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**Aurora's Business School**  
Chikkadapally  
Hyderabad-500020, INDIA

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Oct-Dec, 2017



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# PHARMA INDUSTRY IN INDIA – A PROFILE

Prof G Sreenivas Reddy, Dr. Raghunaga Prabhakar & P Pratyusha Reddy  
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## Abstract

*The Indian pharmaceutical industry is one of the most attractive investment destinations in the world. With ever increasing returns, lowering risks and anticipated multifold growth, investors are more interested in this industry than ever before. Since 2000, the drugs and pharma sector has attracted one of the highest foreign direct investment (FDI) inflows approximating US \$12,689 million between April, 2000 and September, 2014. This article profiles and reviews the state of pharmaceutical industry in India.*

## Key Words

Generic drugs, Branded drugs, R&D, Bulk drugs, API, FDI, FDA, Clinical research, End-to-end drugs, Patents, Anti-retroviral drugs, Process patents, Product patents, Emerging markets

## Introduction

The Indian pharmaceuticals market (IPM) is the third largest in the world in terms of volume and thirteenth largest in terms of value. It accounts for twenty per cent in the volume terms and 1.4 per cent in value terms of the Global Pharmaceutical Industry as per a report by Equity Master. The IPM is valued at Rs 860 billion for the year ending March 2016. The growth in 2016 stood at 12.6%. Owing to robust historical growth, many multinational companies have active presence in the Indian pharma space. The past few years have been glorious ones for the Indian companies, as major blockbusters lost their patent protection, paving way for generics. Further the Indian pharma industry, which is expected to grow over 15 per cent per annum between 2015 and 2020, will outperform the global pharma industry, that is set to grow at an annual rate of only 5 per cent only between the same period!

The Indian pharmaceutical market is expected to grow to US\$ 55 billion by 2020, thereby emerge as the sixth largest pharmaceutical market globally in absolute size. Branded generics dominate the pharmaceuticals market, constituting nearly 80 per cent of the market share in terms of revenues. The sector is expected to generate 58,000 additional job opportunities by the year 2025. Country's pharmaceutical exports that stood at US\$ 16.4 billion in 2016-17 are expected to grow by a whopping 30 per cent over the next three years to reach US\$ 20 billion by 2020, according to the Pharmaceuticals Export Promotion Council of India (PHARMEXCIL).

This sector attracted cumulative FDI inflows worth US\$ 14.71 billion between April 2000 and March 2017, according to data released by the Department of Industrial Policy and Promotion (DIPP).

India is the largest provider of generic drugs globally. The Indian generics account for 20 per cent of global exports in terms of volume. Of late, consolidation has become an important characteristic of the Indian pharmaceutical market as the industry is highly fragmented.

The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level. Presently over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome), are supplied by the Indian pharmaceutical firms. The Indian pharmaceutical industry is also one of the most attractive investment destinations in the world. With ever increasing returns, lowering risks and anticipated multifold growth, investors are getting increasingly interested in this industry.

### **Evolution of Drug Industry in India**

The government started encouraging the growth of drug manufacturing by Indian companies in the early 1960s. From this nascent stage the Indian pharmaceutical industry has become a mature industry over the years. The drugs and pharma sector has attracted one of the highest foreign direct investment (FDI) inflows of approximately \$12,689 million between April, 2000 and September, 2014. While, the industry was previously known for manufacturing generic drugs it now stands diversified into various spheres including research and development (R&D), manufacturing of branded, generic and branded generic drugs, manufacturing APIs, laboratory testing and clinical research. The economic liberalization policy of 1991 pursued by the former Prime Minister P.V. Narasimha Rao and the then Finance Minister, Manmohan Singh enabled the industry to become what it is today. The passage of patents law removed patents from food and drugs. It kept process patents though, these were shortened to a period of five to seven years.

The lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market. While the multinationals eventually streamed out, the Indian companies carved a niche in both the Indian and world markets with their expertise in reverse-engineering and new processes for manufacturing drugs at low costs. Although some of the larger companies have taken baby steps towards drug innovation, the industry as a whole has been following this business model until the present.

### **Advantages of Indian Pharma Industry**

There are several advantages for the pharmaceutical industry in India. Firstly, India's cost of production is nearly 33 per cent lower than that of the US. Secondly, labour costs in India are 50 to 55 per cent cheaper than in Western countries. The cost of setting up a production plant in India is 40 per cent lower than in Western countries. Thirdly, cost-efficiency continues to create opportunities for Indian companies in emerging markets in general and in Africa in particular. Fourthly, India has a skilled workforce as well as high managerial and technical competence in comparison to its peers in other Asian countries. Fifthly, India has the second largest number of US FDA-approved manufacturing plants outside the US. The country has 2,633 FDA-approved drug products and over 546 USFDA-approved company sites, the highest number outside of the US. Sixthly, the growing per capita sales of pharmaceuticals in India offers ample opportunities for players in this market. The per capita sales of pharmaceuticals expanded at a CAGR of 17.6 per cent to US\$ 33 in 2016. Seventhly and lastly, the rising economic prosperity of India would improve affordability of the generic drugs in the market and improve per capita sales of pharmaceuticals in the years to come. India is expected to play a globally important role in working out cost efficient ways of developing new drugs.

