indian Chamber of Commerce, Guntur, in 1957. Contributions were raised towards putting up an X-ray installation in the Allepey District Hospital. The Chambers in the larger cities also have assisted hospitals.

A separate type of function that may be mentioned here is that the Jaipur Chamber of Commerce celebrated, on a very wide scale, the Territorial Army Day on 15th November 1958, with a view to providing means and measures for achieving close contact between the army and the people.

Concepts of total activity

Finally, it is necessary to have in mind some concepts about the whole set of functions—representative, promotional, regulatory, and miscellaneous—that each type of chamber of commerce should perform. One can make use of the sub-types we have identified in the Indian chambers of commerce. Lists of functions for urban and *mofussil* chambers, for chambers providing secretarial facilities and those not doing so, and for chambers of different income-ranges can be thought of. It is against this background that rationalization and proper development of functions should be planned. Separate schemes of rationalization would be necessary for each state, owing to differences in the number and character of the chambers of commerce, and of the basic membership. For each function performed by chambers of commerce, it would be necessary to consider which aspect can be handled by all chambers, and in which particular chambers can specialize. The chambers of commerce are connected, naturally, by

the logic of their membership composition, with regional development. Hence they have to be as much concerned with organizing co-operation among various sections of society as with the protection of particular interests. An ideal list of functions for a chamber of commerce certainly includes representation, but hardly includes bargaining with other interests such as, for example, labour. The chambers of commerce may co-ordinate information at a regional level on labour matters, but, unlike trade associations, do not go in for collective bargaining. Hence the possibility of a smoother relation with planning-authorities than is possible in the case of trade associations. A new image of chambers of commerce can be evolved based on the acceptance of an idea of a more detailed participation in the planning-process.

The functions of chambers of commerce can be classified into those that are unique to chambers of commerce and those that can be equally well done either by chambers or other organizations. In the case of the latter, practical considerations of getting things started according to priority rather than principle, will determine the desirable range of functions for a particular type of organization.

The rationalization of old functions and evolution of new ones would be promoted if the need for a more detailed participation in the planning-process is accepted. In this context the rationalization of certain old functions (research, memoranda, statistics, annual reports), the handing-over of others to government (relief of standard contingencies) or to specialized institutions (managerial training), and the undertaking of new functions (e. g., participation in district planning and promotional work for public and private enterprise and new regulatory functions) have to be considered. Possibilities would be far greater if all chambers, or at least all chambers in every state, move together and the rationalization of functions goes with a rationalization of membership and finances. The need for standardization and specialization, too, would be met if a proper State-initiated scheme for compulsory membership and compulsory rationalization of functions is adopted. The alternative lines of development open to chambers of commerce, in these matters, have been discussed in Chapter Eight.

In the present chapter we have emphasized the proposals of expert committees on specific functions, such as, for example, the proposals of the Committee on Commercial Arbitration. The organization of matters like arbitration, or foreign-trade promotion, or research, has, in each case, a logic of its own. This logic, however, has to take into account the existing sub-types of chambers and of other institutions as a basic background-fact against which the new proposals must be viewed in order to get a complete picture.

APPENDIX I

After independence, the chambers of commerce are no longer represented in legislatures. There is also no elaborate mechanism for functional representation such as a social or economic council as found in some European countries. As a result, chambers touch both the legislative and the planning machinery indirectly. The following table is taken from the *Handbook of Commercial Information 1937*, published by the Ministry of Commerce. The Handbook in commenting on the situation under the 1935 Act, states:—

The Bengal and Bombay Chambers of Commerce have the privilege of electing a representative each to the Council of State and 6 (including those of affiliated associations) and 2 representatives respectively to the respective legislative councils.

Table 1 : BUSINESS REPRESENTATION IN LEGISLATIVE COUNCILS

<i>Name of constituency</i>	<i>No. of seats</i>
<i>Madras</i>	
Madras Chamber of Commerce	2
Madras Trades Association	1
Southern India Chamber of Commerce	1
Nuttu Kottai Nagarthers Association	1
Madras Planters Association	1
<i>Bombay</i>	
Bombay Chamber of Commerce	2
Karachi Chamber of Commerce	1
Bombay Trades Association	1
Ahmedabad Millowners' Association	1
Indian Merchants' Chamber and Bureau	1
Bombay Millowners' Association	1
<i>Bengal</i>	
Bengal Chamber of Commerce	2
Indian Jute Mills Association	2
Indian Tea Association	1
Indian Mining Association	1
Calcutta Trades Association	1
Bengal National Chamber of Commerce	2
Bengal Marwari Association	1
Bengal Mahajan Sabha	1
<i>P.</i>	
Upper India Chamber of Commerce	1
U. P. Chamber of Commerce	1
<i>Punjab</i>	
Punjab Chamber of Commerce and Trades Association	1
Punjab Industries	1

APPENDIX I—(Contd.)

Table 1 : BUSINESS REPRESENTATION IN LEGISLATIVE COUNCILS— (Contd.)

<i>Name of constituency</i>	<i>No. of seats</i>
<i>Bihar and Orissa</i>	
Bihar Planters	1
Indian Mining Association	1
Indian Mining Federation	1
<i>Central Provinces</i>	
Central Provinces and Berar Mining Association	1
Central Provinces and Berar Commerce and Industries	1
<i>Assam</i>	
Assam Valley Planting	3
Surma Valley Planting	2
Commerce and Industry	1

“The Madras Indian Commerce and the Indian Merchants Chamber elect a representative each. The Bombay and Ahmedabad Associations elect one by rotation, the same is the case with the Bengal National Chamber, the Marwari Association (Bengal) and the Bengal Mahajan Sabha.”

It is interesting to note that the classified list of resolutions submitted for the FICCI's 1965 session by member bodies, includes two from the Bihar Industries' Association and the Bihar Chamber of Commerce pleading for representation of business in the Upper Houses of the state and at the Central level. A resolution sent by the Delhi Factory Owners' Federation pleads for representation on local bodies.

APPENDIX II

Functional councils

In Europe there has been much thinking, reflected in literature, and some experimentation, with social and economic councils which are composed of representatives of different sub-sections of capital and labour. These 'parliaments of industry' have been thought of either as second chambers or mere advisory bodies with varying degrees of initiative. Bismark and some other early advocates of functional representation even thought of them as a possible alternative to the party system—one of the many proposed substitutes for political parties. From the contemporary viewpoint, the link of these bodies with planning is of greater interest. Contemporary Functional Councils may be regarded as partial substitutes for bureaucratic planning-bodies and potential national level collective bargaining institutions. It has been even held that in so far as politically neutral planning is to be attempted, such bodies are ideally suited to the task. It is in these directions rather than as parts of the legislature, that functional councils can be useful. These bodies help to emphasize and demarcate important areas of agreement between interests. They can

APPENDIX II—(Contd.)

They could facilitate the construction of a state having many organs neutral between classes and interests.

The economic council of the Fourth French Republic and the Economic and Social Council of the Fifth Republic, cannot be described as integral parts of the respective French legislatures. Both were more like standing advisory conferences of experts and interested parties; they must be consulted in certain matters, may be consulted in others, but their consent is not necessary and their advice could usually be ignored with impunity. They were, nevertheless, very suggestive experiments in the direction of linking up the planning-process and functional representation. Observers have noted that the legislatures of the Fourth and the Fifth Republic paid little attention to the councils which found it difficult to develop a common viewpoint and unanimity. Nevertheless, the councils did assist the legislative process. They debated the French plans and all bills on economic and social matters with the exception of the budget. They made reports twice a year on national income and on means of increasing production, consumption or exports. They had the function of examining and arbitrating in an economic or social conflict at the request of the parties concerned. They are playing a role in evolving an income policy. In this matter, however, they were clearly of less use to planning than the Scandinavian national level collective bargaining.

CHAPTER FIVE.

Constitutions and Organization of Chambers of Commerce

IN THIS CHAPTER we complete the presentation of basic facts relating to the chambers of commerce in India. As we have to deal with chambers of commerce of the voluntary-membership type, and as no definite constitution has been prescribed by law, it is useful to combine a discussion of the formal constitutions of chambers with certain matters relating to the organization of the chambers of commerce. We have already described one important aspect of the constitutions, namely, the degree to which the executive committees of the chambers reflect the composition of the membership of the chambers.

Character and working of chamber constitutions

Anyone looking through a collection of the constitutions of chambers finds them rather simple documents that usually prescribe rules of eligibility for membership, fees to be paid, voting-rights, procedures for meetings—annual, general, and of executive committees—and for accounts, etc. There is also some mention of the powers of the office-bearers like president, executive committee members, secretary, etc., but, usually, it is not very detailed. Provisions regarding the annual general meeting of all members or of the general body, the executive committee meetings and powers, and the powers of office-bearers exhaust the contents of a typical constitution. There are, of course, important variations in the degree to which the executive committee reflects the composition of members. Co-opted members of an executive, multiple membership of chambers by units in a business house, and sliding scale for contribution, etc., naturally make a difference. But in general the powers of the executive are so limited that at present a very considerable degree of apathy prevails in insisting on model rules in these matters. The financial dependence on large business to meet extra expenses and the heterogeneous composition of membership give an important voice to large firms.

It is usual for many office-bearers connected with chambers of commerce to argue that under present conditions it is wrong to emphasize, beyond a point, the necessity for the democratic functioning of chambers of commerce. This type of argument stresses the relevance of the analogy of joint-stock companies in which greater investment or share-holding leads to greater voting-power. The analogy of political bodies in which the financial strength of the member and the size of his subscription are not related explicitly, tends to be rejected as an impracticable principle in the

case of chambers of commerce. It is argued that the emphasis has to be on getting business heard, and on providing certain facilities and services, and not on protecting members against each other. In the case of the joint-stock company, for example, it is clear that the stress is on the organization of production, and not on achieving a shareholders' democracy. While it is necessary to concede that there is some force in this line of argument, it does not justify complete ignoring of democratic functioning. It is felt at present that lack of attention to these problems has created a situation in which government and the public cannot judge the real weight behind the representations of chambers. It becomes difficult to argue a case for increased assistance and autonomy to chambers, unless one is sure of their equitable functioning between different classes of present and potential members. Businessmen themselves often complain that chambers are dominated by small cliques. It is therefore important to attempt a proper delimitation of the jurisdictions of chambers or business constituencies, to define whether a majority should consist of firms, assets, or labour employed, and to lay down rules about how an executive should be made up, etc. Similarly, at a general level, there is a clear case for laying down generally applicable procedures for the selection of chamber representatives for advisory committees, etc. An independent status for secretaries would contribute to the establishment of democratic conventions in chambers of commerce.

In order to judge the present situation we present below certain facts relating to these matters.

Elections to chamber executive committees

The chambers of commerce representing purely Indian business tend on the whole to be content to leave leadership in the hands of certain groups.¹ The following figures of voting in electing chamber executive committees are suggestive. Of the 20 chambers of commerce for which we secured information about their elections, we found that no election took place in 10 chambers of commerce. In three chambers of commerce, above 75 per cent of the members voted; in two chambers of commerce, above 50 per cent of the members voted; in one chamber of commerce, less than 50 per cent; and in four chambers of commerce, less than 25 per cent of the members voted.

¹ It is interesting to compare Indian data with the data of the countries where membership of chambers is compulsory.

The small interest taken in voting by the average businessman in France is noteworthy. According to articles in *La Figaro* of February 25 and March 1, 1955, about 20 to 30 per cent voted. Ehrmann, however, remarks, "Only a small minority, until recently less than 7 per cent of the businessmen qualified to vote, ever cast a ballot, and those who voted belonged mostly to the wealthiest or at least to the most firmly established businesses, with a clear predominance of the patrimonial employers since no salaried executive has the right to vote." Ehrmann, Henry W., *Organized Business in France*, Princeton University Press, Princeton, New Jersey, 1957. pp. 168-172.

In the British chambers of commerce, so far as the Bengal Chamber and the Bombay chamber of commerce are concerned, we find there have been no contests for election. In the case of the Bombay Chamber, for example, the executive committee of the Chamber is a self-perpetuating body composed of the senior executives of firms. The President is elected, but so far there has been no contest. The sub-committees are appointed or nominated by the executive committee. There is thus a strong element of management specialists in the Chamber.

Chamber representatives on advisory committees

The appointment of the representatives of the chambers on advisory committees raises questions as to whether they should be elected by the general body or nominated by the executives, and whether they should be executive members or ordinary members and members of the staff with a relatively independent position. Except in the case of a few large chambers, like the Indian Merchants' Chamber, which provide for the election of representatives for certain positions by the general body, nomination by the executive is the general rule. As regards the people most often nominated, out of the 30 chambers answering on this subject, half did not allow their executives to represent them on advisory committees. Below a certain minimum size it may be desirable for honorary office-holders to supercede professional personnel at present. However, this seems to happen more often than necessary, and ways to overcome this can, no doubt, be found if the effort is made. As regards the choice between ordinary members and members of the executive, the latter were nominated to these positions as a usual rule, ordinary members coming in only for special reasons. Further information about the possibility of Government's using these appointments on advisory bodies as an instrument for encouragement of systematic representation has been given elsewhere in this report.

Power of executive committee members

As already noted, a few chambers charge a minor fee to those who become members of the executive. Perhaps this does not make much organizational difference. It is also usual, in many chambers, for the president and the members of the executive to subsidise entertainments up to a definitely agreed annual amount; this amount, however, does not appear in the accounts. This gives additional power to the members of the executive, and they become indispensable to the organization.

The key role of chamber secretaries in the organization

We have pointed out at one stage that a chamber of commerce has certain similarities to a firm, a political party, an applied economic research institution, a court of law, a regulatory authority, a teaching organization, a relief organization, etc. Naturally, the secretary of a body performing such varied functions plays a role that is important for public life and deserves examination. Further, given a proper constitution, the secretary can do

much to uphold democratic traditions. It is of importance to study the present position, qualifications and status of secretaries so as to judge what improvements can be made and how much one can rely on secretaries for various purposes.

As at present, there are in office, secretaries who have rather wide variety in their background, experience and training. In the 30 chambers and central organizations for which data for 1961 are available, three secretaries were persons who once held important government posts (e. g., Employers' Federation, Bombay, and Madras Chamber have persons who held posts in the central services, and Jaipur Chamber, a senior government servant); two persons came from the academic line (Indian Merchants' Chamber, Bharat Chamber of Commerce); more than half consisted of people who have spent their whole careers in chambers of commerce, rising from the assistant secretary's post; a few were persons who have had some independent standing in public life; and lastly, four were businessmen acting on an honorary basis. The academic or university qualifications of most of the incumbents were good. Almost all had a graduate degree, except three, one of whom had done his intermediate, another his matriculation, while there was one non-matric. Of the graduates, six had a law degree, while four were double graduates. The heterogeneous composition of secretaries makes it quite necessary to think in terms of an hierarchy of status within the secretarial profession, and suggests that a wide variety of training-opportunities should be thrown open in order to eliminate the weakness of some. It also suggests that no definite specialization is needed for the job. The secretary's power depends not on his special knowledge of any one field, nor on legal authority, but on his position in the communication web, and in his being able to impose, or at least negotiate, the acceptance of certain norms by particular sections as he is a communicating agent between different sections and sub-sections of society. His is a managerial job. One way of looking at it would be to stress that it is management in the public interest, as much as promoting a special interest. The secretary should be the custodian of the image and of the constitution of the chamber.

In considering the emoluments of secretaries, the following observations may be made. The larger chambers of commerce are on par with academic and research lines, some types of government service or independent legal practice, and can even attract people away from them, because they tend to give slightly higher salaries for equivalent qualifications. The chambers of commerce cannot compete, however, with the salaries offered to executives by large business-houses. A small shift of personnel from chambers to firms was noticed in the cases examined. While jobs in colleges and research institutions are looked upon as spring-boards for a variety of fields, jobs in larger chambers are looked upon as jumping-off-boards for business-executive posts. The flow between lines is thus from government and academic jobs to jobs in large chambers and thence to business-executive posts. This is hardly surprising since there has also been some

shift of personnel from the public to the private sector also. The secretaries of larger associations tend to draw larger salaries than those given to chamber secretaries. Very large chambers, particularly the European chambers, are an exception.

The variations in the salaries of secretaries are great indeed, from purely honorary posts and posts carrying a clerk's salary on the one hand to posts carrying remuneration capable of attracting senior government personnel on the other. The British chambers and the Indian Employers' Federation and the FICCI pay salaries higher than the ceiling in government service; many large Indian chambers, such as the Indian Chamber, Calcutta, the Indian Merchants' Chamber, the Southern India Chamber of Commerce, the Gujarat Vepari Mahamandal, etc., tend to have a starting-salary similar to Class I government service but stop at less than the Class I ceiling. The smaller chambers tend to have a salary structure with a start corresponding to Class II government service but with a slightly lower ceiling. There were four cases, all of chambers with an annual income below Rs. 50,000, which had no agreed scales for the posts of secretaries; they were occupied by people getting a fixed salary. The variations in the salaries of smaller chambers appeared particularly arbitrary, though there is unjustified difference among other sizes also.