### **Industry Segmentation**

The Industry Pharma Industry (IPM) is highly fragmented with about 24,000 players of which 330 are in the organised sector. The top ten companies that include both domestic and MNC companies make up for more than a third of the market. The market is dominated by branded generics, which constitutes nearly 70% of the overall market. Over the counter (OTC) medicines and patented drugs constitute 21% and 9%, respectively.

Besides the domestic market, Indian pharma market also has a large chunk of their revenues coming from exports. Major pharmaceutical companies have their revenues coming in from the sale of intermediates,



active pharmaceutical ingredients (APIs), and formulations in various global markets. These include mighty developed markets like that of US, Europe and Japan and semi-developed markets across the world. Some companies also derive revenues by providing custom research and manufacturing services to innovator companies. Biopharmaceuticals is also increasingly becoming an area of interest given the complexity in manufacture and limited competition.

Indian pharma companies received 55 Abbreviated New Drug Application (ANDA) approvals and 16 tentative approvals from the US Food and Drug Administration (USFDA) in Q1 of 2017. The USFDA approvals are expected to cross 700 ANDA in 2017, thereby recording a year-on-year growth of 17 per cent. The country accounts for around 30 per cent (by volume) and about 10 per cent (value) in the US\$ 70-80 billion US generics market.

The UN-backed Medicines Patent Pool has signed six sub-licences with Aurobindo, Cipla, Desano, Emcure, Hetero Labs and Laurus Labs, allowing them to make generic anti-AIDS medicine Tenofovir Alafenamide (TAF) for 112 developing countries.

The domestic market was worth US\$13.8 billion in 2013. According to Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, the total turnover of India's pharmaceuticals industry between 2008 and September 2009 was US\$21.04 billion. Hyderabad, Mumbai, Bangalore and Ahmedabad are the major pharmaceutical hubs of India

Biopharma, comprising vaccines, therapeutics and diagnostics, is the largest sub-sector of the Pharmaceutical sector contributing nearly 62 per cent of the total revenues at Rs 12,600 crore (US\$ 1.89 billion).

The Union Cabinet has given its nod for the amendment of the existing Foreign Direct Investment (FDI) policy in the pharmaceutical sector in order to allow FDI up to 100 per cent under the automatic route for manufacturing of medical devices subject to certain conditions.

India has become a prime destination for manufacture of branded, generic and branded generic medicines with a strong export element. It is estimated that around 40 per cent of the generic drugs in the US come from India and with Obamacare introduced this figure rose even further. The spending pattern of an erstwhile manufacturing-oriented industry has also changed with the industry spending around 18 per cent of revenue on R&D activities.

### **Top Pharmaceutical Companies**

The following table lists out the nine top pharmaceutical companies by market capitalization as of 2017.

**Top 9 Publicly Listed pharmaceutical companies in India by Market Capitalization as of 2017**

<b>Rank</b>	<b>Company</b>	<b>Market Capitalization 2017 (In Rs crores)</b>
1	Sun Pharmaceutical	Rs 1,55,716 Crore
2	Lupin Ltd	Rs 68,031 Crore
3	Dr. Reddy's Laboratories	Rs 49,293 Crore
4	Cipla	Rs 47,319 Crore
5	Aurobindo Pharma	Rs 41,283 Crore
6	Zydus Cadila Healthcare	Rs 31,631 Crore
7	Piramal Enterprise	Rs 30,975 Crore
8	Glenmark Pharmaceuticals	25,302 Crore
9	Torrent Pharmaceuticals	Rs 22,742 Crore

The following are major multinational pharmaceutical companies that rank high in terms of their active presence in sales, marketing and business in India

- |                        |                              |
|------------------------|------------------------------|
| 1. Pfizer              | 1. Bristol-Myers Squibb      |
| 2. GlaxoSmithKline     | 2. Wyeth                     |
| 3. Sanofi Aventis      | 3. Eli Lilly                 |
| 4. Merck               | 4. Schering-Plough           |
| 5. Johnson and Johnson | 5. Abbott                    |
| 6. Amgen               | 6. Takeda                    |
| 7. Novartis            | 7. Boehringer Ingelheim      |
| 8. Roche               | 8. Astellas                  |
|                        | 9. Medishine Pharmaceuticals |

**Investment Climate :** The following major investment related news on Indian pharmaceutical sector are pointers to the upbeat investment climate in this sector.

1. Private equity and venture capital (PE-VC) investments in the pharmaceutical sector have grown at 38 per cent year-on-year between January-June 2017, due to major deals in this sector.
2. The exports of Indian pharmaceutical industry to the US will get a boost in FY18, as branded drugs worth US\$ 50 billion will become off-patented.
3. Indian pharmaceutical firm, Eric Life Sciences Pvt Ltd, has launched its initial public offering (IPO) worth Rs 2,000 crore (US\$ 311 million) in June 2017.
4. Another Indian pharmaceutical company, Cadila Healthcare Ltd, is planning to raise Rs 1,000 crore (US\$ 155 million) via a qualified institutional placement (QIP) of shares shortly.
5. Private equity fund Capital International Group, has acquired a three per cent stake in Intas Pharmaceuticals Ltd from ChrysCapital Lilac for a consideration of US\$ 107 million, thereby valuing Intas Pharma at approximately US\$ 3.5 billion.
5. Aurobindo Pharma Ltd, has acquired four bio similar products from Swiss firm TL Biopharmaceutical AG, which will require TL Biopharmaceutical to supply all the developmental data for four molecules will be developed, commercialised and marketed by Aurobindo Pharma Ltd. It has also bought Portugal based Generis Farmaceutica SA, a generic drug company, for EUR 135 million (US\$ 144 million).
6. Piramal Enterprises Ltd acquired a portfolio of spasticity and pain management drugs from UK-based specialty biopharmaceutical company Mallinckrodt Pharmaceuticals, in an all-cash deal for Rs1,160 crore (US\$ 171 million).
7. Sun Pharmaceutical Industries Ltd, India's largest drug maker, has entered into an agreement with Switzerland-based Novartis AG, to acquire the latter's branded cancer drug Odomzo for around US\$ 175 million. Further, it is planning to acquire 85.1 per cent stake in Russian company Biosintez for US\$ 24 million for increasing its presence in Russia through local manufacturing capability.
8. Kedaara Capital Advisors LLP, a private equity (PE) firm, plans to invest Rs 430 crore (US\$ 64.5 million) to acquire a minority stake in Hyderabad-based diagnostics chain Vijaya Diagnostic Centre Pvt Ltd.
9. The global drug maker based in US, Abbott Laboratories, plans to set up an innovation and development center (I&D) in Mumbai, to develop new drug formulations, new indications, dosing, packaging and other differentiated offerings for its global branded generics business.

**Government Initiatives :** Unlike many other countries the involvement of the Government in India in the pharma industry has been deep. The government has made numerous efforts to stimulate the organized and coordinated growth of the pharmaceutical industry and has taken several initiatives to promote the pharmaceutical sector in India.

In the pursuit of achieving global leadership in the manufacture of end-to-end drugs, the Government of India has unveiled its Pharma Vision 2020. This document, inter alia, provides for reduction in approval time for new facilities to boost investments. Further, robust mechanisms such as the Drug (Prices Control)

Orders and the National Pharmaceutical Pricing Authority (NPPA) have been put in place to address the issue of affordability and availability of medicines.

The implementation of the Goods and Services Tax (GST) since 2017 is expected to be a game-changer for the Indian Pharmaceuticals industry. It is expected to lead to tax-neutral inter-state transactions between any two dealers, thereby reducing the dependency on multiple states and increasing the focus on regional hubs. It is also expected to result in an efficient supply chain management, which turn is expected to reduce its cost considerably. The cost of technology and investment is expected to reduce on account of tax credit which can be availed now on the duties levied on import of costly machinery and equipment.

In the 2014 union budget the Government of India has made a provision of Rs 5000 million to set up four medical institutions in the States of UP, AP, West Bengal and Maharashtra. It also has plans for strengthening 31 existing state laboratories and create new drug testing laboratories. Excise duty on HIV/AIDS drugs has been waived. In the Union Budget 2017-18, the Department of Biotechnology (DBT) has received Rs 2,222.11 crore (US\$ 333.31 million), an increase of 22 per cent, to continue implementing the department's national biotech strategy. Further, in an attempt to revive the active pharmaceutical ingredient (API) and bulk drug market in India, the Government of India has proposed peak customs duty on the import of APIs and also plans to set up mega drug parks to give a boost to domestic production.

The Union Minister of Chemicals and Petrochemicals, has announced setting up of chemical hubs across the country, early environment clearances in existing clusters, adequate infrastructure, and establishment of a Central Institute of Chemical Engineering and Technology.

The government has taken many steps to reduce costs and bring down healthcare expenses. The speedy introduction of generic drugs into the market has remained in focus and is expected to benefit the Indian pharmaceutical companies. In addition, the thrust on rural health programmes, life saving drugs, free distribution of healthcare kits (in Telangana) and preventive vaccines also augurs well for the pharmaceutical companies.