Four types of grades can be visualized by grouping scales together on the following criteria. There are, first, the honorary posts. Next, there are the posts carrying emoluments comparable to Class II government service. Third, there are the posts comparable with Class I government service. Fourth, the posts comparable with business-executives' salaries. The total number of the posts of secretaries is small. In India, owing to historical reasons, the government classifications have been a frame of reference influencing the evolution of the scales of private business, research, educational, and professional bodies. It is not surprising, therefore, that this basic structure is also reflected in the chambers of commerce. Any move to rationalize salaries will have to be based on this basic market fact. Banks and journalists, who have adopted scales based on the size of the concern, have had the government yardstick in the background. The problem can be looked at as one of fitting chambers of commerce into size-classes capable of paying the different salary grades. In all cases where the post is not honorary, a Class II scale appears to be the minimum that can be reasonably paid to a secretary. Assistant secretaries' scales have to be similar, the main difference between secretaries and assistant secretaries being the number and types of activities for which they are made responsible. The variations in conditions of service and emoluments of secretaries and assistant secretaries in the chambers of roughly the same income-class are undesirable, and ways and means to eliminate them, should be considered.

The larger chambers have a specialized staff for each of the functions performed. In any proposed reorganization, it would be useful to attempt standardization of scale and status for this personnel also. In particular, providing opportunities for professional staff other than secretaries to

meet and consult similar staff in other chambers would help. The stage has also been reached for chambers to take vigorous part in the development of the profession of consultants for industrial projects. With increasing attention needed to the social aspects of enterprises and the continuing need for a cost-conscious outlook, the chambers should try to enter this field systematically and build staff and contacts for the purpose. In the smaller chambers it would not be possible to have specialists, but a general course covering various aspects for secretaries could be thought of. The Forward Markets Commission has standardized the qualifications and terms of service of the secretaries of the associations it regulates. The FICCI has interested itself in the problem of training secretaries and has also offered limited facilities for training abroad. An association of secretaries has also come into existence. A forward step in this matter may now be said to be overdue. It should be emphasized that the general question of the status, security of service, and powers of professional staff is linked with the whole concept of a proper role for chambers of commerce and cannot be regarded as merely an aspect of personnel policy.

APPENDIX

The Bihar Chamber of Commerce has published, on page 95 of its annual report for 1962-63, figures of members who do not pay. As this situation appears to be typical of quite a few chambers of commerce we reproduce the relevant information :

Total members who had paid as on 31st December 1962, increased to 501. This figure was highest as compared to previous years. Total percentage of such members during this year remained at 94% as in 1961. This may be compared to lower percentages in the previous years as per chart below:—

	<i>Total No. of members on 31st December</i>	<i>Total No. of members who had paid as on 31st December</i>	<i>Total No. of members who had not paid</i>
1954	335	288	47
1955	326	296	30
1956	358	325	33
1957	344	307	37
1958	388	325	63
1959	392	352	40
1960	448	372	76
1961	464	438	26
1962	533	501	32

Chart continued.

	<i>Percentage</i>		<i>Break-up of members who had not paid</i>	
	<i>Who had paid</i>	<i>Who had not paid</i>	<i>1 Year</i>	<i>2 Years</i>
1954	87%	13%	47	—
1955	90%	10%	23	7
1956	91%	9%	29	4
1957	89%	11%	25	12
1958	84%	16%	47	16
1959	90%	10%	40	—
1960	83%	7%	51	25
1961	94%	6%	24	2
1962	94%	6%	23	9

CHAPTER SIX

Central Organizations Representing Business

EARLY CENTRALIZED representative activity undertaken by Indian business was closely related with the development of the Indian National Congress. Annual industrial conferences were held along with the sessions of the Indian National Congress. The Indian Commercial Congress was organized in order to provide separate representation for commercial interests. In 1920, at a joint session of these two organizations, the importance of chambers of commerce and of a central organization to bring them together was emphasized. In 1927, the Federation of Indian Chambers of Commerce and Industry (FICCI) was established. The Associated Chambers of Commerce of India (ASSOCHAM) came into existence in 1920. The grant of fiscal autonomy and the development of the national movement resulted in a clearly marked divergence in the political attitudes of British and Indian businesses. Occasional informal consultations between the British chambers in the three presidency-capitals had for long been the practice, and by 1920, the formation of the associated chambers formalized the relationship. This early dichotomy of central business-representation into Indian and British central organizations was later complicated by the emergence of a variety of central organizations.

In 1933, there came into being the Employers' Federation of India and the All-India Employers' Organization. These bodies emerged as a result of new labour-legislation which made tripartite functioning and negotiations with government on labour affairs essential.

The All-India Manufacturers' Organization (AIMO) was founded in 1941 and claimed to be an Indian manufacturers' organization as opposed to the combination of trade and industry represented by the Federation of Indian Chambers of Commerce and Industry. The Federation of Associations of Small Industries of India¹ (FASII) was founded with government blessing in 1960.

¹. The first Ford Foundation Team recommended that associations of small industrialists might be formed to help develop the small-scale sector and improve the efficiency of the existing units. The Team also recommended the formation of a federation of these associations on the lines of the federations of large-scale industries. It was visualized that, in course of time, the federation would grow strong and be able to provide technical assistance, common facilities, services, etc., to its members.

It was in furtherance of this suggestion that the Small-Scale Industries Board appointed a Committee under the Chairmanship of Shri. G. L. Bansal, Secretary General of the FICCI,

(Continued on next page)

The following table gives us the names of the leading central organizations representing business, their annual income, and the number of firms and member-bodies that constituted their membership in 1962.

Table 1: INCOME AND MEMBERSHIP OF THE CENTRAL ORGANIZATIONS IN 1962

<i>Organization</i>	<i>Income</i>	<i>Members (Firms)</i>	<i>Members (Associations and Chambers)</i>
1. Federation of Indian Chambers of Commerce and Industry	9,98,463	355	167
2. Federation of Associations of Small Industries	22,159	185	69
3. All-India Manufacturers' Organization	2,30,683	1,850	55
4. Associated Chambers	18,302	—	11
5. Employers' Federation of India	2,98,337	89	18
6. All-India Organization of Industrial Employees (Delhi)	79,368	167	37

It is necessary to consider briefly the constitutional characteristics as in 1962 of the various organizations enumerated.

The Federation of Indian Chambers of Commerce and Industry consisted of 45 chambers of commerce, 122 trade associations, and 355 associate members. The Executive Committee of the FICCI consists of 52 members; 30 of whom are elected by member bodies, and 16 by associate members, while a maximum of six is co-opted. The President is elected by member bodies only. The Vice-President is elected by the elected members of the Committee. A convention that the Vice-President becomes next year's President has tended to get established. Out of the 30 members elected by member-bodies, 16 are representatives elected by member-bodies representing industry, while 14 are elected by member-bodies representing trade. Care is taken to provide representation to all states and various industries and trades. In view of the limited number of seats provided for associate members on the Executive Committee the formal position seems to be one that protects the member bodies. However, the high concentration of economic power in the modern sector of Indian economy has its impact on the FICCI also. As 25 large groups control about 50 per cent of the

to draft a constitution and rules for the establishment of Associations of Small Industries and an All-India Federation and to take steps to expedite setting-up of such Associations. Following the report of the committee, the Small-Scale Industries Board decided to take active steps in forming the Federation of Associations of Small Industries of India and called a meeting of the representatives of various associations of Small Industries from all over India at New Delhi on the 27th September 1959. The meeting decided to form a federation and adopted the constitution on the lines recommended by the Bansal Committee.

Indian joint-stock sector, it is not surprising that these large houses not only provide the bulk of the associate members but often control the chambers and associations which are the member-bodies of the Federation. The FICCI is also dependent for the bulk of its finance on the associate members. Out of Rs. 9,98,463 shown as income in 1962, only Rs. 1,67,000 came from member bodies such as chambers and associations. The importance of the associate members is thus clear^a.

The All-India Manufacturers' Organization had about 55 affiliated associations and 1,852 members. The AIMO, though it represents manufacturers of all sizes, has an important small-scale component in its membership. Its working committee consists of 16 secretaries of special committees, representatives of five member-associations, representatives of State Boards which are prescribed in the AIMO constitution, and president's nominees, making a total of 58. The rules for membership and elections are such that entry into these bodies is relatively easy as compared to the FICCI. There are, of course, a few leading individuals in whose hands the ability to get things done through the AIMO largely seems to rest. Yet the distinction remains valid.

The Federation of Associations of Small Industries had, in 1962, 69 associations as member-bodies and 185 associate members. Membership of the Federation consists of three categories, viz., (1) ordinary, (2) individual, and (3) associate.

Ordinary members are associations of small-scale industries, and small-scale industries wings of composite associations or chambers. These member-bodies must be such that their base membership of other large industrial units or other persons as sympathizers does not exceed five or five per cent of the members whichever is higher. Small-scale industries' units that come within the purview of the definition of a small-scale industry, adopted by the Government of India, can become individual members of the FASI. Any other individuals interested in promoting the cause of small-scale industries can also become associate members.

The Employers' Federation of India had 18 association-members and 89 member-firms. It has an executive committee composed of eight representatives elected by members, two from each of the four regions, and has the right to co-opt six members from amongst the honorary members. The general meeting consists of representatives of 18 member-associations covering 18,00,000 employees and 89 ordinary members employing 4,00,000 employees, all having votes according to labour employed.

^a Associate members of the FICCI are broadly divided into following broad groups: (1) Manufacturing companies; (2) Trading companies; (3) Banking companies; (4) Insurance companies; and (5) Others.

In the case of the first two groups, the subscription is related to turnover; in the case of banking companies, it is related to deposits; and in the case of insurance companies, it is related to premia collected. In all cases the minimum subscription payable by the associate member is Rs. 1,500, and maximum Rs. 10,000. An ordinary member (chambers and trade associations) pays Rs. 1,000 per year as subscription.

The All-India Organization of Industrial Employers had 107 member-firms and 37 member-chambers and -associations. It has a committee of 52 members of whom six represent individual members, 37 are nominated by member-associations, six are co-opted, and two nominated by the committee.

The Associated Chambers of Commerce have a membership of eleven major British chambers of commerce in India; their executive is composed solely of the representatives of these chambers, which in turn have a base membership of large British managing-agency houses and international concerns like the oil companies, Lever Brothers, etc.

The outlines of the constitutions of the central bodies, which we have described above, when compared with the constitutions of similar organizations abroad enable us to stress a few contrasts. The central bodies representing business in France and Germany, unlike the U. K., the U. S. A. and India, do not have direct membership of central organizations open to firms and individuals but restrict it to member-chambers and member-associations. The continental pattern appears preferable to those wanting to restrict unnecessary concentration of power. In the Indian situation, however, direct membership for firms and individuals, which is known as 'associate membership' in central organizations, is inevitable owing to the needs of finance. Only if new financial arrangements are made can it be avoided. A similar difficulty prevents separate central organizations for chambers and associations, though they have proved useful in a number of foreign countries. As regards central organizations' handling labour matters, the Swedish experience is again not fully applicable because of the inevitable necessity of a greater degree of State intervention in the Indian situation.

However, though few models can be directly adopted, we give some details about other countries which provide partly suggestive material.

We first take the German case. The organization of German business includes the Federation of German Industries (BDI), the Diet or Association of German Industries and Commerce (DIHT), a Federal Union of Employers' Associations dealing with labour matters, a common research organization, the German Industry Institute, and an association of independent entrepreneurs which represents small business.

The Deutscher Industrie- und Handelstag (Association of German Chambers of Commerce), is the top organization of the 81 chambers of commerce and industry in the Federal Republic including West Berlin. An official publication of this organization sums up its main function as follows :

"According to its statute, the purpose and the tasks of the DIHT are to ensure and promote, co-operation between the various chambers, secure a correct exchange of know-how and represent on the federal level the common business interests of trade and industry in their entirety. In particular, the DIHT is expected to represent the joint task of the chambers vis-a-vis the federal agencies, the federal ministries and the Bundestag

(Lower House). By these provisions of its statute the DIHT has been given a wide range of activity in the field of economic policy. As a result of the exchange of know-how between the chambers, a cross-section of the opinion formed by the German trade and industry is obtained which covers all branches and levels of the economy and finds its expression in commentaries and resolutions carefully balanced from the angle of the entire economy, and embracing all problems of interest to the economy. Accordingly, the authorities and the relevant agencies within the Federal Republic have been regularly contacting the DIHT in their preparatory legislative work. The briefing of the members of the Bundestag on questions dealing with economic policy has become an integral part of the formation of Germany's economic policy. In addition, the commentaries and resolutions dealing with economic policy are made known to the public and thus serve to shape public opinion. Such co-operation with the press, radio and television continuously furnishes the public media with an opportunity to make use of a wealth of experience and expert knowledge in economic matters. It is not the task of the DIHT to deal with political matters, particularly with such concerning the policies of the political parties."

The membership of the BDI is limited to industrial trade associations at the national level but it had an underlying membership of about 1 lakh in the late 1950's. The membership of the BDI Assembly which is the main policy-making organ is chosen by the 36 constituent trade associations. Voting strength is proportionate to the total number of employees represented by the member associations. Trade associations representing firms employing 50,000 persons or less are entitled to two votes. For each additional 50,000 employees, the vote increases by two until a total of seven is reached, after which voting strength increases by one vote for each additional 50,000 employees. Given the structure and regional distribution of German industry, it is quite clear that heavy industry, and particularly the heavy industry of the Rhine-Rhur, has the heaviest voting strength in the BDI Assembly."³

The BDI constitution, unlike the DIHT constitution, is not State-imposed and the BDI has, as we have noted before, a close link with organizing the finance of political parties. In post-war Germany, while chambers tend to be regulated, associations are relatively unregulated in matters relating to membership, etc. The central organizations in both Germany and France tend to make for a reduction in the influence of the individual business-groups. Their role in political finance results in giving a broad base to their organization as most associations and base-members contribute on a fixed basis.

It may be noted that only organizations or associations and chambers and not individual firms are members of both the DIHT and the BDI.

³. Almond, G. A., *The Politics of German Business*, Rand Corporation Monograph, p. 38.

Secondly, as regards the DIHT, it is isolated from labour matters as well as political processes such as the finance of parties. The BDI and its affiliated associations undertake both these activities. German chambers of commerce and their central organization concern themselves with matters like training, and representing business at a general level of encouraging routine overhead development in each region.

The character of the central organizations representing business in Great Britain is rather simpler than that in Germany. The Federation of British Industries⁴ has a direct membership of 300 trade associations and 7,000 individual firms. The national union of manufacturers has a direct membership of 70 trade associations and 5,000 firms. The Association of British Chambers of Commerce has a direct membership of 100 chambers of commerce, all incorporated, and an underlying membership of 60,000 firms. The Association of British Chambers of Commerce is not the only body representing the chambers. The National Chamber of Trade has 900 local chambers of trade which are retailers' bodies as well as certain smaller unincorporated chambers of commerce as members. Thirty or 40 national trade associations in minor fields are also members of these bodies. The affairs of local retailers' chambers are often managed by the regional chamber. Along with the National Union of Manufacturers, the National Union of Trade may be said to speak for small business.

What are the lessons we can draw for the central organizations in India? The upshot of considering (1) the matter of associate membership, (2) a separate organization for chambers of commerce alone, and (3) the matter of keeping chambers aloof from political and labour matters, may now be summed up. Considerations of finance alone make it desirable to have associate members, and unless some new scheme for financing

⁴ The Federation of British Industries was formed in 1916 with official blessings. In the early 1920's the mass of British employers wrecked the hopes of those who first set up the Federation of British Industries with the aim of sponsoring a great industrial charter which would guarantee minimum wages, grant generous servance allowance, and provide fringe benefits, all of which were later forced on British industries.

World War II again brought an opportunity to those wishing organized institutions representing business to work for national goals. During the war, the trade associations became a part of war-time planning and later of post-war socialist controls and rationing. The Federation of British Industries worked out a British variant of self-government in industry, a plan which it had been toying with since the thirties. This amounted to creating various bodies to enable trade associations to regulate industry from top to bottom, in accordance with the wishes of the majority at every level. The Labour Party approved of this scheme, only modifying it to include certain schemes of outright nationalization to "own and operate essential instruments of production: their power over our lives is too great for them to be left in private hands." However, no progress was made.

The Federation of British Industries now mainly deals with masses of administrative minutiae, and its biggest efforts behind the scenes concern minor amendments to bills.

See *'The Managers'* by Roy Lewis and Rosemary Stewart, p. 46, 55, 114, 186.

See also *The Labour Government and British Industry 1945-51* by A. A. Rogow and Peter Shore for an account of how the Labour Government sought to transform war-time controls with the co-operation of industry.

chambers and central bodies, such as compulsory registration, is adopted, associate members cannot be done away with. Having a separate organization for chambers of commerce has to be rejected on the ground of finance. In the third matter of keeping chambers aloof from political and labour matters and taking them closer to regional planning, there appears to be greater scope.

We now pass on to a consideration of particular criticism regarding the operations of central organizations representing business in India.

The FICCI has instituted a valuable annual get-together in which resolutions of member bodies are presented, a meeting of chamber secretaries is held, elections are conducted, and important resolutions concerning the FICCI as a whole are adopted. Apart from this annual function, the FICCI acts on a day-to-day basis through its representatives on a variety of bodies.