### **Exports**

India has established itself as a global manufacturing and research hub. A large raw material base and the availability of skilled workforce give the industry a definite competitive advantage in the export market. India is major pharmaceutical product exporter. Exports of pharmaceuticals products from India increased from US\$6.23 billion in 2006-07 to US\$8.7 billion in 2008-09 registering a combined annual growth rate of 21.25%. India exported \$11.7 billion worth of pharmaceuticals in 2014. Some of the major pharmaceutical exporting firms include Sun Pharmaceutical, Cadila Healthcare and Primal Enterprises. The 10 countries listed below together imported 56.5% of that total:

Rank	Country	Value (US\$)	Share
1	United States	\$3.8 billion	32.9%
2	South Africa	\$461.1 million	3.9%
3	Russia	\$447.9 million	3.8%
4	United Kingdom	\$444.9 million	3.8%
5	Nigeria	\$385.4 million	3.3%
6	Kenya	\$233.9 million	2%
7	Tanzania	\$225.2 million	1.9%
8	Brazil	\$212.7 million	1.8%
9	Australia	\$182.1 million	1.6%
10	Germany	\$178.8 million	1.5%

### Product Development

Indian companies are also starting to adapt their product development processes to the new environment. For the past many years, pharmaceutical firms have made their way into the global market by researching generic competitors to patented drugs and following up with litigation to challenge the patent. This approach remains untouched by the new patent regime and looks to increase in the future. However, those that can afford it have set their sights on an even higher goal: new molecule discovery. Although the initial investment is huge, companies are lured by the promise of hefty profit margins and thus a legitimate competitor in the global industry. Local firms have slowly been investing more money into their R&D programs or have formed alliances to tap into these opportunities.

### Challenges faced by the industry

The Indian pharma industry has seen the entry of many foreign players as well as rise of many domestic manufacturers. After the formation of the new government under Mr.Narendra Modi in 2014 the sector has been given a major boost. The government is trying to implement policies like 'Make in India' and 'Swach Bharat Abhiyaan' to make India a superpower and improve the market. This, for the pharma sector, is a very positive sign but there are certain speed breakers on the road for the companies. Unless these road blocks are cleared the pharma sector will not be able to perform optimally. The major challenges faced by the pharmaceutical companies could be detained as below:

**Highly fragmented nature of the industry:** The Indian pharma industry is highly fragmented. The market is overloaded with generic manufacturers. This is a cause for concern because high fragmentation causes instability, volatility and uncertainty. Some of the actions that need to be taken by the companies are that they should periodically review their product portfolio and build more customer centric products. Companies need to build their organisation in a way that will enable better operational ability and agility.

**Compliance issues and good manufacturing practices:** The compliance has somehow always been a

problem for the companies. The ongoing rumor is that the United States Food and Drug Administration is trying to block the growth of the companies. The approval of USFDA is important because the largest consumer of Indian pharma products is the USA and India is a major exporter. The opinion of the USFDA is considered to be the standard bearer in the sector as well. Companies are trying to improve their standards and this issue can be solved by having officials who carry stringent inspections on a regular basis.

**Low input for research and development due to pricing norms:** The above mentioned challenge directly affects the R&D of the companies because the lower the profits for the companies, the lower the investments. So the companies say that due to the low income they are not able to develop products the way they would really want.

**Stronger IP regulations:** IP regulation has always been a thorn in the flesh of the pharma companies in general and the foreign companies in particular. The companies strongly feel that the rules have to be amended. The so-called victim of the lax regulations have been the foreign entrants. The solution to this answer might be provided by the IPR Think Tank and it is high time that such a solution is sought.

**Low profit margins due to government pricing policies:** The main issue raised by most of the pharma companies is that the profits which they earn are basically peanuts and this income is not sufficient enough. Companies argue that the government reforms for the essential medicines has caused them to lower the price of drugs. This has been done by the Government for the betterment of the public and hence the Government has to think of a way to promote the pharma companies as well. State funding for the pharma companies might be a way to move forward.

**Moderation in growth of global pharmaceutical industry:** The performance of the global pharmaceutical industry is expected to see positive growth but at moderating levels in 2017 and beyond. Total spending on medicines is forecast to reach \$1.5 trillion by 2021, up 33% from 2016 levels, but down from recent high growth rates in 2014 and 2015, according to a recent analysis by Quintiles IMS. Spending on medicine will grow at a 4% to 7% compound annual growth rate (CAGR) during the next five years (2016–2021), down from the nearly 9% growth level seen in 2014 and 2015. The short-term rise in growth in 2014 and 2015 was driven by new medicines in hepatitis and cancer that contributed strongly to growth but will have a reduced impact through 2021. On a volume basis, the total volume of medicines consumed globally will increase by about 3% annually through 2021, only modestly faster than population and demographic shifts. Issues of pricing, market-access pressures, lower volume growth in emerging markets, and further generic-drug incursion will contribute to the lower rate of growth, according to the analysis.

**Slowing market growth of US pharmaceuticals:** The US is the largest pharmaceutical market globally. The performance of the US market is therefore crucial for overall industry performance. Single-digit spending growth is forecast for the US market, according to the Quintiles IMS report. The US market growth rate will decline by half, from 12% in 2015 to 6% to 7% in 2016 with a 6% to 9% growth forecast through 2021 on an invoice-price basis. The decline reflects the end of Hepatitis C treatment-driven growth and greater impact of patent expiries—including the introduction of biosimilars following a period in which fewer brands faced new generic competition, according to the Quintiles IM study. Despite the slowing growth, the US will account for 53% of forecasted global pharmaceutical industry growth of \$367 billion through 2021 at ex-manufacturers' pricing and constant-dollar basis.