Controversies regarding the representation of different states have, on the whole, been successfully adjusted by the FICCI. However, a number of complaints are still heard. We enumerate one by way of illustration. Mr. K. Sundaram, President of the Indian Chamber of Commerce, Coimbatore, stated on June 27, 1965⁵, that the FICCI was not able to render effective service to all of its constituents. He proposed the formation of a Federation of Chambers of Commerce in all the four southern states and the creation of inter-connected chambers at the town, district, and state levels. The All-India Businessmen's Convention held in 1960 has been followed by conventions in different states, and the progress towards consolidating the chamber and association movements, described in the next chapter, has been rather different in each state. The proposals for a federation of chambers of commerce in the four southern states, however, represent a distinct trend because of local circumstances. The FICCI has not been able to do much through its liaison officers posted in different states or through the zonal meetings of secretaries of important chambers which it has encouraged. The FICCI, if it is to play a role in modern planning, information collection, and overhead development, must operate more decisively in encouraging specialization and co-operation among chambers, and in rationalizing their regional coverage. Its role in guiding industrial associations may have to be even more decisive and it would have to take into account any negative prohibition that the Monopolies Commission may lay down as well as positive measures at an industry level which would facilitate participation in planning.

In the case of the AIMO, we have based our criticism on the report⁶ of a discussion in which leading AIMO members went into the shortcomings and achievements of the organization.

Among the points noted by members are: the failure to undertake a membership drive among the companies in various regions; and a failure

⁵. *The Economic Times*, June 28, 1965, p. 3.

⁶. Proceedings of the fourth quarterly meeting held on 1st May 1965.

on the part of the various special committees to conduct actual studies and negotiations. The almost autonomous working of the State Boards, their failure to give accounts, and to remit the money collected to the Centre, were commented on. The failure of the members to respond to the questionnaires issued by the organization or to realize that the organization is represented on most important advisory committees as well as *ad hoc*-policy-committees was noted as a factor hampering the AIMO. We may add a few points to the members' appraisal. The ambition of individuals has prevented a merger of this body with the FICCI or its closer co-operation with the FICCI. The duplication of functions normally undertaken by regional chambers and failure to operate effectively at state level were also characteristics of the AIMO. Their publicity was more aggressive than that of the FICCI. All this is not intended to deny that the body has rendered important services.

The main criticism of ASSOCHAM is its failure to undertake significant functions which would assist Indian planning. The organization has hardly undertaken any activities that could be regarded as politically significant in establishing Indo-foreign economic relations on a new basis. The fact that central organizations representing business have played a more progressive role in Great Britain should have inspired this body to more imaginative action.

The Federation of Associations of Small Industries enjoyed a small government-subsidy but did not have a prosperous enough base to develop a significant secretariat. Unlike the case of the FICCI, in this case finance was the bottleneck preventing better organization.

The total income of the organization was only Rs. 22,159 in 1962, out of which Rs. 11,327 was grant-in-aid. Matters have improved somewhat thereafter as the grant-in-aid has been increased to Rs. 20,000 per annum and a grant of Rs. 27,000 made towards the publication of the Directory of Small Industries. It is of great importance to note that the Federation takes up the cases of individual members in respect of their applications for licences to import raw materials and machinery and also for the supply of machinery from the National Small-Scale Industries' Corporation under its hire-purchase scheme. Other central bodies do not take individual cases. In view of the nature of the small-scale industries, there is an immense potential advantage in making this service available on a larger scale. However, the dominance of associate members need not be increased. Their contribution to finance is, in any case, negligible, and a strong case can be made out for an increased subsidy to this Federation so that the problems of small industries are better handled. The strengthening of industrywise and regional small-scale industries' associations also would be assisted if the Federation can increase the information services it offers to its members.

As regards the central organizations handling labour problems, we have noted the existence of two separate organizations and of a certain minimum co-operation between them. We have not made any special study of these two organizations. The logic of the situation, however, makes inevitable

the recommendation that at some suitable stage these two bodies would have to merge.

In this connection it may be noted that while chambers of commerce are in certain countries explicitly precluded from dealing with labour matters, in other countries they may even have labour representatives on their executives. What is important is the fact that as regional organizations they play a smaller role in collective bargaining for individual fields which is the sphere of trade associations and must concentrate on matters like training, work relating to regional indexes and wage levels, etc. The character of the activities of chambers and associations can be definitely laid down if an organization of the Swedish type emerges.

An expert student of Swedish collective bargaining has stressed that the control over the commencement of lockouts and the payment of compensation during stoppages through a mutual insurance scheme are the two main characteristics of the Svenska Arbetsgivareforeningen (SAF)⁷ (Swedish Employers' Confederation.)

Four specific sections of the SAF deal with negotiations, experts' information and training, and finance and administration. The SAF provides a central cadre of experts to advise on wages, salaries, legal matters, job techniques, and works councils. It does considerable research. It provides cheap consultancy services to small firms. It concerns itself with training supervisors and middle management. The SAF was able to develop a centralized organization because it preceded the majority of its member groups and could thus impose constitutions and procedures on them. Its insistence on national organization on industrywide agreements and orderly negotiations influenced the development of trade unions. The failure to provide for local variations did lead to the phenomenon known as "wage drift", but this is a relatively minor failure to control the situation. The bargaining behaviour of affiliates is fully controlled by the central body. It includes control over the labour policies of associate members as well as those of member bodies.

We now turn to a discussion of recommendations regarding central organizations representing business in India. No case can be made for an unsystematic mix-up of membership and of functions, except the very general point that if it is not doing harm no change is necessary. It is also possible to argue that every organization has its own achievements and traditions, and hence, merger is possible only if some higher plan of organization is thought of. The basic point therefore is to bring about a dialogue between government and the different organizations such that different sections of business acquire a fair voice in the new organizations. The merger of the Employers' Federation of India and the All-India Employers' Organization at some suitable stage is of primary importance.

Negotiations between the FICCI and the AIMO for a merger must be based on a recognition of the achievements of both the organizations,

⁷. Johnston, T. L., *Collective Bargaining in Sweden*, 1962,

Probably it would be easier and the need more pressing when chambers of commerce in different states rationalize their functioning and organize proper bodies at the state level.

All the central organizations such as the National Productivity Council, the central organization of Export Promotion Councils, the various central organizations bringing together local associations in particular fields, must make it a point to see that there is no overlap of functions with central bodies representing business.

It has been found possible for businessmen's organizations in Europe to achieve unanimity on planning-matters with other interests in society, owing to their taking a long view and an integrated view of the social situation. The peculiar tendency of Indian business-organizations to be more extreme in presenting a rather short-sighted business-view, while individual industrial houses take a much more flexible and realistic political attitude is proof of the difficulties arising from the FICCI's regarding itself as a lawyer defending a brief. It also indicates that businessmen have not yet taken the political challenge seriously and a change in this situation therefore may be confidently predicted. When business representatives recommend expansion in most individual industries, a smaller national plan cannot be defended. Arguing for a laissez-faire state but simultaneously quietly pocketing a variety of government concessions hardly creates a favourable image of business. While it is the job of the organizations representing business to plead their case, it must be done within the limits clearly set by the necessity to project an image of business as being willing to allow performance and rewards to be matched. The clear acceptance of planning and the evolution of institutions to this end would lead to the construction of such an image. Public-relations activity is fully convincing only when accompanied by steps that deliver the goods.

A failure to reorganize central organizations representing business would sooner or later bring increased State intervention. Section 9 of the Pakistani Act of December 2, 1961, relating to these bodies, is an illustration of rather close control by government in a variety of matters including the power to displace the executive of chambers. In the French case also there is a considerable degree of control by the Ministry of Commerce, but the central organizations are still partly autonomous bodies financed by a tax related to category B Income-tax. Chambers in France offer a number of services to businessmen as well as several services to the State, which include maintaining a register of local firms, managing local exchanges, auctions, fairs, warehouses, and transport facilities and other functions of regional development. The Ministry guides them in these functions but does not expect them to handle matters like licensing, etc. If this level of organization can be attained on a voluntary basis, it would be even more effective. It is well to remember that in the matter of central organizations representing business, Indian organizations have failed to adjust themselves to the national interest owing to their emphasis on taking a lawyer's rather than a statesman's point of view.

APPENDIX

DIRECT AND UNDERLYING MEMBERSHIP OF CERTAIN IMPORTANT CENTRAL BODIES REPRESENTING BUSINESS

(1) The National Chamber or the Chamber of Commerce of the U.S.A. has a direct membership of 4,000 local, regional and state chambers of commerce and trade associations as well as 30,000 business enterprises. The underlying membership exceeds three million business and professional men.

(2) In Japan, under the new law of 1st October 1953, every chamber has to maintain a complete register, and be affiliated to the National Federation of Chambers of Economy. An estimate supplied by the National Federation states that about 2,50,000 constitute the base membership.

(3) The Association of British Chambers of Commerce has a direct membership of 100 chambers of commerce (all incorporated) and an underlying membership of 60,000 firms.

The large membership of certain chambers, and consequently the greater scope for action open, as compared to India, should be noted. Thus the London Chamber of Commerce has nearly 15,000 members. The London, Manchester and Birmingham chambers together represent one half of the total membership of 60,000 for 100 chambers.

(4) The *DIB* had an underlying membership of about 100,000 in the late 1950's.

CHAPTER SEVEN

Organizations Affiliated to Chambers of Commerce and Sponsored by Them

THE CHAMBERS OF COMMERCE today operate along with a variety of old and new types of organizations that bring managements together. An illustration of a type of organization with a long history is the trade association, which is often sponsored by a chamber of commerce and usually happens to be its member. The new types of organization may be illustrated by reference to the local productivity councils; they did not exist in the pre-independence period.

A few definitions and classifications will help to describe organizations affiliated to the chambers of commerce and sponsored by them, as well as to understand why it is necessary to carry the discussion into this broader field.

When managements come together either in industrywise or in regionwise organizations, they may be said to form 'supra-enterprise' organizations. A supra-enterprise organization does not necessarily imply an organization superior to enterprises but merely an organization to which enterprises have either surrendered or delegated certain functions and which regards the interests of the whole set of enterprise-members as its concern. Thus, the characteristic of supra-enterprise organizations is that to some degree the entrepreneurial power of the management is shifted to a different level. Supra-enterprise organizations include trade associations, chambers of commerce, productivity councils, export-promotion councils, etc. The representatives of management are present in all cases, though they may not be the only element. A body that brings together, say, the trade unions belonging to various plants, is not here included in the definition of supra-enterprise organization. Intra-enterprise organizations, such as joint councils of management, works committees, plantwise trade unions, shareholders' and investors' boards, etc., may come together on a multi-plant basis and may share in some of the powers of management; but we are reserving the term 'supra-enterprise organizations' for bodies that bring together several managements. This classification is convenient because it enables us to discuss effectively shifts of entrepreneurial decision-making and delegation of functions in different directions. We deal in this chapter with a class of bodies that fully or partly represent as well as regulate managements, i. e., with supra-enterprise organizations, in which chambers of commerce are included.

We include in this section local productivity councils, trade associations, regulated associations concerned with organizing forward markets and

export-promotion councils. At least a few, and in some cases many, bodies of each of these types are affiliated to chambers of commerce and have been sponsored by them.

We discuss briefly the problems of the relationship of bodies of each type with chambers of commerce. We also consider the problems of alternative demarcations of functions between chambers of commerce and other supra-enterprise organizations set up on a regional or industrywise basis.

To understand supra-enterprise organizations it is useful to take into consideration : (a) the decision-making process of firms, (b) the principles of regulation under which government authorities take decisions, and (c) the class-structure of society.

Price analysis gives the basis for understanding decisions at the enterprise level. Supra-enterprise organizations may undertake functions to supply the needs of managements on a business basis, in which case, analysing them as cases of vertical disintegration on the analogy of the formation of a new specialized firm, becomes possible. They, however, usually combine an aspect of non-profit-making activity with a business-activity. Here the analysis lies in the field of political science and one has to look upon them as combining in themselves a representative as well as a regulatory semi-official function. To what extent these two functions call for further application of legal and political principles remains an open question. The general logic of planning and State intervention in any particular country provides the rationale of existing and potential regulatory authorities and suggests a minimum set of rules that should guide the decision-making of official as well as semi-official authorities. In considering the representative aspect, the importance of taking into account the class-structure of the society must be fully acknowledged. The existence of separate organizations must be explained in terms of difference of interest between various categories of enterprise as well as difference between management and various categories of the population. One must also take the principle of democratic procedure into account.

Bodies at supra-enterprise level organized on an industrywise and a regionwise basis complete the apparatus required for promotion and operation of business by private enterprise. They also complete the apparatus for regulation required by the State. The degree to which they can undertake the organization of overhead facilities depends upon the resources and the legal powers on the basis of which they operate as well as on the cost advantages derived from the common handling of certain functions.

The first section of this chapter deals with the organizations having a regional basis. Here the local productivity councils (LPCs) and National Productivity Council (NPC) are the only organizations studied. The topics covered parallel those covered for chambers of commerce in this report but are more briefly treated. The next three sections (i. e., sections II, III and IV) deal with the manufacturers' and merchants' trade associations, the regulated associations organizing forward markets, and export-promotion councils. We follow a uniform pattern, and in describing all

these industrywise organizations, we analyse their relationships with the chambers of commerce, and indicate broadly the problems they present as typical industrywise organizations at the supra-enterprise level. We also try to bring out the policy problems presented by each type of organization so that the proposal we make regarding the chambers of commerce can be viewed in the context of proposals and developments relating to these other organizations.

SECTION I

(a) *Local Productivity Councils*

At least two productivity councils are directly run by the office-bearers of the chambers of commerce. Some of the local productivity councils have collaborated with the chambers of commerce formally, in order to avoid duplication. All of them have attempted to secure the co-operation of chambers in order to propagate the productivity movement. Further, data relating to the NPC and the LPCs are interesting in a study of chambers of commerce because of the organizational analogies the data provide. The productivity movement is characterized by central prescription of the LPC constitutions, by finance through matching grants, and by a multi-class approach. All these characteristics provide a useful basis for judging the possible effects of similar techniques being used in the chamber-of-commerce field. Finally, the central problem of this chapter, viz., understanding the demarcation of functions between the chambers of commerce and other organizations at the supra-enterprise level, requires that we give a clear picture of the NPC and the LPCs.

(b) *Organization and structure of the NPC and the LPCs*

According to the constitution of the National Productivity Council, the membership of its General Body is limited to 75. It has been provided that the number of representatives of employers, workers and Government on the General Body should be equal. The executive organ of the NPC is the Governing Body elected annually by the NPC. Membership of the Governing Body is limited to 25. In the Governing Body, as in the NPC, parity is maintained between employers, labour and Government. The President, the Chairman of the Governing Body, and the Executive Director are appointed by the Government of India. Two Vice-Chairmen are elected by the Governing Body, one representing labour and the other, employers.

The routine administration of the NPC is carried out by the Executive Director of the NPC. The Headquarters of the NPC works through its six Regional Directorates situated at Bombay, Calcutta, Bangalore, Kanpur, Madras and Ludhiana. These Directorates keep in touch with the local productivity councils assigned to them and help them in organizing activities in their respective centres.

The organization of the LPCs follows a general pattern laid down by the NPC. All LPCs have been registered under the Societies Registration

Act, 1880. The NPC had prepared a model constitution for all LPCs; the latter adopted it with a few minor changes to suit local conditions. The organization of each LPC follows the same pattern as of the NPC. Each is a tripartite organization representing the interests of employers, workers and government. In addition to these three sections, representation is also given on the Governing Body of the LPCs to other interests such as organizations, associations, institutions and individuals interested in productivity. The number of members on the Governing Body as prescribed by the NPC is 15. While the representatives of employers, workers and government have been given equal number of seats (three each), the other interests have been given proportionately more seats (six in this case).

The number of members of the Governing Body is, in the majority of the LPCs, 15; they have maintained the proportion in giving representation to various interests as has been laid down by the NPC. But in some cases the number of seats is reduced to 12, and all interests have been given equal representation (Salem Productivity Council). In a few cases the number of representatives on the Governing Body has been increased up to 17 (the Poona Divisional Productivity Council), 18 (the Andhra Pradesh Productivity Council) and 24 (the Kerala Productivity Council). The number of representatives of other interests on the Governing Body, in most of the Councils, has been kept higher than the number of representatives of other groups.

The members on the Governing Body are elected annually by the members of the respective productivity councils. In some LPCs, provision has been made in the constitution of the LPCs for election of representatives of various groups from their respective constituencies (the Poona Divisional Productivity Council).

As regards the geographic coverage of each local productivity council, there appears to be no clear demarcation. There are some which cover a revenue division (e. g., the Poona Divisional Productivity Council) and there are some which cover a particular city and its adjoining areas. Even when there is a state productivity council or a divisional productivity council, there also exist regional and local councils, and an individual concern is free to decide as to which council, if any, it should join.

(c) *Membership of the LPCs*

The following table shows the growth in the number and membership of the LPCs from 1958-59 to 1962-63.

Table 1 : GROWTH IN THE MEMBERSHIP OF THE LPCS

<i>Year</i>	<i>No. of LPCs</i>	<i>Total membership</i>	<i>Annual percentage increase in membership</i>
1958-59	7	500	—
1959-60	36	2,200	340
1960-61	43	3,000	36
1961-62	44	4,499	50
1962-63	45	5,591	25

The constituent members of the local productivity councils include, large, medium and small-scale industries, as also economic organizations, institutions, associations, trade unions and individuals. The schedule of subscriptions for each category of membership is laid down by the NPC. The subscription for the industrial units and trade unions is based on the number of workers employed and the number of members respectively. In respect of individuals and institutions the subscription is at a fixed rate.