**Uncertainty of rebound in new drug approvals:** A key issue in 2017 was whether the pharmaceutical industry will rebound from a recent low in new drug approvals. In 2016, the US Food and Drug Administration's Center for Drug Evaluation and Research approved 22 new molecular entities (NMEs), which was a 51% drop compared with the 45 NMEs approved in 2015 and the lowest total on NME approvals since 2010 when 21 NMEs were approved. From 2011 to 2015, NME approvals had been on an upward trajectory (with the exception of 2013) with 30 NMEs approved in 2011 and 39 in 2012. The exception was in 2013, which had a decline to 27 NMEs, but levels jumped again to 41 NMEs in 2014 and peaked at a recent high of 45 approvals in 2015. For the pharmaceutical industry, the key question is whether NME approvals will rebound in the near future.

**Slowing of growth in emerging markets:** Emerging markets have been a strong contributor to overall pharmaceutical industry growth, but lower economic growth in emerging markets is resulting in slower growth in pharmaceutical industry in those markets. Leading ones among pharma emerging markets, have seen real growth in gross domestic product slow down from 1-4 percentage points over the past decade, according to the firm's study. This has triggered a corresponding reduction in medicine volume growth, from an average of 7% annually over the past five years to 4% forecast through 2021. China, in particular, will see a decline in annual volume growth from 17% to 4% over the same period. Overall, volume growth continues to be driven by non-original products (i.e., generics) that account for 91% of the volume in pharma emerging markets. The outlook for spending growth across these markets is expected to moderate from 10% CAGR over the past five years to 6% to 9% through 2021.

**The changing face of IPR:** Intellectual property rights (IPR) in the pharma sphere have been a contentious issue globally. Previously, the IPR debates were typically between the branded pharma companies and generic pharma companies. India was no exception to this IPR tussle and in view of the large poor population in need of basic healthcare, the Indian authorities were initially not keen on granting substantial IPR protection. However, over a period of time, the Indian authorities have become more sensitised to the need and importance of IPR protection for the long-term good of industry.

**Stricter trademark enforcement:** Another observable trend in the IPR sphere is the stricter enforcement of trademark contraventions in India. In the pharma sphere this trend is comforting as trademark contraventions may lead to use of wrong drugs.

The courts in India have, through various judgments, taken a very strict view on issues of passing off by using deceptively similar marks and even formulating criteria to examine competing claims. A case in point is that of Cadila Health Care/Cadila Pharmaceutical Ltd, wherein it was held that in an action for passing off on the basis of unregistered trade mark, for deciding the question of deceptive similarity. Though trademark disputes are common in India, decisions such as the Cadila judgment have helped in bringing clarity to the legal scenario in India.

**Changing the old workings ways:** The archaic Monopolies and Restrictive Trade Practices Act, 1969 was replaced by the Competition Act in 2002, leading to the establishment of the Competition Commission of India (CCI). Since its inception, the CCI has passed various orders on prevalent working practices of the Indian pharma industry. The pharma market in India was dominated by a number of national and state

level chemist and druggist associations. Whenever a pharma company wanted to appoint stockiest, wholesalers or distributors, it had to obtain a NOC/ letter of consent from such associations as pre-condition to such appointment. The CCI has been closely examining this issue and in numerous orders had held such practices as anti-competitive.

Non-competes in M&A: An issue typically faced in foreign investment transactions in the Indian pharma industry is that of 'non-compete' clauses which restrain the selling promoters from engaging in similar business. Non-compete clauses have been a constant demand of acquirers/ purchasers. The rationale and effect of non-compete clauses has been contentious and due to the nature of the pharma industry, the effects of non-compete can be positive as well as negative. The CCI frowned upon long periods of non-compete, and in the past contracting parties have modified their transactional documents to reduce the duration of non-compete.

Since then, the position regarding non-compete clauses has been clarified to a certain degree by the FIPB. Now non-compete clauses are not permitted except in special circumstances..

Conflict on pricing issues: Unlike the pharma sector in countries such as the US, the Indian pharma market is a price controlled one. Pricing remains a contentious issue and more often than not, the pharma industry and the regulators lock horns on pricing issues.

The pricing conflict has been raging in India since the 1970s, where for the first time the government had restricted the profitability of pharma companies through Drug (Prices Control) Order (DPCO). Since then a number of DPCOs have been brought in for controlling drug prices.

**India is the next R&D destination :** The liberalization, privatisation and globalisation(LPG) policy of the Government of India from 1991 provided incentives to R&D in the pharma sphere. Innovative products were given exemption from price control, a number of financial schemes were made available to firms for undertaking R&D, technology collaborations were brought under the automatic approval route, and patent rights were granted for a period of 20 years for products as well as processes. This incentivisation created a seismic shift from the practice of only manufacturing to a practice of innovation. India was previously known as the generic drug capital of the world owing to the wide spread reverse engineering industry. This scenario is now changing and companies in India have started to develop and innovate drugs. Further, more than 870 multinational companies have set up their R&D operations in India since 1985, the first one being Texas Instruments. The prime reasons why R&D in India is viewed as beneficial are the following.