The smallest local productivity council, with a total strength of only 21 members, happened to be the Dhanbad Productivity Council, and the largest was the Bombay Productivity Council (total membership 800). The general picture of all the other LPCs was as follows :

Table 2 : THE LPCS GROUPED ACCORDING TO SIZE OF THEIR MEMBERSHIP STRENGTH (1962-63)

<i>Size group</i>	<i>No. of LPCs</i>	<i>Cumulative total</i>
Below 50	7	7
From 51 to 100	18	25
101 to 150	10	35
151 to 200	5	40
201 to 250	2	42
251 to 300	1	43
301 to 350	1	44
Above 351	1	45
Total	45	

There are 35 local productivity councils with a membership below 150. There are only three LPCs, membership of which is more than 250, and only one with a membership more than 350. This means that most of the LPCs are small from the point of view of membership, and there is still scope for them to increase their membership and broad-base their activities.

Even in this membership, the industrial concerns are in minority in many of the LPCs. (See Table 1 in Appendix to this Chapter). Individual members form a very big group in the LPCs such as the Bombay Productivity Council, the Jamshedpur Productivity Council, the Madras Productivity Council, the Calcutta Productivity Council, the Surat Productivity Council, etc. The number of individual members is very significant in the case of the LPCs at Bombay and Surat. At Bombay the LPC has a total membership of 800, out of which 601 are individual members. So also is the case of Jamshedpur, where, out of a total of 203 members, 180 members are individuals. Per contra in the case of some LPCs, such as Batala, Malnad, and Faridabad, individual members are negligible, varying from one to five. It appears that in some cases in order to avoid election and administrative difficulties, a deliberate policy of not encouraging individual membership is followed. As regards organizations and associations

among the membership, their number varies from nil to 45. The highest number of members in this category is again in the case of the Bombay Productivity Council, and there were quite a few LPCs like those at Sonapat, Salem, Dhanbad, and Ahmedabad, which did not have a single member in this category. On the whole, it appears that there are many trade unions and other eligible institutions which have not so far enrolled as members of the LPCs and participated in their activities.

(d) *Finances of the LPCs*

The total resources of 45 LPCs in 1962-63 amounted to 14,24,000 (participation fees 3,75,000; matching contributions 4,71,000; and the rest from other sources of income). The data presented here regarding the finances of the LPCs do not relate to all the 45 LPCs. While figures of membership subscription collected were available from all the 45 LPCs, the detailed income-and-expenditure accounts were available from only 19 LPCs (plus four in the case of income only). A more detailed analysis of the finances of the LCPs was, therefore, possible only in the case of these LPCs. The total subscriptions collected by all the LPCs is Rs. 4,59,251, and for the 24 LPCs, accounts of which have been analysed here, comes to Rs. 2,90,481, which is about 63 per cent of the former figure. The sources of income and expenditure are almost similar in most of the LPCs.

Table 3 : THE LPCS GROUPED ACCORDING TO SIZE OF THEIR TOTAL MEMBERSHIP-SUBSCRIPTION (1962-63)

	<i>Size group</i>	<i>No. of LPCs</i>	<i>Cumulative total</i>
1.	Below Rs. 1,000	1	1
2.	From Rs. 1,001 to 6,000	22	23
3.	Rs. 6,001 to 11,000	7	30
4.	Rs. 11,001 to 16,000	11	41
5.	Rs. 16,001 to 21,000	1	42
6.	Rs. 21,001 to 26,000	—	42
7.	Rs. 26,001 to 31,000	—	42
8.	Rs. 31,001 to 36,000	—	42
9.	Rs. 36,001 to 41,000	—	42
10.	Rs. 41,001 to 46,000	1	43
11.	Rs. 46,001 to 51,000	—	43
12.	Rs. 51,001 to 56,000	1	44
13.	Rs. 56,001 to 61,000	—	44
14.	Above Rs. 61,001	1	45

This classification comes very near to the similar classification in Table 2 according to the membership of the LPCs. There were 23 LPCs in whose case income from subscription was below Rs. 6,000; there were 41 with subscription-income below Rs. 16,000; there was one LPC each, whose

subscription income was between Rs. 16,001 and Rs. 21,000; Rs. 41,001 and Rs. 46,000; and Rs. 51,000 and Rs. 56,000. There was only one LPC, whose subscription-income exceeded Rs. 61,000. This table once again highlights the smallness of the majority of the local productivity councils.

To speak of the 24 LPCs for which we have the necessary data on the income side, the membership subscription (29·41 per cent), matching contribution (32·38 per cent) and the course fees (26·12 per cent) were the major (almost 88 per cent of the total income) sources of income. The amount of matching contribution appears to be greater than the subscriptions collected, because, in the case of subscriptions from small-scale industries, 150 per cent matching contribution was given by the NPC. The state government aid formed 4·61 per cent, and the various other grants of the NPC such as grants for in-country team, etc., formed 2·08 per cent of the income. Other sources of revenue such as advertisement revenue, advisory service, interest, donations, etc., were negligible. The NPC itself has been responsible for contributing to the extent of almost 35 per cent of the total income of these LPCs. Thus the LPCs rely heavily on the NPC for providing the necessary finance. As regards the aid from the respective state governments to the LPCs, out of the 45 LPCs, 24 LPCs were receiving state government aid in 1962-63. The aid was given by rule of thumb to cover 50 per cent of industrial engineer's salary, or to cover an overall deficit of the LPCs. In a few cases, straight grants were given to the LPCs. The amount of grants, in such cases, varied from Rs. 200 to Rs. 21,000.

On the expenditure side, salary and allowances (24·43 per cent), and training-courses (24·51 per cent) were the major items. The other expenses, mainly, were to conduct various activities of the LPCs, and to meet the relevant administrative needs such as travelling and conveyance, rent, telephones, etc.

Out of the 19 productivity councils for which the expenditure data are available, all show surplus after meeting expenditure. This surplus varied from Rs. 2,281 to Rs. 74,040. Like the bigger councils in metropolitan cities such as Bombay and Calcutta which have turned out substantial surpluses of Rs. 57,637 and Rs. 74,040 respectively, the smaller councils like Kolhapur and Madurai, too, have been able to show a surplus. The LPCs generally charge fees for programmes, seminars, in-country teams, etc.; these programmes yield them sizeable income and sometimes a surplus also. The matching contribution and the membership subscription are mainly utilized for administrative expenses and to finance activities such as conducting a journal, arranging lectures and audio-visual programmes, etc. These activities do not require the LPCs to incur large expenses, and the overall financial position of the LPCs is therefore comfortable. The bigger LPCs, because of their larger activities, have been able to turn out larger surpluses. The NPC therefore has, in recent years, revised its scheme of matching contribution so as to limit the amount of matching contribution in the case of larger LPCs and provide larger financial assistance to smaller LPCs.

(e) *Activities of the LPCs*

Conducting training-programmes on various subjects relating to productivity, arranging in-country teams, circuit teams, seminars and conferences, lectures, audio-visual programmes, and providing library facilities are the major activities of the local productivity councils. The data regarding the activities conducted under these various heads since 1959-60 are available and they are presented in a consolidated form in Table 2 in the Appendix to this chapter. According to this table, about 714 courses were conducted since 1959-60, and 12,180 participated in these programmes; 112 in-country teams were organized, and 985 members joined these teams; 378 seminars were conducted, and 22,432 persons joined these seminars. During the year under review, 284 training-programmes were conducted by all the LPCs, 36 in-country teams were organized, and 118 seminars were arranged, in which 4,640, 335 and 6,882 persons participated respectively. Apart from these programmes, the NPC awards foreign fellowships every year to suitable candidates for training abroad. Since 1959-60, 315 candidates were awarded such fellowships for training in various fields such as industrial engineering, production management, industrial relations, and personnel management.

The other activities of the LPCs, as mentioned above, are arranging lectures, providing library facilities to the members, organizing audio-visual programmes, and conducting journals. Apart from maintaining a central library at its headquarters in Delhi, and six regional libraries at the headquarters of the regional directorates, the NPC has also made available nucleus libraries to 29 LPCs. Many LPCs have built up a good library on productivity literature around these nucleus libraries. As regards conducting a home journal, 18 LPCs had started their own journals in 1962-63. These journals contained, in the main, information regarding their activities. A few informative articles were also included. Generally speaking, much attention has not been paid to make these journals useful and informative, and in most cases, the editing and the compilation of information was rather poor. Out of 45 LPCs, 16 had appointed industrial engineers on their staff; in the case of four, appointments had been made but the engineers were to join. The experience of conducting activities in the nature of specific consultancy-service through the industrial engineers was not very satisfactory. As one LPC has put it, "the smaller units do not appreciate these services while the larger units have their own expert staff." There were also obvious limitations to the number of training programmes an industrial engineer may conduct; in many cases, the insufficient experience of an industrial engineer was a bottleneck in starting full-fledged consultancy-services.

Some of the LPCs have explained their other difficulties in conducting their activities. They are mainly of an administrative nature such as lack of proper communication among the LPCs regarding the organization of in-country teams, insufficient notice regarding courses, lack of proper classi-

fication of films made available by the NPC, poor response in some cases for the programmes conducted by the LPCs, etc. Some of the LPCs have also complained regarding the selection of candidates by the NPC for the award of fellowships abroad.

The NPC itself has attempted an evaluation of three of its principal programmes, namely, training within the country, training abroad, and productivity teams. The 1963-64 reports of the NPC sum up the results obtained from answers to questionnaires issued for this purpose. The enquiries showed that there was substantial achievement in each of the three fields. However, the report notes certain limitations. The successes reported refer mainly to organized large-scale industries. The impact on medium and small-scale industries was much less. The report also concedes that the impact on the mind of labour was not by any means so significant as on the mind of the management.

(f) *Observations*

The description of productivity councils, which we have just given, renders it possible to sum up their characteristics in a few words. The principal activities may be divided, as mentioned earlier, into training within the country and abroad, and more direct operations improving productivity at the plant level. The productivity movement claims that its main objective is cost-reduction. In this connection, it is perhaps useful to indicate precisely the range of costs on which the productivity movement is at present operating. It may be considered against a background of what type of authority typically concerns itself with what range of cost-items. A socialist government would concern itself with the "class" component in costs. The liberal-type anti-monopoly authorities would typically concern themselves with aspects of costs resulting from the number and size of units and the agreements and understandings that affect private decision-making processes. The productivity movement concerns itself with engineering-cost and work-study. When it concerns itself with general training-programmes, it is acting in an indirect way. It is in this interest in training that some overlap is likely between the chambers of commerce, the LPCs and the management associations. Otherwise, the productivity councils have a direct interest in action at the plant and the industrial level; the chambers of commerce are primarily concerned with representation with a wider range of regional overhead facilities, and with certain regulatory measures directed towards the business class. On the other hand, the overlap of the productivity movement with the trade associations may prove to be larger than that with the chambers of commerce as the latter have an interest in reducing costs for an industry by organizing common activities.

The possibility of having a training- or productivity-wing in chambers of commerce, trade associations and trade unions and of making direct grants to these bodies for the purpose could be considered. The case for this can be judged by comparing the advantages and disadvantages of having multi-interest bodies like the LPCs and single-interest bodies like the cham-

bers of commerce to handle these activities. In the matter of training, chambers of commerce, trade unions, associations and schemes for training within industry have a claim for grants. Though at first sight it may appear that from the public point of view one should prefer grants to multi-interest bodies like the LPCs, it must be remembered that the LPCs have not attained a very satisfactory class-balance, as their courses, etc. depend on the co-operation of managements, and hence one cannot base a case for special consideration on this ground. A multi-class body at the State level representing government, business, and labour, and undertaking planning-functions could secure a better balance in making training and other facilities available to personnel belonging to different economic classes and to enterprises of different sizes. The LPCs cannot. The relative role of each body in training has therefore to be decided on the grounds of convenience and efficiency.

A few comments may be made here comparing the movement of the chambers of commerce and the productivity movement. The NPC has been able to induce local organizations to accept a good deal of uniformity. Unlike the chambers of commerce they can claim to represent a wider variety of class-interests. We have noted that trade unions are not well represented, and individual members, frequently executives, are quite important in number. The geographical coverage of the movement and its pattern of co-operation with local organizations have been unsystematic for a centrally organized body. The power of giving matching grants should have made it possible to secure a much more complete integration with local supra-enterprise organizations. There has been more stress on training and more of an orientation in management techniques than a direct approach to particular industries and plants. The movement also does not appear to have developed a clear awareness of its potential significance in the planning process. But this is characteristic of all organizations at the local level including local self-government bodies.

SECTION II

(a) *Trade associations*

We now turn to the first broad type of industrywise supra-enterprise organization, viz., trade associations of manufacturers and merchants. In dealing with this type of organization, the stress laid on different problems can be easily defined. On the one hand, of all the organizations considered in this chapter, this is the only type that is today fully enmeshed in chamber organization. Most of the associations are members of the chambers of commerce, and as already seen, they often have reserved places on the executive. Further, the chambers provide the associations with secretarial facilities. They sometimes have a direct share in encouraging their formation. A change in the constitution of chambers or in the constitutions of central organizations representing business, is dependent on the place to be given to associations. Problems of the relationship of

associations with chambers and central organizations are thus of central importance. On the other hand, it is necessary to note the essentials of association-organization as such, so that its proper role is brought out.

The trade associations command greater resources in the aggregate than do the chambers of commerce. The total income in 1961 of the 278 trade associations for which the company law administration had data, amounted to Rs. 18,412,132, while that of the 45 chambers, as noted earlier, amounted to about half (Rs. 9,11,456).

In the general table for 41 chambers of commerce, there are 25 chambers having affiliated trade-associations. Of these 25 chambers, 22 have answered our questions bringing out some details of the relationship between chambers and associations. Eight chambers of commerce provided full secretarial facilities for affiliated associations; 22 chambers of commerce claim to have helped in establishing new associations and advising them. One chamber in Calcutta was so interested in spreading the association- and chamber-movement as to consider a drive to form associations, and had, in practice, subsidized associations. The West-Bengal Businessmen's Convention, in fact, has exceptional achievements in this field. The chambers in Madras and Gujarat also appear to have good contacts with relatively minor associations in small centres. In general, chambers have been active in promoting the formation of associations and in providing them with various facilities and services. In the matter of representation or political functions, chambers are more effective than associations, just as associations are more effective in having an impact on economic functions, and hence they are quite useful in providing backing to all except the most influential associations.

Another aspect of the relationship between chambers and associations, which calls for comment, is the combining of associations and ordinary membership in chambers. In certain chambers, leading businessmen by controlling associations can come to control large chambers (because a high proportion of seats in the executive may be reserved for associations), while in the central bodies, combining the firm and the association members gives undue weightage to firms. The acceptance of arrangements that do not give such weightage is important. In this context, the French experience is particularly instructive. In France,¹ the employers' peak association accepts for membership only associations, not individual firms. Further, with a few exceptions, secondary, and not primary, employers' associations join the apex body so that enterprises are separated from it by two, if not more, levels of organization. A limitation of the French situation, it is important to note, is that small business is not only organized in a separate body in France, but has a marked tradition of joining in political agitation against large business. State policy has encouraged the balanced representation of large as well as small business.

¹ For a detailed account, see Ehrmann, H. W., *Organized Business in France*, (1957).

This suggests that very special efforts are needed to secure a balanced structure including all business, large and small. The Indian chambers of commerce and the central organizations of business face an important challenge in this field, as problems of small business, from a social point of view, are more important in India than in France.

(b) *Range of activities of trade associations*

The following information from a survey conducted in 1952 gives a broad idea of the functions performed by these bodies; it has been used to provide a background for more recent data. The 407 associations surveyed in the major centres in 1951-52 by the Gokhale Institute, yielded the following classes. Almost all associations undertook arbitration among members—374 did and 33 did not. In most cases the formal availability of this facility was not of great importance. Only 15 associations undertook research, while 392 did not. Twenty-two undertook advertising, 385 did not; 39 associations, and some leading bodies not included in our list of associations, had organized restrictive activity. The total number of associations that had a history of participating in the administration of government price-controls was 80; the other 327 had been either recently formed or did not represent vital commodities, and at no stage, had been directly concerned with government price-control activity. Only eight associations, confined to two fields, undertook sales directly; this shows the greater importance of price-fixing among restrictive measures. Thirty-three associations undertook some purchase for their members; this is a function which can increase both buying-strength and technical efficiency. The clear positive functions, such as research, were undertaken mainly by the industries where units were at least medium sized (large units organized research on their own) or very numerous. Both textiles and oil mills organized research through associations. No association undertook any form of production for its members. Restrictive activities on an all-India scale rather than on a local one also tended to be undertaken only by the more organized industries. There has been no upsurge of constructive activity and hardly any significant dimensional change in the post-independence period. A few broad trends, however, of the post-independence period were found reflected in 67 answers to our 1962 questionnaire, received from associations, and in special articles on associations in *The Economic Times*, etc.