Cost effectiveness: The cost of setting up world class R&D facilities in India cost a fraction of what they would cost in the west. The overall R&D costs are about one-eighth and clinical trial expenses around one-tenth of western levels;<sup>17</sup>

Skill availability: A large pool of English speaking technical skill power is available at a low cost with highly developed R&D oriented skill sets;

Established R&D centres: Pre-established state of the art R&D centers offer logistic convenience and cost effectiveness;

Growing biotechnology industry: Indian biotechnology industry has grown by leaps and bounds and has some world class players;

Market access: India is one of the fastest growing markets in the world. R&D in India allows companies to gain a foothold in this new and growing market;



Rising household incomes: The growing middle class in India is an attractive market for drugs. With increasing disposable incomes, the market for non-essential drugs, is set to grow rapidly.

Governmental incentives: Post the liberalisation era, the Indian government has offered numerous incentives to R&D in India. The Pharma R&D in India is expected to witness exponential growth in the near future, and with the growth of the economy and pharma industry in India, innovation assumes new economic importance in the Indian pharma industry

**Biodiversity:** Some drugs aimed at the Indian market require certain gene specific R&D and clinical trials. India's rich genetic bio diversity offers a perfect destination for such R&D and clinical trials.

**Outlook:** The Indian pharmaceutical industry's market size is expected to grow to US\$ 100 billion by 2025, driven by increasing consumer spending, rapid urbanisation, and raising healthcare insurance among others. Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for diseases such as such as cardiovascular, anti-diabetes, anti-depressants and anti-cancers that are on the rise.

In spite of the above rosy picture the number of purely Indian pharma companies is fairly low. Indian pharma industry is mainly operated as well as controlled by dominant foreign companies having subsidiaries in India due to availability of cheap labor in India. Most of the players in the market are small-to-medium enterprises and about 250 of the largest companies control 70% of the Indian market. Thanks to the 1970 Patent Act, multinationals represent only 35% of the market, down from 70% thirty years ago.

In terms of the global market, India currently holds a modest 1–2% share, but it has been growing at approximately 10% per year. India gained its foothold on the global scene with its innovatively engineered generic drugs and active pharmaceutical ingredients (API), and it is now seeking to become a major player in outsourced clinical research as well as contract manufacturing and research. There are 74 US FDA-approved manufacturing facilities in India, more than in any other country outside the U.S. In 2005, almost 20% of all Abbreviated New Drug Applications (ANDA) to the FDA are expected to be filed by Indian companies. Growth in other fields notwithstanding, generics are still a large part of the picture.

The life style segments such as cardiovascular, anti-diabetes, anti-depressants and anti-cancers will continue to be lucrative and fast growing owing to increased urbanisation and change in lifestyle patterns. Going forward, better growth in domestic sales will depend on the ability of companies to align their product portfolio towards these chronic therapies (cardiovascular, anti-diabetes, anti-depressants and anti-cancer) as these diseases are on the rise.

In various global markets, the government has been taking several cost effective measures in order to bring down healthcare expenses. Thus, governments are focusing on speedy introduction of generic drugs into the market. This too will benefit Indian pharma companies. However, despite promising outlook, intense competition and consequent price erosion would continue to remain a cause for concern.

**Conclusion** The pharmaceutical industry of India is a major component of the secondary sector of the Indian economy. The \$32 billion Indian pharma market is passing through turbulent times after hitting the jackpot with generic drugs and ingredient making. Two-thirds of this market is controlled by top 20 players, who account for nearly 75 percent of exports to the US. The Indian pharma industry has come a long way and made significant progress in infrastructure development and in terms of technical and R&D capabilities. With the integration of the Indian pharma market with the global market, new issues are being faced and tackled by the industry. Some old challenges such as IPR and pricing continue to be contentious issues in the market. The trends of increased foreign interest in the markets and increased investments in

R&D are expected to stay. With numerous strengths and a rapidly growing consumer class, the pharma industry in India may face certain legacy and new issues, but it is expected to grow multifold and continue to be an attractive investment destination.

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## CHANGING POWER RELATIONS IN A TELANGANA VILLAGE

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### Abstract

*This article is a part of the author's series of studies on different dimensions of change in a select village in Telangana over the last six decades published in various issues of this journal. The focus of this article is on changing power relations in a village and their causes and consequences. The village studied is one wherein the author was born, spent considerable part of his life and continues to visit occasionally. The paper highlights the changes and continuities in the power relations in the village and the causes and consequences of the changes in the politics of the village under reference.*

### Key Words

Power relations, Ayakat, Municipal Corporation, Gram Panchayat, Demography.