Government regulatory authorities concerned with particular industries, developed close relations with trade associations in the major industries during this period. This was, to a large extent, due to the export-drive undertaken and the formation of export-promotion councils. The development council's influence on licensing-policy also brought government and industry closer. More industries tended to federate their regional associations into national bodies. (Textiles, glass, plastics, wool, etc., are examples.) Some of the new national laboratories also, established close links with associations in a few relevant industries during this period. Research was increasingly undertaken by a few, and here, government help

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was essential. Since 1918, associations had been concerned with labour activities. The latter were elaborated in the 1930's when the Employers' Federation was formed. But in the post-independence period, while the government continued its old role of arbitrator, the elaboration of welfare, educative, and tripartite activities again brought governments and associations closer. The attempts at 'informal' price-control, particularly in textiles and food-grains, and the requirements of the emergency had the same effect. While the control administration of 1942-50 was dismantled, the factors we have mentioned brought government authorities and the associations closer. We discuss below the case of the textile industry which shows up this relationship. We also discuss, with the help of this illustration, the problem of the general role of trade associations.

(c) *Associations and the cotton textile field*

In this field, apart from the associations representing mills in various centres and the Indian Cotton Mills' Federation formed in 1959, it is essential to consider the associations of wholesalers, semi-wholesalers, commission merchants, retailers, as well as of the owners of power-looms and handlooms.

The Indian Cotton Mills' Federation covers all the mills in the country. The retail sector is partly organized in the most important cities, but large number of retailers are not members of the associations. The organization of other categories is more comprehensive as is shown by the figures relating to coverage in the year 1958 cited by M. P. Kacker in his *Marketing of Cotton Piecegoods in India*, (1962, p. 179) which we reproduce on the next page.

The struggle over margins, which has gone on between different categories of associations, is most instructive. The Indian Cotton Mills' Federation has a dominant position in the market and is able to squeeze the price spread between the ex-mill and the retail price.

The memoranda presented by each of the associations as well as the publications of M. P. Kacker and L. R. Dasgupta show that the attitude of the mills was often resented by other categories of businessmen in the trade, and that the mills tried to squeeze the margins and, alternatively, to enter the field of distribution themselves. The Indian Cotton Mills' Federation is not only a strong body *vis-a-vis* the trade but is able to control its own members. This influence is partly due to close collaboration established with the Textile Commissioner to link the allotment of high-grade cotton to mills with export performance. The Federation has also attempted to regulate the stock policies of mills so far as raw material is concerned. It has put forward proposals regarding the financing of modernization and the holding of stocks. It has been able to administer a voluntary price-control scheme, though it has been able to do little with its own members except passing on their requests for recognizing increased costs. Broadly it may be said that the Federation can control its members only when explicitly backed by government and when a detailed scheme is

Table 4 : COVERAGE OF ASSOCIATIONS IN COTTON TEXTILE DISTRIBUTION

<i>Name of Association</i>	<i>Year of establishment</i>	<i>Total No. of establishments in the field</i>	<i>Number of members</i>	<i>Coverage per cent</i>
1. The Hindustani Merchants' and Commission Agents' Association, Bombay	1857	450	406	90.2
2. The Madras Piecegoods Merchants' Association, Madras	1919	200	170*	85.0
3. The Panchkuva Cloth Merchants' Association, Ahmedabad.	1897	1,500	1,250	83.3
4. The Maskati Cloth Market Association, Ahmedabad.	1906			
5. The Wholesale Cloth and Yarn Merchants' Association, Nagpur.	1951	125	97	77.6
6. The Kanpur Kapra Committee, Kanpur.	1925	650	463	71.2
7. The Delhi Hindustani Mercantile Association, Delhi.	1893	1350	900	66.6
8. The Bangalore Wholesale Piecegoods Merchants' Association, Bangalore.	1931	250	114	45.6
9. The All-India Exporters' Association, Bombay.	1943	800	350	43.8
10. The Africa & Overseas Exporters' Chamber, Bombay.	1945			
11. The Bombay Piecegoods Merchants' Mahajan, Bombay.	1881	2,500	1,061	42.4

* Resident Members only

prepared. With such backing it can more easily influence other stages of the distributive trade. The Federation also plays an independent role in labour negotiations. The Federation may therefore be said to represent a fairly high point in the evolution of associations. In its bargains with the power-loom and handloom sectors, which are either well organized or have government backing for broad social reasons, there is a struggle for increased allocations of licences. Whether a scheme or an approach taken by an association is in the national interest or not would have to be judged by the effects of its policies on variables like prices, margins, output, employment, etc., and a comprehensive scheme for a field as a whole into which each of the associations would have to fit would be necessary. Such an approach is inevitable now when it is widely realized that the ideal of perfect competition is not necessarily conducive to the attainment of national targets.

(d) *Observations*

Two broad groups of functions performed by trade associations are socially beneficial beyond controversy. One is the function of conducting common activities aimed at cost reduction, and the other is the industrywise representation of problems. While a possible anti-monopoly authority might insist on its endorsement for certain types of monopolistic arrangements, these two groups of activities would need no such endorsement. In both these groups of activities, an unnecessary overlap with chambers of commerce can be avoided. Certain functions which have to be performed in common for all industries are better performed in common. It is on the peculiar requirements of the individual field of activity, and on modifying suitably the activities required for all industries, that associations must concentrate. The particular pattern of relationship with chambers would vary according to conditions, but at present there appears to be room to promote co-ordination in most centres. The newer pattern, however, could give proper status to other supra-enterprise organizations and to planning-requirements rather than approximate to the older Calcutta-model where the chambers manage associations. At present, associations appear to be undertaking activities such as certain forms of arbitration and collection of statistics which could be better left to chambers of commerce to ensure co-ordination. In these fields, as in others, it is necessary to consider problems area by area, so that justice is done to each type of the organizations involved.

Associations perform many functions similar to those performed by the chambers of commerce and at times even go beyond them in a number of ways. On the other hand, chambers of commerce can help to bring about uniform standards in certain matters as between different associations. The role of associations *vis-a-vis* the community and *vis-a-vis* other organizations is a problem needing more detailed examination industry by industry and region by region. As regards their constitutions, some of the problems presented are indetical with those discussed in the case of chambers of commerce, but we do not go into them here.

SECTION III

(a) *Associations running forward markets*

The fact that government has taken special measures to regulate these organizations of businessmen, and particularly the fact that matters affecting their representative character are also regulated, provide suggestive parallels for the regulation of chambers of commerce.

In some cases, the chambers of commerce themselves have organized forward markets. For example, the Western India Chamber of Commerce maintains a clearing-house and most of its members deal on forward markets; it also performs the usual functions of a chamber of commerce. There are certain bodies of businessmen running forward markets in different *mofussil* centres, which describe their organizations as chambers of commerce or

merchants' chambers but confine their functions almost exclusively to the organization of forward markets. What adds to the confusion is the fact that forward markets, unlike other trade-associations, emphasize the area served and often cover more than one commodity so that the similarity to chambers of commerce is marked. Quite a few associations running forward markets are affiliated to chambers of commerce.

(b) *Special government efforts at regulating associations conducting forward markets*

The articles of association, the bye-laws and the working-procedure of the associations running forward markets have been modified by the Forward Markets Commission so as to highlight their public function. Membership has been thrown open to all possessing financial resources, keeping, at the same time, persons of doubtful repute and persons without any direct stake in the commodity out. The finances have been carefully regulated, investment prescribed, and risks of default provided against. Contributions to other institutions are prohibited until a reserve fund is built up. In voting, the principle of one vote for one member is adhered to, and panels representing different interests are allotted a definite number of seats on the board. Thus dealers, exporters, processors, brokers, etc., are provided for; the Forward Contracts Regulation Amendment Act of 1957 supersedes the provisions of the Companies Act, 1956, which did not permit a system of election to the board of directors on the basis of functional or local panels. In the case of the Saurashtra Oil and Oil Seeds Association, the Commission reserved seats on the board of directors for the different regions in which several different associations which had applied for recognition were located, and granted representation to new associations so as to provide facilities at all the centres.

Associations of traders, organized to set up forward markets, result in moving closer to perfect competition, because they help to reduce fluctuations over time and space without organizing monopoly, by standardizing procedures and conditions of trading including the types of forward contracts permitted. A comprehensive scheme of price stabilization and State-trading in agricultural commodities may render forward markets superfluous or reduce their importance.

In the case of the North Indian Associations, which are constituted on a share-capital basis, with the primary objective of earning commission by acting as clearing agents, a panel system has been adopted so that interests other than those of commission agents and non-trading shareholders are represented.

Future trading is at present regulated in 13 commodities through 13 recognized associations and is banned in 53 commodities in short supply.

The Forward Markets Commission has succeeded in establishing representative, well-knit and broad-based associations trading in important commodities at selected centres; uniformity in trading practices has been secured, conventions for dealing with emergencies established and schemes for the

training of association secretaries organized. The statistical services have also been improved. At the same time the respective associations retain a certain amount of independence and initiative. Though the Commission revises the constitutions of associations and prohibits certain practices, associations remain free to take the initiative as regards the permitted types of activities. While the overall objective of the regulation of forward markets, and therefore of the associations organizing them, is very limited, it is clear that the experience is of considerable interest for policies relating to chambers and other types of associations.

SECTION IV

(a) *Export-promotion councils*

Of all the supra-enterprise organizations considered, the export-promotion councils are, at present, connected the least with chambers of commerce. The relations between the chambers and export-promotion councils, and the role of chambers in the export-effort are, however, under active discussion.

The export-promotion councils have been established in India through the initiative of government. The latter felt that while there were certain agencies which looked after all problems (of which export problems were comparatively unimportant) of particular commodities, and other agencies which looked after the export problems generally of all commodities, there were no agencies which were concentrating upon the export problems of individual commodities having an export potential. Hence, export-promotion councils were established particularly in respect of commodities making a substantial contribution to the foreign-exchange earnings of the country or having an export potential. So far 16 export-promotion councils have been established in respect of engineering products, cotton textiles, chemicals and allied products, cashew, leather and marine products, mica, shellac, plastics and linoleum, milk and rayon textiles, spices, sports goods, tobacco, processed foods, basic chemicals, pharmaceuticals and soaps.

(b) *Organization*

The councils consist of officials as well as trading and manufacturing interests. They are non-profit-making limited companies registered under the Companies Act. They have no share capital. Generally they are two-tier organizations consisting of a general body of members and a committee of administration elected every year by the general body. In some councils there are electoral colleges which elect the committee of administration (e. g., The Cashew Export Promotion Council).

Nominees of the state governments and the concerned ministries of the Central Government, or representatives of autonomous bodies like the State Trading Corporation, serve on the committees of administration set up by the councils, and thus, the necessary liaison is maintained between these bodies and the Government agencies represented by them. The Committee

of Administration in turn appoints regional committees, if necessary. It also appoints various other sub-committees such as registration sub-committee, replenishment sub-committee, publicity sub-committee, delegation sub-committee, complaints sub-committee, shipping sub-committee, overseas sub-committee, finance sub-committee, etc. These sub-committees generally deal with the specific subjects coming under their purview. Apart from these sub-committees, in the case of composite export-promotion councils, such as the Engineering Export Promotion Council and the Chemicals and Allied Products Export Promotion Councils, various panels are appointed to deal with the problems pertaining to a specific product. The Engineering Export Promotion Council had about 35 panels dealing with export problems of such commodities as diesel engines and pumps, electric fans, wire and wire products, foundry products, cycles, agricultural implements, etc. The Chemicals and Allied Products Export Promotion Council had about 11 panels on pharmaceuticals and fine chemicals, acids and fertilizers, paints, glass and glassware, rubber, soaps and toiletries, ceramics and enamel paints, etc. One representative from each of these panels was taken on the committee of administration and thus this committee was broad-based so as to represent all interests in a particular industry.

(c) *Membership and finance*

We were able to secure data regarding the membership and finance of only 12 export-promotion councils. These data are presented in Table 6 in the Appendix to this chapter.

As regards the membership of these councils, it varied from seven (the Cashew Export Promotion Council) to 1,106 (the Silk and Rayon Export Promotion Council). As regards the export-promotion councils dealing with cashew, mica, marine products, tobacco, etc., their membership was very limited (below 50) as they happened to be the new lines of Indian exports, and the number of exporters of these products was very limited. The Cotton Textiles Export Promotion Council and the Engineering Export Promotion Council had a sizeable membership of 441 and 398 respectively.

The total income of these councils varied from Rs. 84,409 (tobacco) to Rs. 15,54,672 (Engineering). A substantial portion of their income was derived from the trade and industry through contributions, membership subscriptions, donations, and sale of publications. A part of the expenses of these councils are also met by the government. Apart from giving general grants to these councils, government also gives special-purpose grants for specific activities undertaken by these councils. Out of the 12 councils, three councils have shown deficits; the largest deficit is found in the case of the Cotton Textile Export Promotion Council (Rs. 7,30,793). We were informed that this deficit was ultimately adjusted against government grants.

(d) *Activities of these councils*

The functions of these councils are two-fold : (1) advisory functions, and (2) executive functions. The advisory functions include advising

the state governments, the Central Government and the local authorities, on the implications of their policies on export-trade and industry and making representations to them on difficulties and problems. In the executive functions are included participating in foreign trade-fairs and exhibitions, distribution of samples and literature, maintaining show-rooms and foreign offices, sending trade delegations, operating special export-promotion schemes, conducting market surveys, collecting statistics, publishing bulletins, working for standardization and quality control, etc. These are the principal activities² which most of the councils undertake. Apart from this, some special activities are also undertaken by a few councils. To mention a few, construction of storage tanks for cashewnut-shell liquid in Willingdon Island by the Cashew Export Promotion Council, fashion shows abroad by the Cotton Textile Export Promotion Council, promotion of Rayon Export Finance Corporation by Silk and Rayon Textiles Export Promotion Council, etc.

Out of the 16 export-promotion councils, during the year under review, six had established branch-offices in other important centres in the country. Out of these six, engineering and cotton textiles export-promotion councils had opened three branches each, while the Plastics and Linoleum Export Promotion Council had opened two branches. Apart from such branches in the country, three councils had opened full-fledged offices in some of the countries, and three councils had maintained foreign correspondents.

(e) *Observations*

Coming back to our problem, viz., relations of chambers with similar organizations, we find that there is no formal liaison between the export-promotion councils. For a concerted export-effort, a detailed commodity-wise approach is necessary. Such an effort also requires adequate co-ordination between the individual commodity councils, trade associations and the chambers of commerce. At present, while there is some amount of co-ordination between a particular export-promotion council and its corresponding trade association, the co-ordination between composite chambers of commerce and export-promotion councils appears to be very much lacking. While export-promotion councils are situated at a few centres, the chambers of commerce and trade associations are spread all over the country, and can effectively supplement the work at present done by the export-promotion councils. For instance, they can assist their exporter-members in complying with the necessary formalities, can keep the essential information regarding the exports and disseminate it among the exporter-members, can organize seminars, study groups, discussions, lectures, etc., on the sub-

² An important activity of the working of the Export Promotion Councils was their encouraging of the setting-up of export houses. Indian Engineering Products (Exports) Limited and Capexil (Agencies) Ltd., and Rayex (India) Private Ltd., are the three bodies in the field. However, the first two have decided to go into voluntary liquidation; the second has done only a small volume of exports up to the end of 1964. The third was only recently recognized. (*The Financial Express*, August 18, 1965, page 5.)

ject of exports and thus can create export-consciousness in the business community. A few chambers are already undertaking activities of this nature and mention may be made here of the activities of the World Trade Department of the Indian Chamber of Commerce, Calcutta, the export wing of the Mahratta Chamber of Commerce and Industries, Poona, the export sub-committee of the Bombay Chamber of Commerce and Industry, etc. Some sort of co-ordination between such bodies and export-promotion councils appears to be necessary.

Much can also be said as regards the co-ordination among the various export-promotion councils. One of the points of criticism of these councils is the duplication in their activities such as publication of bulletins, organizing publicity in India and abroad, sending trade delegations abroad, etc. It is necessary to avoid such duplication wherever possible and organize schemes jointly where possible. For instance, the Chemicals and Allied Products Export Promotion Council and the Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council can co-ordinate their activities in the matter of conducting market surveys or studies, or of sending delegations abroad, as it is probable that the interests covered by the two councils are common or at least comparable. Similarly the Cotton Textiles Export Promotion Council and the Silk and Rayon Textiles Export Promotion Council can undertake joint endeavours in an effort to achieve economy in expenditure and efficiency in operation. It is hoped that the recently promoted Federation of Export Promotion Councils gives thought to this problem and comes out with concrete proposals.

Both the chambers of commerce and the export-promotion councils would have to function in a context of institutions in which an overall trade-policy was reflected. The Prabhu Mehta Committee appointed to review the work of the export-promotion councils, released its report on 9th June 1965. It made certain general recommendations such as proposing an export-industries' raw material corporation, and a non-official organization to assist enterprises in setting up joint ventures in the developing countries. They also made specific recommendations for Export Promotion Councils such as five-year budgets and five-year programmes of work, an elaboration of intelligence and statistics, and exercising supervision over members to detect under-invoicing or over-invoicing.

There is thus considerable ground to be covered in building up a variety of supra-enterprise organizations in the export-promotion effort.

In this connection it may be recalled that the Study Team on Techniques of International Trade sponsored by the N.P.C. suggested that the chambers of commerce could undertake activities to promote the export-effort that would cover the following fields :

- (a) Production for export;
- (b) Maintenance of ethical standards in trade and commerce;
- (c) Harmonizing exporting-interests with the interests of domestic trade and manufacture.

(d) Attention to infra-structure of commerce such as shipping, transportation, insurance, banking, etc.; and

(e) Emphasis on economic co-operation between India and other countries.