**Introduction:** Power is variously defined as command over resources, capacity for influencing others and ability to define or shape a value or belief. Power relations in the context of this article refer the gamut village administration and politics including to locus of power the village officials, the relations between different individuals and social groups in the village, changing dynamics of these relations.

The power relations in the Thimmapur Haveli village, have been basically governed by landholding, social status, education and leadership potential of individuals.

**Village Profile :** This socio-economic profile of the village provides a backdrop to the power relations in the village. The universe of this village is Thimmapur Haveli in the Fort Warangal Mandal of Warangal Urban District of the Telangana State. Thimmapur Haveli, here in after referred to as Thimmapur, is a mid-sized multi-caste village positioned in the periphery of Warangal city at a distance of about seven kilometers south of it. It is now a part of the Warangal Greater Municipal Corporation due its merger with Warangal city lately. Prior to the 2011 Census it was categorized as a rural habitation. The 2011 Census reclassified it as an urban area. The village is situated 270 meters above sea level between Coordinates 17.921224 degrees North and 79.572251 degrees east. Although the civic status of Thimmapur of late has changed from rural to urban it still retains its distinctiveness as a village due its geographical separation from the Warangal city proper and generations of bonds built between its people that make them feel that they have a separate identity. Thimmapur is actually a twin village as per revenue records. There are two separate village entities called Thimmapur Haveli and Allipur within the study village of Thimmapur. These two villages are so much conjoined that an outsider can seldom make out that there are indeed two different villages. Of course the revenue records have been listing them as two separate villages with their own geographical demarcations. For a short while they were clubbed under a common Gram Panchayat but later they were separated into two distinct Gram Panchayats. Eventually Thimmapur and Allipur were both merged with Greater Warangal Municipal Corporation. For the purposes this paper Thimmapur village alone is taken as a reference point. Reason for leaving Allipur outside is that civic status wise it is a village now where as Thimmapur is a part of the city. Allipur is also relatively less urbanized than Thimmapur. There is legend in circulation among old timers about the conjoining of these two villages.

They were originally located at a distance of about a kilometer and a half from each other in the past. Being small habitations they were insecure and were perennially vulnerable to dacoits and looters. The elders of these two villages decided to shift their villages to a place where their geographical boundaries meet. Over time they have become interconnected and interdependent. Coming to the demographics the village Thimmapur has 1784 households and a population of 7513 of whom 3828 are males and 3685 are females. The average of family size is 4.21 members. The gender ratio is adverse to women. Scheduled Castes people number 2372 and Scheduled Tribes number 74. The overall Scheduled (Caste and Tribe) population is 31.49 percent of the total village population. Around sixty percentage of the village population belongs to Backward Castes such as Tenugu (Mudiraj or Mutrasi), Goundla (toddy tappers), Chaakali (washerman), Avusali (goldsmiths), Dudekula (yarn makers), Kuruma (blanket weavers), Golla (shepherds) and Dasi (servile or slave) castes. Less than ten percent of the village population belongs to forward castes comprising of Reddys, Velamas and Komati (businessman). Reddys and velamas are farming communities and own bulk of the land of the village. A small number of Muslims are also present in the village. The village SC population that forms about 30 percent of the entire village belongs to one single Scheduled Caste namely the Madiga caste. Thus Madigas are the biggest caste of the village in terms of numbers. Their land holding is almost nil except tiny homestead land on which their huts are erected or small stretches of land measuring less than an acre. The village has three different Madiga settlements each one separated by 200 meters to 1.5 km from the main village and the remaining two in the opposite far ends of the revenue village boundaries. Thus the combined numerical power of the Madigas is moderated by their geographical separation and fragmentation. One does not know whether or not this was done by any design of the upper caste powerfuls of the village while originally founding the village to keep Madigas under subjugation. The habitations of the Madiga population of the village still remain separated from the main village by a distance of furlong. The Madigas geographical segregation still continues and there is yet no instance of an SC or a non-SC persons building houses in the midst of the other community's habitations. In the whole of the village different castes have their own residential areas where in only their own caste people reside. There used to be a solitary Mera (tailor) family which had become extinct in the village since the sole male survivor's death four decades ago. Tailoring in the village is now pursued by people belonging to different Castes like Mudiraj, Padma Sale and Munnurukapu caste people. Interestingly there has not been any Brahmin and Mangali (barber) family in the village although their services are regularly needed by the villagers. However a Brahmin family and a Barber family from the neighboring Rangashaipet village have been serving the villagers on in perusuit of their hereditary rights-cum-obligations. Similarly, the Bindla and Pambala caste people from the neighbouring Rangashipet village also visit the village for rendering services of acting as priests for Madigas and to ward off 'evil spirits' allegedly casting their spell on the village people of all different castes. The Bindla and Pambala castes are both Scheduled Castes. The number of Komati families has come down from the earlier number of three to one as two of those families out migrated to urban places. The Komatis had a monopoly over the village business in the past. Now this monopoly is broken and people belonging to many castes (Padma salis, Muslims, Gavundra, Tenugu, Kummari etc) have entered business. Earlier there used to be three omnibus shops each selling all manner of wares and merchandise. Now there are various kinds of speciality shops such as groceries, green groceries, medical shops, cloth stores, pan shops, kirana shops, tailoring shops, kangan halls (selling bangles and other toiletries), saloon (barber's shop), internet café and belt shops selling IMFL supplied by a licenced vendor and a few others.