While these suggestions are important, we should like to emphasize another dimension. The chambers of commerce, in our opinion, should try to ascertain and to develop the export potential of the region through a study of local resources and the encouragement of their development. The chamber of commerce should provide a link between regional planning and other forms of planning, and in this context, the export-effort will find its place. The undertaking of weighing and measurement, certificates and maintenance of standards could be further developed and international recognition for the same achieved. In this connection the International Chamber of Commerce resolutions for 1963-65 have some suggestions to offer, such as certifying only where checks are possible and avoiding negative attestations.

Finally, the chambers of commerce have been historically connected with the *swadeshi* movement and today can not only promote import substitution but can help do it in ways that will not harm our export-effort.

APPENDIX

Table 1 : DETAILED BREAK-UP OF MEMBERSHIP OF LOCAL PRODUCTIVITY COUNCILS IN 1962-63

<i>Name of Council</i>	<i>Industrial units</i>	<i>Organizations and Associations</i>	<i>Individuals</i>	<i>Total</i>
1. Agra	42	5	4	51
2. Ahmedabad	47	—	62	109
3. Amritsar	54	5	4	63
4. Andhra Pradesh	77	9	103	189
5. Asansol	24	8	113	145
6. Assam	32	7	63	102
7. Baroda	50	20	94	164
8. Batala	24	3	2	29
9. Belgaum	22	6	64	92
10. Bombay	154	45	601	800
11. Calcutta	118	23	124	265
12. Central U. P.	44	3	12	59
13. Coimbatore	32	13	59	104
14. Cuttack	25	9	26	60

APPENDIX—(Contd.)

Table 1 : DETAILED BREAK-UP OF MEMBERSHIP OF LOCAL PRODUCTIVITY COUNCILS 1962-63 (Contd.)

<i>Name of Council</i>	<i>Industrial units</i>	<i>Organizations and Associations</i>	<i>Individuals</i>	<i>Total</i>
15. Dalmianagar	7	3	76	86
16. Dhanabad	4	—	17	21
17. Delhi	130	30	59	219
18. Eastern U.P.	16	8	16	40
19. Faridabad	63	12	5	80
20. Malnad (Hasan)	24	15	1	40
21. Jamshedpur	17	6	180	203
22. Jullundur	66	9	10	85
23. Kanpur	55	6	20	81
24. Kerala State	59	5	26	90
25. Kolhapur	55	5	39	99
26. Kutch-Saurashtra	76	16	19	111
27. Ludhiana	65	7	16	88
28. M. P. State	52	14	92	158
29. Madras	110	28	165	303
30. Madurai	25	8	97	130
31. Mangalore	15	3	16	34
32. Mysore Dist.	16	7	54	77
33. Mysore State	37	18	99	154
34. Patna	30	26	39	85
35. Poona Division	79	25	23	127
36. Rajasthan State	44	13	80	137
37. Ranchi	15	3	115	133
38. Rohilkhand	36	10	56	102
39. Salem	21	—	35	56
40. Sonapat	24	—	16	40
41. Surat	54	9	124	187
42. Tiruchirapalli	34	7	89	130
43. Vidarbha	32	12	49	93
44. Western U.P.	37	11	51	99
45. Tirunelveli	37	3	31	71
	2080	475	3036	5591

APPENDIX—(Contd.)

Table 2 : ACTIVITIES CONDUCTED BY LPCs FROM 1959-60 TO 1962-63

	1959-60	1960-61	1961-62	1962-63	Total
(1) <i>Training Courses</i>					
No. of courses	85	145	200	284	714
No. of participants	1540	2440	3560	4640	12180
(2) <i>In-country Teams</i>					
No. of in-country teams	7	29	40	36	112
No. of members	76	252	322	335	985
(3) <i>Seminars</i>					
No. of seminars	62	105	93	118	378
No. of participants	4556	8503	6491	6882	22432
(4) <i>Foreign Fellowships</i>					
A.S.-Aid fellowships	37	49	62	45	193
French fellowships	19	15	15	15	64
Colombo Plan fellowships	—	2	16	2	20
USSR fellowships	—	—	23	—	23
Czechoslovakian fellowships	—	—	15	—	15
Total	56	66	131	62	315

Table 3 : INCOME UNDER EACH HEAD FOR 23 LPCs IN 1962-63

<i>Name of item</i>	<i>Total amount</i>	<i>Percentage</i>
1. Membership subscription	2,90,481·82	29·41
2. Entrance fees	21,806·00	2·21
3. Matching contribution by NPC	3,19,854·82	32·38
4. State government aid	41,000·00	4·16
5. Course fees	2,58,052·03	26·12
6. Advisory service	1,600·00	0·16
7. Advertisement charges and newsletters	17,862·25	1·81
8. Sale of publication	90·00	0·01
9. Donations	3,400·00	0·34
10. Interest	3,987·25	0·40
11. Grants	20,589·40	2·08
12. Miscellaneous	8,969·14	·92
Total	9,87,792·71	100·00

APPENDIX—(Contd.)

Table 4 : EXPENDITURE OF 19 LPCs ON EACH HEAD¹ IN 1962-63

<i>Name</i>	<i>Total</i>	<i>Per cent</i>
1. Salary and allowances	1,64,949.65	24.33
2. Printing and stationery	41,338.98	6.12
3. Travelling and conveyance	25,240.17	3.74
4. Rent	29,941.90	4.43
5. Courses	1,65,441.92	24.51
6. Seminars	19,666.38	2.91
7. Lectures	4,234.68	.63
8. In-country Teams	34,867.93	5.16
9. Circuit Teams	3,054.79	.45
10. Audio-Visual Programme	1,943.30	.30
11. Exhibition	148.89	.02
12. Meeting expenses.	12,871.97	1.91
13. Publications (Journal)	27,238.93	4.03
14. Industrial Engineer	20,896.95	3.10
15. Miscellaneous office expenses	1,23,254.99	18.26

¹ Surplus is excluded.

Table 5 : AMOUNT OF SURPLUS OF 19 LPCs AT THE END OF 1963

<i>Name</i>	<i>Surplus amount</i>
1. Amritsar Productivity Council	8,540.36
2. Andhra Pradesh Productivity Council	13,677.11
3. Asansol Productivity Council	12,775.23
4. Baroda Productivity Council	12,720.34
5. Bombay Productivity Council	57,637.35
6. Calcutta Productivity Council	74,040.11
7. Coimbatore Productivity Council	5,740.36
8. Cuttack Productivity Council	4,951.16
9. Delhi Productivity Council	8,249.35
10. Jamshedpur Productivity Council	7,262.85
11. Kerala State Productivity Council	8,997.33
12. Kolhapur Productivity Council	2,629.35
13. Madurai Productivity Council	2,281.40
14. Patna Productivity Council	7,362.85
15. Poona Divisional Productivity Council	15,646.96
16. Rohilkhand Productivity Council	6,022.04
17. Surat Productivity Council	5,759.67
18. Tiruchirapalli Productivity Council	11,915.98
19. Western U.P. Productivity Council	6,250.41

Table 6 : THE MEMBERSHIP, TOTAL INCOME AND EXPENDITURE OF THE 12 EXPORT PROMOTION COUNCILS FOR 1962-63

<i>Name of the Export Promotion Council</i>	<i>Membership</i>	<i>Total income</i>	<i>Total expenditure</i>	<i>Surplus or deficit</i>
1. The Cashew Export Promotion Council	7	8,47,996.68	6,12,382.92	+ 2,35,613.76
2. The Chemicals and Allied Products Export Promotion Council	—	7,39,055.00	6,60,960.00	+ 72,095.00
3. The Cotton Textiles E.P.C.	441	3,61,806.51	10,92,599.85	-7,30,793.34
4. Engineering Export Promotion Council	398	15,43,672.20	14,34,340.43	+ 1,09,331.77
5. Marine Products E.P.C.	25	2,31,075.97	1,75,474.05	+ 55,601.92
6. Mica Export Promotion Council	134	1,47,777.62	93,247.49	+ 54,530.13
7. Plastics & Linoleums E.P.S.	199	1,53,518.60	1,38,604.01	+ 14,914.59
8. Shellac Export Promotion Council	18	1,55,091.17	1,19,319.46	+ 35,771.71
9. Silk & Rayon Textiles E.P.C.	1106	1,37,374.47	22,324.01	+ 1,15,050.06
10. Spices Export Promotion Council	—	2,67,270.82	3,15,791.95	- 48,521.13
11. Sports Goods Export Promotion Council	40	1,01,265.40	81,573.46	+ 19,691.94
12. Tobacco Export Promotion Council	48	84,409.00	99,869.00	- 15,460.00

CHAPTER EIGHT

Lines of Development Open to Indian Chambers of Commerce

Problems of reorganization

THE FACTS WE HAVE PRESENTED in this report establish that while chambers of commerce have a considerable level of achievement to their credit, their potentialities are clearly greater.

Few people today dispute that these organizations need a new orientation. As at present, there is a multiplicity of chambers of commerce in cities like Bombay, Calcutta, and Madras, while they are absent in certain cities and regions. The geographical jurisdiction of each chamber is not defined and there is considerable common and overlapping membership. There is duplication of work between various supra-enterprise organizations including chambers of commerce and government agencies. The functions performed by chambers of commerce need to be enlarged in order to make them meaningful institutions related with regional developments. This would require reviewing the financial position of many chambers of commerce. Finally, all chambers of commerce are intended to be representative institutions. The multiplicity of organizations of varying membership-composition in a few centres, and the oligarchic character of the leadership in some chambers make it clear that there is, at present, no criteria by which we can judge whether chambers are really representative of the business in the region.

A number of issues arise as a result of these conditions. The following appear to be the most important :

1. What are the steps necessary to reserve the term chambers of commerce for the use of recognized bodies only ?
2. What are the best means of making chambers of commerce more representative of industry and trade in a particular region ?
3. How can duplication of functions between chambers and other organizations be avoided ?
4. How best can chambers of commerce increase the range of services offered and functions performed ?
5. Are there any possibilities of exchanging members, functions, and funds between chambers ?
6. How far and through what means should the finances of chambers of commerce be improved ?
7. Finally, on the basis of the answers we give to these questions, is it possible to propose a comprehensive blue-print of re-organization for (a) chambers of commerce, and (b) central bodies representing business ?

Possible initiatives

We said above that there is little dispute today about chambers of commerce requiring reorganization. However, when it comes to indicating a definite line of development or reform, differences of opinion arise. A blue-print of reorganization would not only have to answer the different questions we have raised above but would have to indicate the persons who are to act to improve the situation and the means through which such action is to be rendered effective. Three broad alternatives appear to be open.

The first alternative is to attempt the stepping of expansion in coverage and function, without any basic legal change. Such a strategy would aim higher than a slow growth of membership that would merely keep pace with the rate of business expansion. The attempt would have to be to draw medium and small-scale businessmen into the fold. In this connection, it is well to remember that chambers of commerce supply many services that would otherwise probably be supplied by the government, and hence an increase in functions strengthens their position as surely as an increase in coverage does.

The second line of development is adoption of the continental model of organization to secure rationalization in coverage and functions. The attractive part in this proposal is the package character of the reform which can simultaneously solve the problems of geographical jurisdiction, of fair representation, and of finance. It can also improve efficiency in consultancy, promotion of regional planning, the collection of statistics, etc. The continental form is compatible with very different degrees of freedom and initiative for chambers of commerce.

A third strategy is that of piecemeal rationalization. This may or may not include a semi-official status for chambers of commerce. If a semi-official status is to be acquired by chambers of commerce, they will have to include in their functions the maintenance of a register of firms in their region. The maintenance of a register enables a chamber to ask for grants and to charge a registration fee. It also systematizes representation and planning. An even more limited programme involving initiatives of a minor character from government may also be envisaged.

Mere expansion through businessmen's initiative would not secure general support for chambers of commerce. The continental or compulsory membership model even if it can avoid bureaucratic interference can lead to a loss of interest on the part of members. A middle-line approach based on voluntary efforts and government action through grants encouraging certain constitutional types and influencing matters through selective appointments to advisory committees, etc., would help to bring about rationalization of membership and function. The acceptance of certain public functions and acquiring a semi-official status while retaining freedom of initiative would be even better.

In this connection international experience has some useful lessons to offer.

International experience

We had discussed this experience briefly in Chapter One. The classification of chambers of commerce into those belonging to the voluntary-membership type and the compulsory-membership type, was our point of departure. However, this distinction was immediately qualified. Firstly, semi-official chambers that existed combined some of the characteristics of both. Secondly, the degree of regulation and the degree of fair representation achieved in the official and non-official types respectively, could not be easily contrasted as there were considerable variations within each type. In drawing upon international experience, therefore, it is the concrete cases of Japan and France that are particularly suggestive for the Indian case.

The semi-official chamber can combine a recognition of the importance of the public character and functions of chambers of commerce with a retention of the flexibility and freedom claimed by private organizations. In a mixed economy it may be *a priori* preferable to the other types.

In the Japanese case, chambers are public organizations. They maintain a register of all businessmen above a certain size in their area. This register provides a constituency when it is important to secure the representation of the entire business-community. The chambers also have their members as distinct from the list of constituents found in their register, and these members are free to organize a variety of common activities and to put forward their views through channels left open for them. The Japanese chambers have reached this position after some experimentation with the official and non-official extremes in organizational types and hence to a certain extent may represent a happy balance. They certainly avoid the difficulty that arises when official and non-official bodies representing business become as it were rivals. They ensure fair representation without bogging down the organization with an artificial multi-class approach.

The French chambers of commerce have been reduced to relative insignificance because of the limitations imposed by the Chamber of Commerce Law. The main strength of the French chambers of commerce lies in the sphere of regional action. Two facts account for this. One is that there exist in France a variety of mechanisms to influence regional development, and the other is that the French official chambers, like other chambers, are essentially regional bodies, while private businessmen's associations in France mainly tend to be organized industrywise; hence there is a relatively effective participation by chambers in regional planning.

The upshot of international experience for India appears to be that she should accept a semi-official status for chambers of commerce. The introduction of an official element will emphasize their prestige, will ensure the maintenance of the register for a variety of representational and planning purposes and will provide for the minimum element of public regulation, co-ordination and direction essential to a system where planning prevails and many sectors with different forms of organization flourish. The private character also continues and may yield its best in a semi-official set-up.

One can still have a roll of members and one would be able to encourage even a larger range of activities than are undertaken at present. It would be easier to obtain subsidies and easier to obtain full co-operation for profit-making activities if a semi-official status was accepted. At the same time it would be possible to retain considerable independence of initiative and leadership for the business community. Securing access to planning processes, decision-making bodies, and advisory bodies, especially regional ones, would become more systematic. Co-ordination with other supra-enterprise organizations should improve. The mere maintenance of the register would partially help to solve the financial problems of chambers of commerce. The gains from this, however, would be partly spent in the administrative services provided. What is really important is the freedom to secure funds for profit-making activity. A balance between government-allotted funds and funds earned by the chamber itself, as also a balance between subscriptions of members and other source of income, are suitable for the semi-official organizations suggested. Concretely, therefore, the maintenance of a register as a function allotted by government to chambers and the undertaking wherever possible of a larger range of consultative services on the basis of a profit appear to be the main recommendations. Thus, the chamber will have some of the elements of a government department and some of the elements of a firm as also some of the elements of a representative body interested in promoting the interest of a class. It will acknowledge the importance of the community. It will actively co-operate with the planning-process by the logic of its organization. We have commented earlier that a chamber bears analogy with a variety of institutions such as an instructional centre, a court of arbitration, a relief agency, and performs several functions undertaken by specialized institutions. The rationalization of these functions and their more effective performance would be more possible for a semi-official organization. On all counts, therefore, a semi-official status appears the most suitable for Indian chambers of commerce. The emphasis should be on preserving and enhancing the democratic and representative character of these bodies.

All this, however, at best indicates a general approach. It is the concrete rationalization proposals that we make in Section 5 of this chapter that reveal the character of the proposed reform. Before we go on to this discussion, however, we must have before us two further sets of facts. Firstly, we must draw such lessons as are relevant for chamber organization, from our experience with a semi-official status for local productivity councils and export-promotion councils. Secondly, we must sum up the efforts made to expand the coverage and functions of chambers of commerce in recent years.

The analogy of the local productivity councils, and export-promotion councils

The constitutions of local productivity councils and export-promotion councils provide certain lessons which can be adopted in reorganizing chambers of commerce. Both bodies enjoy a semi-official status.

Government officers of the concerned departments are represented on the executive committees both of the local productivity councils and of the export-promotion councils.

Government assistance in the form of matching contributions are available to both. There is full freedom to take decisions on internal matters and criticize the government, if necessary.

The local productivity councils are tripartite bodies. Tripartite bodies cannot bargain effectively for particular interests and hence do not provide a model for chambers of commerce. The export-promotion councils do not have this complication.

A further feature of the export-promotion councils is that registration of exporters has now been made obligatory. Import entitlements are also provided by these councils.

It may, therefore, be argued that the usefulness of the semi-official pattern of organization has already proved itself in the case of these bodies.

Expansion in coverage

It is necessary to note briefly the efforts already made in this direction.

The FICCI organized an all-India businessmen's convention in New Delhi early in 1960. It marks the initiation of a number of organizational developments in the chamber- and association-movement in the country. This meeting had a significance quite distinct from the usual gatherings of business representatives or of the seminars on important subjects like sales tax, transport, export promotion, planning, etc., that the Federation has promoted from time to time. It gave a fillip and direction to chamber- and association-activities in different states and has to be noted along with the organization of traders' strikes, etc., as a distinct political development.

At the State level the most impressive development following from the businessmen's convention was in Bengal, where the three leading Indian chambers of commerce representing rather different types of businessmen came together for new purposes under B. M. Birla's leadership. They organized the Bengal Businessmen's Convention with the objective of improving coverage and organization of chambers and associations. The Convention has been more successful in completing the coverage of chambers and associations rather than in its other activity which aimed at chambers encouraging promotion of enterprises. The objective of bringing within the movement's compass the unorganized sector of business, i.e., small trade associations in *mofussil* areas, has been explicitly adopted and followed through in Bengal. The Bulletin of the West Bengal Business Convention of May 1962 stated : " And with these perspectives in view the Convention has set up a permanent body whose objectives are to develop a feeling of solidarity amongst the businessmen of all ranks in the State of West Bengal by strengthening the existing Associations of Trades and Industries and by establishing new Associations where they do not exist. It also seeks to offer secretarial and other assistance to such associations and has

adopted a programme of holding Zonal Conferences where businessmen of particular areas may meet to discuss their common problems."

Promotional activity has consisted in circulating schemes for small-scale industries and informally assisting in the perception of business opportunity and organization of resources. It has been on a very restricted scale. Advice of promotional significance was given on an informal basis only by one chamber and the total number of cases handled successfully did not exceed a few dozens. It is more important to review the success in spreading chamber and industrial organization. The annual expenditure of the Convention office has amounted to between Rs. 30,000 and Rs. 50,000 and a small full-time staff is engaged in organizational work. A complete location of the existing organizations in *mofussil* Bengal gave the interesting result, as stated in Chapter Two, that Bengal has about 400 chambers and associations. For the first time a census had been attempted for one State, through the use of banking, journalist and marketing committee contacts. The fact that the standing committee of the Convention has been able to assist in the formation or reformation of at least 34 associations including 24 or 25 *mofussil* ones, while six were still in a formative stage at the time of enquiry, is impressive. These results are for the period between 1961 and 1963. Five thousand businessmen attended the Convention in 1959 and a higher number is now a target. When we recall that the population of traders in India is perhaps higher than that of labour in modern Indian industry, the political potential of the Bengal experiment becomes striking. These results moreover appear to have been obtained at a relatively low expenditure. The possibility of providing a sort of an extension service for the bodies that are either set up (34 in this case) or newly contacted (100 new names were discovered including 40 in the *mofussil*) has been under consideration.

The various difficulties in expanding the membership of chambers of commerce are common in most regions. The wholesalers and retailers mainly require outside services for purposes like sales tax, the shop act, etc. Such services can easily be supplied by consultants, and they have no incentive to join chambers. An association to bargain with other stages of the same trade is often more useful, and hence retail traders are more likely to welcome membership of such bodies. A complete coverage by chambers of commerce either directly by maintaining a register or indirectly by combining a smaller register with registers maintained by member associations, coverage of which would be exhaustive for their respective fields, is of importance. The flow of information back and forth from government to business is greatly facilitated by complete coverage.

In this context the purpose for which coverage is to be expanded is important. The point can be either the strengthening of a given business leadership; or the introduction of systems aimed at introducing equity between businessmen and democracy in business representation. The voluntary efforts at expanding coverage, however, should be welcome in the absence of superior plans.

There have been attempts at improving coverage not only horizontally but also vertically by developing state-level organizations. Recently, states with numerous chambers and associations have shown a tendency towards organizing state-level federations or sometimes sub-regional federations.

In Gujarat, for example, two separate types of proposals were developed. One was to form a federation of chambers for the Saurashtra Sub-division. The inspiration was the Saurashtra oil mills association which under the guidance of the Forward Markets Commission had developed a single organization with six local rings to serve different areas. There was also a proposal for forming a federation of over 35 chambers of commerce and local organizations of businessmen in Gujarat. Financial implications and fear of being overshadowed by other regions and by the powerful Gujrat-Chamber of Commerce were among the inhibiting factors.

Among the states making an early move in this field may be mentioned Maharashtra. The Maharashtra Economic Development Council which brings together most of the important chambers in the State has turned out to be primarily a body undertaking a variety of research service. The presumed ends of bringing together chambers of commerce, viz., to overcome sub-regional and communitywise feelings, and to participate in planning, do not appear to have borne fruit.

In Bengal the businessmen's convention represents an attempt at a centralized movement as distinct from a centralized chamber.

It appears that where a relatively homogeneous business class and a dominant chamber of commerce exist, it has been easier to set up state-level bodies.

Expansion in functions

It is convenient to classify functions so as to indicate the particular groups of functions that have been on the increase. The functions of chambers of commerce may be classified into the representative, the promotional, those aimed at the provision of common services, and finally, the regulative. It is usual with many chamber-executives to describe the representative function as a defensive function while the others are called constructive.

Broadly, it can be said that the constructive functions of chambers of commerce have been gradually on the increase.

Close rapport has been established with government agencies engaged in promotional work. In the case of some chambers of commerce similar rapport with the new organizations such as local productivity councils, export-promotion councils, etc., has also been established. The leading chambers have experimented with promotional and consultancy services. These services may be regarded as sub-divisions within the category of constructive functions. The third category in this class, namely, undertaking regulative functions on behalf of departments, has not been developed. The liaison with government is mainly in matters where no defensive consideration crops up.

A review of the staff, equipment and organization, and of total money spent by chambers of commerce, immediately makes it obvious that the increase in the coverage of functions is not very significant. Member firms, especially the bigger ones, have larger resources and well-qualified expert staff. They hardly require external guidance on matters like taxation, labour problems, legal provisions, finance, etc. Smaller members do require such services, but here the chambers have now to face the competition of consultants who provide these services for a small retainer. Thus, apart from the representative functions of chambers of commerce, the most important function that the bulk of chambers currently seem to perform is that of acting as a clearing-house of information secured from various sources. Unfortunately, the bulk of this information comes from government. The leading chambers having experts on their staff are alone in a position to guide their members in day-to-day requirements. As for broader matters connected with regional planning, only a few tentative beginnings can be seen in the cases of a few chambers of commerce.

Rationalization proposals

The expansion in coverage could be achieved without arousing any resistance. An expansion of functions also would not arouse resistance. It is of course possible that undertaking functions helpful to planning would meet with resistance owing to ideological preconceptions and apathy.

It discussing schemes requiring something more than private initiative, it becomes necessary to take tentative positions on a number of organizational points.

To begin with it is necessary to envisage a general pattern of geographical coverage. The chambers in metropolitan areas can either be unified or left as they are with certain activities co-ordinated. Specialization in particular functions and services by certain chambers, and making such services available to other chambers on agreed terms could be an important development.

The organization of at least one chamber of commerce for one district would have to be a policy objective. Multiplicity can be discouraged in the newer industrial areas and geographical jurisdiction prescribed.

At the national level, the merger of the FICCI, the ASSOCHAM, and the AIMO on the one hand, and of the Employers' Federation of India and All-India Organization of Industrial Employers on the other, can be envisaged. Rationalization of coverage of trade associations would be a complimentary step.

At the state level one can think either of an apex body representing various interests or of a leading chamber that takes a specialized interest in planning-activity at the state level.

When one comes to rationalization proposals, problems of certain sections, who are unfavourably affected, come up frequently. We discuss below under six separate heads a number of rationalization proposals. It was possible to reach firm conclusions on only some of them.

(a) *Granting recognition to chambers of commerce or protecting the use of the term 'chambers of commerce'*

The first point in this connection is the desirability of laying down minimum conditions for the recognition of chambers of commerce. The public recognition that goes with the use of this name makes it desirable that its use be restricted. It is desirable to grant permission to an organization to use the term 'chamber of commerce' if (1) the region it represents is of a minimum size; (2) if its membership reaches either a prescribed minimum number or a prescribed minimum of capital employed; (3) if its executive reflects the composition and opinions of business in this region; and (4) if it performs what may be called minimum essential functions. One of the main objectives would be to discourage the growth of new overlapping chambers. As criterion No. 1 would create difficulties for chambers in large centres and criterion No. 2 would make it difficult for *mofussil* chambers to secure recognition, it would be necessary to recognize two or more classes of chambers of commerce and to relax the criteria appropriately in each case. It should be possible for businessmen's conventions, or central bodies representing business, preferably in consultation with government, to lay down definite criteria on this matter.¹

(b) *Transfer of members, functions, and funds between chambers*

The possibilities in these directions can best be brought out by illustrating with reference to a definite region. We therefore examine the possibility of such transfers in Maharashtra.

First for some facts. Maharashtra had about 5,292 members of chambers of commerce in the early 1960's. This figure includes about 300 members who have their addresses outside Maharashtra. On the other hand, an important chamber in a neighbouring state, viz., the Gujarat Vepari Mahamandal of Ahmedabad, has 161 members with their addresses in Bombay. The AIMO which is an all-India body but which has constituent bodies acting more or less as local chambers, has 643 members in Bombay city and a few scattered members in other districts. The latter are not included in our figures of 5,292 members in Maharashtra.

Of the 5,292 members, 3,387 are from Bombay city; they represent one sixth of the national membership and three fifths of the Maharashtra membership. Of the 1,905 members outside Greater Bombay, about 1,000 are in Poona division (including 500 in Poona city) and about 300 members each are in other three divisions, i.e., in the Nagpur division, in the Aurangabad division, and in the residual districts of Bombay division (i.e. excluding Greater Bombay). We can say that chambers-of-commerce activity in Maharashtra is centered in Bombay, Poona and Nagpur. If we consider divisions, then the Bombay and Poona divisions are in the

¹ Any body having 25 members and 2 years' standing can at present affiliate itself to the FICCI as a 'Chamber of Commerce'. The FICCI could consider revising its conventions in this matter.

forefront. There is obviously a need of a further development of representative facilities in the Nagpur and Aurangabad divisions and in the districts outside Greater Bombay in the Bombay division.

The position can be made clear by describing the break-up of the membership of the most important chambers. The Indian Merchants' Chamber has a membership of 1,987 members, with 1,762 from Bombay. It has very few members in other districts of Maharashtra. The Maharashtra Chamber has 508 members in Bombay out of a total membership of 1,004. It has a few members in most districts of Maharashtra, but the bulk of its membership lies in the districts of the Bombay division. The Mahratta Chamber has a total membership of 832, out of which 508 members are in Poona proper, and while it has a few members in most districts of Maharashtra, it has more members than the Maharashtra Chamber in all districts of the Poona division. It may be noted that the Mahratta Chamber has 71 members in Bombay proper, while the Maharashtra Chamber has 52 members in Poona proper; so each chamber has some members in the headquarters town of the other. Similarly each chamber has some members in districts in which the other is mainly representative. The possibilities of a merger of these two chambers has been discussed from time to time. But according to the scheme we shall be developing below, this may not be a suitable line of action.

Before proposing our scheme we must consider some further details of the distribution of the membership of individual chambers. The Bombay Chamber of Commerce has its entire membership in Bombay city. The AIMO has the bulk of its Maharashtra State members in Bombay city with only a few cases of membership in the other districts. In the case of the Gujarat Vepari Mahamandal, out of 1,807 members, 525 are outstation members, and out of these 525 outstation members, 166 are from Bombay. The Gujarat Vepari Mahamandal, Ahmedabad, thus has a substantial number of members in Bombay proper; while the Indian Merchants' Chamber Bombay, has 50 members in Ahmedabad proper. Incidentally, the *mofussil*-membership patterns of the Indian Merchants' Chamber and the Gujarat Vepari Mahamandal are rather different, with the Indian Merchants' Chamber having a small membership in many centres of India, while the Gujarat Chamber draws more heavily on its own state. Turning again to Maharashtra proper, we can note that small chambers of commerce have been organized in Satara, Sholapur and Nasik. There is also a chamber of commerce in Marathawada (i.e. Aurangabad division) which is perhaps the least organized area in the state.

The background information presented above suggests practicable lines of reorganization. The situation in Bombay city can be discussed with reference to two proposals, viz., (1) establishing a single chamber of commerce for the whole city with a formidable membership close to 4,000 members and 150 associations and a total income above rupees seven lakhs per year; and (2) organizing a co-ordination committee on which all chambers in Bombay city would be represented in order to take a unified

stand on policy questions of a regional nature and for developing certain common services.

These proposals require discussion because we cannot think of a still larger chamber, for example, a single chamber for the whole state, as this would destroy the local character of this institution, nor can the present structure yield satisfactory services or satisfactory representation of regional problems.

For Maharashtra State as a whole, the proposed structure implies either one powerful chamber or co-ordinating committee for Bombay city, one divisional chamber for each of the four divisions with exchange of membership as between these divisional chambers; and the organization of one chamber, sub-chamber or branch of a chamber in each district.

We now discuss some of the difficulties that would lie in the way of such reorganization. A unified chamber in Bombay could easily experiment with the development of a variety of consultancy, promotional and extension services. However, it would prove difficult to accommodate different interests even by adopting a constitution so as to yield an executive reflecting the relative importance of different elements. The prevailing levels of fees and levels of requirement of chamber services, however, could be probably accommodated in a single organization. The main advantage would be in the elaboration of services and in the probable reduction of the difference between the view-points of business and of government, which is likely to result from the new balance of interests. Both of these likely results can be achieved to a large degree by setting up an effective co-ordinating committee. In particular, if this committee took a common stand on labour problems, on matters affecting regional planning and metropolitan planning, and on the development of common services by chambers by making available the departments of a particular chamber to members of all chambers on a defined basis, it would be possible to evolve a satisfactory pattern of organization. The influence of Bombay and Maharashtra at the all-India level would also be enhanced.

Adjustments at a divisional level would probably involve less resistance. Even here, however, a clear-cut agreement and a marginal exchange of members so as to leave no chamber worse off than it was before the proposed reorganization would be essential. Emphasizing the regional character of a chamber and participating more closely with regional planning would be helpful in this context. There is no doubt that at present membership of a chamber is a matter of convenience, and the response to a particular chamber may depend upon the speed with which circulars, information, etc., are sent out, or may even depend on accidents such as personal contacts between individual member-businessmen and leading figures in chambers. It is desirable to encourage a businessman to join his own regional chamber at levels most appropriate to his enterprise, and to see that proper facilities of a fairly standardized character are provided at two levels, viz., the divisional level and the district level.

The type of scheme we have envisaged could further be combined with the establishment of an organization representing business, labour, government and other interests to replace or develop the work being done by the Maharashtra Economic Development Council.

If such rationalization at the local level is accompanied by rationalization at the central level, even fuller development of planning-functions would become possible by bringing together the two Employers' Federations on the one hand, and the FICCI and the AIMO, on the other.

We have illustrated certain broad possibilities with reference to the Western Maharashtra region. Similar possibilities exist in most other regions where the chamber and association movements are highly developed. The difficulty arises because there is as yet no movement for systematizing representation procedures nor have functions been undertaken to render the communitywise organization of chambers of commerce obsolete and to replace it completely, not partially as at present, by organizing chambers with a regional orientation. Such forms of rationalization would also result in a much more balanced representation of different sub-sections of business at the state and central levels, and struggle for leadership would not lead to the perpetuation of unnecessary organizations.

(c) *Demarcation and exchange of functions between chambers and other organizations and departments*

As already seen, the chambers of commerce undertake a number of functions apart from the essential ones like communication of information, and representation. In the new context the list of essential functions would necessarily change. Creating background conditions favourable to promotion of enterprises and other organizations, co-ordinating public and private decisions, providing a forum for public and private initiatives, filling in gaps in overhead organization in a flexible way, and thus participating in the economic development of a definite region, appear to cover the new essentials. A chamber must undertake functions which, in this particular country at this particular time, cannot be undertaken with equal success either by private firms or by existing government departments. It must supplement the older list of functions of chambers of commerce.

The geographical area of the jurisdiction of a chamber, the extent of compulsory membership and registration, and financial arrangements such as provision for grants-in-aid would have to be indicated with precision if a definite list of functions is to be proposed. This precision cannot be attempted at the present stage of discussion or at a general level, but will have to be worked out for different areas.

However, in general terms, we propose a reorganization of functions on the following lines :

(1) *Chambers as common service agencies* : A list of minimum functions a chamber should perform can be suggested. Expert services are necessary at least in a few matters of general interest; chambers in different regions may specialize in certain matters according to the requirements of the region.

Not only must chambers exchange information and provide common services but they should ultimately exploit such fields as the collection and dissemination of market information and original statistics, education and training, quality control, development of new techniques of management, and so on. Of course, it is not suggested that every chamber can immediately undertake an ambitious scheme of this sort. But at least the bigger ones may try these out. In fact, they can probably usefully experiment with many other functions of this sort. The chambers must so reorganize their functions that membership of chambers must be a real aid to the conduct of business.

(2) *Promotional functions* : These functions will not be directly concerned with the members of the respective chambers but will benefit society in general. The promotion of institutions like banks, training-institutes, productivity councils, management associations, investment centres; establishing an industrial estate, providing technical and commercial guidance to the new investors and technicians, and assisting them in the preparation of project reports are some of the lines suggested. Of course, a few chambers are already doing some work along these lines, but the attempts are sporadic and their impact is not felt.

In this context we may raise the point that as regards both promotional functions and regional planning, chambers of commerce should not distinguish between the public, co-operative, and private sectors. The co-operative sector has its own unions and associations. They undertake rather restricted functions. They take the form of 'Federal Societies.' These have been specifically provided for in the Maharashtra Co-operative Societies Acts². A federal society means a society (a) not less than five members of which are themselves societies, (b) in which the voting-rights are so regulated that the members which are societies have not less than four fifths of the total number of votes in the general meeting of such a society. While the formation of these societies is voluntary, it is well known that certain types of government help can be obtained only through such

². See The Maharashtra Co-operative Societies Act, 1960, with rules by K. S. Gupte, 1964, published by N. R. Bhalerao, Law Book-Sellers and Publishers, 492 Shanwar, Poona 2. The following quotation from page 45 is significant :

"It may be stated here that the societies achieve the Federal status only after they amend their bye-laws so as to conform to the definition of Federal Societies as contained in sec. 2(13) (b) read with Rule 22.

So far, the Maharashtra State Co-operative Union has been notified as the State Federal Society or the Federal Society as the case may be for purposes of contribution to Education Fund and for contribution to public purposes under Sec. 65(2), sec. 68(1). Vide G. M. (Co-op. & Rural Dev. Dept.) No. CSL. 1762/51668 J, dt. 20-11-62) read with Rule 53 and under sec. 69 under Govt. of Mah. (Co-op. & Rural Dev. Dept.) No. CSL. 1762/51977 J, dt. 13-11-62.

Further, proposals for notifying (1) the Maharashtra State Co-operative Union, (2) Maharashtra Rajya Sahakari Sakhar Karkhana Sangh Ltd., and, (3) Maharashtra State Co-operative Marketing Society Ltd. as State Federal Societies or Federal Societies for the purposes of certain sections are under consideration of Government."

bodies. Further, certain administrative tasks are performed and in certain cases funds for specific purposes pooled through federal societies. All this makes it inevitable that the association movement in the co-operative sector has a few progressive features which the private sector lacks. It cannot be yet said, however, that co-operative federal societies have shown any imagination in developing functions suited to the new era of planning.

The co-operative movement, further, does not have any organ of its own which is organized on a regional basis, like a chamber of commerce. The public sector also has not considered systematically the possibilities of the various forms of association or chamber. The creation of certain committees and state-level organization in which the public and co-operative sectors can play a role, could therefore be a useful initiative on the part of the chambers of commerce. Direct membership of chambers of commerce by public or co-operative enterprise does not appear to be necessary.

(3) *Active association with regional planning* : The Chambers of commerce will have to be actively associated with regional planning. As representative bodies of business, chambers can assist actively in regional planning, and their help will be of great significance. However, the state must help in creating precedents and forums through which this can be brought about.

Further, if chambers are to be properly organized, the duplication and overlapping of functions will have to be checked. The multiplicity of chambers and trade associations in many regions and also the duplication of work by different government agencies like Indian Investment Centre, State Investment Centres, Small Industries Service Institutes, etc., have resulted in some waste.

Several types of bodies, including government departments and non-official organizations, perform functions which seem to result in duplication of effort. Management associations, local productivity councils, and chambers of commerce organize similar courses for management education. Literature for small-scale industries, which is largely repetitive, is issued, for example, by the Director of Industries, Maharashtra, the Maharashtra State Development Corporation, and by certain chambers of commerce.

A plan of rationalization of chambers of commerce must be worked out for each state. As noted in Chapter Two, the need for separate schemes for each state arises from the varying coverage of membership and the jurisdiction of chambers. A minimum list of functions and minimum conditions for recognition would have to be prescribed for smaller chambers, and certain minimum responsibilities accepted by the larger chambers. This would make the smaller chambers more effective in the representative, promotional, and regulatory spheres.

At the all-India level the following two recommendations may be made :
(a) The formation of co-ordinating bodies at the state level to act consistently for the rationalization of the chamber-of-commerce movement within

each state. (b) A list of obligatory functions to be performed by different chambers on behalf of both members and government can be worked out separately for each state.

It is inevitable that a very large number of government departments would undertake a variety of developmental operations which were formerly not performed at all. In the development of this new system of overhead organization, chambers of commerce must find an appropriate place. The urgency of reorganizing chambers is, at least partly, a result of the emergence of this new context which would render chambers increasingly limited in their scope if they did not participate fully in the new activities. However, it may be desirable for chambers of commerce to keep out of particular activities entirely, and concentrate on others. If an overall scheme at the state level can be worked out in this matter, it would render more intelligent organization possible and would dovetail public as well as private effort.

It should be the work of the state-level co-ordinating committee, formation of which we have suggested above, after it has developed a basic pattern of chamber organization for the state, to proceed to undertake a periodic review to appraise (1) the degree to which different proposals put forward by the committees and authorities responsible for public programmes, are being implemented by chambers of commerce, and (2) to examine the state of finances of chambers of commerce in the state as a whole and to make recommendations based on such continuing reviews.

Representative, promotional, and regulative functions should be sharply distinguished, and arrangements for finance would have to be related to this distinction.

(d) Prescribing qualifications and salaries for staff

Once systematization of memberships, functions, and funds has been achieved, the obstacles in the way of standardizing qualifications and remuneration for secretaries and staff would disappear. It may be incidentally noted that the Forward Markets Commission has prescribed definite scales and qualifications for the secretaries of the associations it regulates. Certain co-operative federal taluka unions in Maharashtra recruit and train their secretaries for primary societies. It may also be noted in this context that where the Continental type of chamber prevails this type of systematization is easy. In Continental countries the chambers of commerce have secretaries with high qualifications, considerable independence, and status.

(e) Rationalization at the level of Central Organization

The recommendation made earlier that the Employers' Federation of India and the all-India Organization of Industrial Employers on the one hand, and the FICCI and the AIMO on the other, should consider merger may again be mentioned. The burden of proof is on those who want these organizations separate. Grounds of independence and convenience in

functioning may have some explanatory value in the present context but would not be justified in a set-up in which businessmen's organizations are performing more important functions not only in relation to promotion, regulation and representation but in the whole planning-process.

A more active role by the central bodies in promoting rationalization in different states and helping to standardize coverage, recognition, constitutions, terms and conditions of service, lists of functions, etc., appears essential.

(f) *Authorized register*

The work of maintaining a register of large and small businesses in a region should be entrusted by government to chambers of commerce. This would open the way for the government to improve the finances of chambers. It would also open up the possibility of experimenting with wider constituencies of all businesses in a region and not only of members proper. This would secure a semi-official status for chambers. The work of maintaining a register could be extended to cover rural businesses and artisans so that systematic efforts to give an ancillary status to rural business can be made and the wage-gap between urban and rural areas used to promote industrialization.

(g) *Social facts that may influence the development of chambers of commerce*

The actual adoption of schemes to give direction to the evolution of chambers and associations will naturally depend on considerations such as the opinions of businessmen, and the weight which is brought to bear on businessmen through the medium of State policy. Thus, the opinions of businessmen on the adoption of one of the variants of the Continental type of chamber and on milder State initiatives must be taken into consideration.

(a) *Opinions of businessmen*

Of the 30 chambers for which we obtained detailed information, some preferred to remain uncommitted on issues like new legislation to regulate chambers, compulsory membership, evolving new criteria for representation on advisory bodies, etc. In general, the chambers of commerce in Calcutta and Bombay appear to be opposed to new legislation on the continental model, while in many smaller centres there is a tendency to welcome such ideas. Seven chambers felt that legislation was desirable to regulate and encourage chambers, while six strongly opposed any legislative 'interference'. Ten chambers³ felt that compulsory membership would be desirable, seven were against it, and the rest were non-committal. Some, indeed, supported compulsory membership quite emphatically. As

³ This does not include the Merchants' Chamber of Commerce, Calcutta, which, we find from the classified list of resolutions for the 1965 FICCI meeting, has sent a strong resolution advocating compulsory membership even after this had been considered and shelved by the FICCI executive.

regards evolving suitable criteria for nomination on representation on advisory committees, support was overwhelming. There were 13 'Yes' answers and only three 'Nos', one being on the ground that existing conventions were adequate. The rest made no comments.

As regards legislation on the continental model and the acceptance of compulsory membership, it appears that support, as far as businessmen are concerned, would come mainly from the *mofussil* areas. As for mild measures such as suitable criteria for representation on advisory committees, it appears that support would be more widespread but room would be often found for complaints. This was obvious from our inquiries. The Santhanam Committee appears to have found some favourable response to chambers and associations handling licences, permits, etc., though how this would improve matters without a comprehensive reorganization of the constitutions and functioning of chambers of commerce, does not become clear.

In order to get a wider spectrum of business opinion, we briefly note the response of some trade associations to the same questions.

It is significant that out of 67 associations answering the question as to whether they approve of compulsory membership, 33 answered 'Yes', 23 answered 'No', and 11 had no comment to offer. It is interesting further to note that among the 21 manufacturers' associations, 12 answered 'Yes', 6 'No', and 3 had no comment. Thus those answering 'Yes' were an absolute majority among the manufacturers' trade associations and also among the miscellaneous associations. The verdict was even more clear in the matter of evolving criteria, according to which recognition should be granted to associations. Thirty-eight answered 'Yes', 18 'No', and 11 had no comment.

It follows that there is a very substantial demand for the rationalization and better functioning of these bodies from among themselves. Frequently, the demand may arise from a failure to attract members and do useful work, but often it is likely to be based on an accurate assessment of the situation and a desire for progress. Similarly, those answering 'No' to these questions are often blindly committed to a traditional idea of private enterprise or prejudiced against State intervention. The strength of this section underlines the importance of evolving patterns of legislation that will not unnecessarily offend the individual entrepreneur's desire to be free from bureaucratic interventionism. At the same time, it would be unwise to resist the minimum planning necessary.

We shall complete the discussion of attitudes by citing for illustrative purposes the positions taken by a few chambers.

We reproduce in this section certain comments made by different chambers in response to our questionnaire. The objective is to give an idea about the spectrum of opinion rather than to give quantitative weightage to particular opinions, as the latter has been already done, to the extent possible, in an earlier section. The replies of the Karnatak Chamber of Commerce and Industry, Hubli, and the Madura-Ramnad Chamber of Commerce,

Madurai, may first be quoted to show the tendency of chambers outside the great centres to support compulsory membership, but at the same time these two replies bring out differences in ideological preferences.

The Karnatak Chamber of Commerce in its reply states that it approves compulsory membership. It elaborates on one aspect of a possible scheme by suggesting that "It should be laid down that businessmen or industrialists paying income-tax of a certain amount should necessarily become members of a Chamber of Commerce approved by the Government. The Income-tax officers should obtain the lists of the members of the Chambers of Commerce and verify them and communicate to the Chambers the names of those who are required to be members but have not become members".

The Madura-Ramnad Chamber of Commerce accepts compulsory members with many more qualifications and for a specific purpose. Their reply reads as follows: "Chambers of Commerce and Trade Associations evolve to suit particular conditions and particular areas. There cannot be any uniform rule to promote their development; but the only thing that may help them is Government's recognition of these Trade Associations and asking their views on any matter in which these Associations are interested.

Membership of Chambers of Commerce might be made a condition precedent for issue of permits, licences, etc. We are not generally in favour of compulsion. But if licences issued by the Government are made conditional on the firm's being a member of a recognized Chamber of Commerce or Trade Association, the matter will right itself automatically."

The unfavourable aspects of compulsion are commented on as follows by certain chambers. The Jaipur Chamber stresses that chambers will not have a free hand in supporting the cause of trade and industries strongly if compulsion comes in. The Surat Chamber emphasizes that it is services that should attract members and that any other basis for an increased membership will not satisfy this test. A number of chambers such as the Gujarat Vepari Mahamandal, the All-India Exporters' Chamber, and the Chamber of Commerce, Gandhidham, suggest that government intervention or compulsion is likely to bring a number of difficulties with it, but they emphasize the importance of various forms of measures to enhance the status of the chambers, to give them grants-in-aid, and to guide and advise them.

(b) *The context of State policy*

We have attempted throughout this report to avoid taking ideological positions on issues involved. We have assumed throughout the desirability of at least indicative planning of the French type at the industry and regional levels. We do not find it necessary to discuss for the purposes of our report the desirability or otherwise of a still greater degree of planning. The role of chambers of commerce will have to undergo some expansion even if the minimum generally regarded as necessary is attempted. On this minimum there can be no controversy as basic structural adjustments in the Indian economy would be impossible without it.

State policy may therefore be taken to be a force favouring the expansion of chambers of commerce. At the same time, some government departments, as well as other supra-enterprise organizations would be in what amounts to competition with chambers of commerce. Speed in adjusting to the new situation would, therefore, benefit chambers of commerce. From every point of view there is a case for chambers to move in the direction of increased systematization, more adequate representation procedures, and greater participation in the planning process.

Recapitulation

Finally, we recapitulate the main steps of the argument of this report.

The classification of chambers into those belonging to the voluntary-membership type and the compulsory-membership type was our point of departure. However, this distinction was immediately qualified by the point that the degrees of regulation and the degrees of fair representation achieved, respectively, may vary very considerably. Thus, it was possible to accept either a system of voluntary chambers with a certain amount of rationalization; or alternatively a system of compulsory membership with adequate safeguards to preserve the representative character of these institutions. The distinction was useful, but only the best among the two types was relevant to the discussion. The semi-official type of chamber was regarded as the most suitable to India.

The basic sub-types at an international level have to be supplemented by concepts of sub-types among voluntary chambers in India. Thus we distinguished sub-types with reference to income ranges, degrees of dependence on weighment and measurement fees, provision or otherwise of secretarial facilities, urban and *mofussil* membership, and British and Indian membership, respectively. It was seen that the geographical coverage of different chambers was very varied and quite often overlapping. A cut-and-dried scheme of chambers at the state, capital-city and district levels was not likely to be suitable to every state. It was preferable to work out a rationalization scheme for every state separately.

The three main sources of finance of chambers of commerce were seen to be membership fees, charges for services, and weighment and measurement fees. The limited resources available in relation to any meaningful concept of functions at the national, urban, or *mofussil* levels is evident; and chambers may, in general, be described as poor institutions belonging to rich men. This, of course, is not an adequate description of the larger chambers or of the FICCI. The remark has meaning only in the context of conceptions of effective functioning. The possibility of improving finances through rationalization and membership drives on the one hand, or compulsory membership on the other, has to be considered. The possibilities under the latter scheme are, of course, far greater. Grants-in-aid for the performance of specific functions appear to be a desirable measure. So are measures of economy based on the development of specialization by central organizations and the larger chambers in order to provide services

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to smaller chambers. If measures can be taken to reconstruct the finances of chambers of commerce at a state level or an all-India level, it will represent a great step forward in the evolution of an integrated and effective representative system for business.

The functions of chambers of commerce fall into three broad groups : the representative, the promotional and the regulative. A conflict comes in between the representative and the regulative functions. There is, however, no conflict between the promotional functions and the objectives of State policy. It should be possible, therefore, to avoid overlap and promote co-ordination as well as give additional financial encouragement to chambers of commerce so far as these functions are concerned.

Data on the composition of executives and of elections to executives as well as the rules regarding selection of representatives on advisory committee, suggest that a good deal of apathy and oligarchic functioning are prevalent in many chambers of commerce. The picture is, however, mixed and we also have chambers in which participation is wider.

The secretary of the chamber of commerce is in a key position. The establishment of minimum qualifications and at least the equivalent of a minimum of a Class II scale appear to be essential. The provision of training-courses for secretaries and other key personnel has to be one of the components of the scheme for co-operation and rationalization.

The image of the chamber must emphasize the concepts of regional, promotional and representative activity. Secondly, there is need for the acceptance of the economic-planning idea. This would help in securing acceptance of certain promotional functions and even of certain regulatory functions that would not come in the way of representative procedures. Definite criteria regarding composition of executives, minimum functions, etc. are other essential components in developing an image suitable to the times.

Organizations affiliated to chambers of commerce and sponsored by them include local productivity councils, trade associations, export-promotion councils, and associations running forward markets. The active role of chambers of commerce in promoting these bodies with their varied functions is one more important aspect of the promotional activity of chambers of commerce. It interacts with their own organization as these bodies become member bodies. It is, thus, more significant than some other promotional activities, such as setting up educational institutions, etc., in the region. The significance of the support of chambers of commerce in movements such as promoting fair trade-practices and voluntary price-control, arises from this relationship with bodies that more significantly affect vital economic decisions. It is, however, unrealistic to expect chambers to do anything more than provide advice and information to these bodies. Chambers cannot regulate their members, but they can create an atmosphere in which the operation of government regulatory agencies can become more effective as well as more responsive to changing needs. Further, a unified view of supra-enterprise organization helps to get a unified view

of the shifting of decision-making powers away from managements and is an essential preliminary for developing conceptions of the proper instruments and means of State policy, and also of central organizations relevant to each type of local supra-enterprise organization.

The activities of the Businessmen's Conventions and of the FICCI in attempting reorganization have been very limited. Developing minimum conditions for awarding recognition as a chamber, developing statewide schemes for co-operation and exchange of membership, and developing close co-operation with planners for influencing the evolution of supra-enterprise organization and facilities available to business are essential. In working out schemes, the simultaneous consideration of the financial aspect, of constitutions of chambers, of co-operation between chambers, of concepts of functions required, and of concepts of the precise significance of chambers of commerce in supra-enterprise organization is essential. A further great step forward would be the rationalization and merger of central organizations representing Indian business. None of these measures requires the achievement of any new political balance.

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