### **Landholding**

Landholding is the chief definer of power relations in the village in the past. One who held land was generally one who was powerful. Land still remains the major source of wealth in the village due to the sky rocketing of land prices, even touching as much as Rs. One Crore for an acre of land.

An interesting aspect of the landholding in the village was that all the land of the village was not owned by the villagers only. About one-fourth of the lands in the revenue village were owned by people from a neighbouring village viz., Rangashaipet farmers. Some of the landholders of the village of course own lands outside Thimmapur in the surrounding villages of Allipur, Kondaparthi, Ammavaripet and Mamnoor that surround the village or have common Dorders with Thimmapur. Several formers of the own land village in two or more villages. Therefore they have to deal with the villages offices in multiple villages. Landownership was highly skewed. About one third of the village population did not own any land whereas just one family owned about one fourth of the total village land. However every family in the village had a homestead, small or big, varying from as little as half a cent to ten cents. The average homestead size was five cents for agricultural households and a cent for non-agricultural households. Farm households needed more area as they would have cattle shed and a dump for agricultural and household waste. Much of the village land was either fallow (locally called knache) or unirrigated and the irrigated land was small in extent. The irrigated land was under various ponds locally called kuntalu most of which need two fillings for raising one paddy crop. There are two big tanks in the village but the ayakat (iirrigated land) under them is almost wholly owned by the people of Rangashipet village. In addition there were some well irrigated wet and dry lands, mostly owned by upper caste Reddy and Velama families and a few Backward Class families belonging to Golla, Chakali, Mudiraj Castes. Komati families too had agricultural lands earlier but now there is no land in their possession. Land ownership was of three kinds viz., own lands, Inaam or gift lands and Tenancy or share-cropping lands. Own lands were those owned and cultivated by the farmers. Inaam lands were lands gifted by the Government or the local landlord for the people of service castes such as washermen, barbers, village servant's etcetera for their services. Tentancy lands were those of landlords who would let part or whole of their land to the tenant farmers who would pay a fixed annual rent called "kavulu" to the landlord. The kavulu was in kind. The cultivating tentant farmers had no ownership rights on the land they cultivated. However nobody was actually evicted from the right to cultivation of such lands. These lands were owned by Brahmin landlords of Vaddiraju family residing in neighbouring Rangashaipet village. These landlords initially owned vast tracts of lands covering a number of villages. These families later became almost landless in two ways. They sold away some lands for meeting their family needs. Larger part of their remaining landholding were lost due to the land reform laws undertaken by the government after Independence. These reform laws first gave permanency of tenure to tenant farmers under the Tenancy Protection Act and later gave them full ownership rights in return for some fixed amount paid to the landlords under the Agricultural Land Ceiling Act. The beneficiaries of these reforms were the upper caste peasants belonging to Reddy or Velama families and a few backward caste farmers. One important development the last two decades is that the village has been the spurt land prices due to factors such as increase in commercial activity, the villages vicinity to Warangal city and the increasing demand for homesteads due to natural division or subdivision of families of the village and a large number of retired employees of the Mamnoor Special Police Battallion (partly located in Thimmapur village limits) acquiring lands for speculative or house construction purposes. A considerable part of the village land is now being developed as real estate. With this some people of the village have taken to real estate brokerage, a thriving occupation which was not there hitherto.



**Social Background :** The village has a wide spectrum of castes- Forward Castes, Backward Castes (also known as Other Backward Castes), Scheduled Castes and Scheduled Tribes. Religion wise there were only Hindus and Muslims in the past. There were no Christians in the village. As of now there is a considerable Christian population due to religious conversions of some Madiga (Scheduled Caste) people into Christianity. However there are no Brahmins in the village. The residential houses of people of the same caste are contiguous. It is interesting to note that the residential quarters of Komatis(business caste) are located in the center of the village , the backward caste houses are in the middle or in the periphery and the peasant upper caste houses are in the periphery. The SC hoses are, as mentioned earlier outside the village proper. The village in the past used to be seasonally visited by a horde of satellite caste groups such as Chindu,Dekkali, Pichchakuntla, Mandinechchula, Budubudukala, Balasantha, Budugajangala, Saardhikandlu, Saadhanasurulu, Gangireddula varu etc. All these castes had their patron caste from whom they use to beg . They would also entertain their patrons and others with their singing, storytelling, drama and other histrionics based on the local folklore.

**Occupational Makeup :** The bulk of village populace consisted of agricultural labourers belonging to two numerically sizeable castes Tenugu (also called Mudiraj or Mutrasi) and Madiagas (SCs). In addition to these two castes people belonging to several other backward castes were seasonally joining the agricultural labour pool in busy agricultural seasons. Interestingly rarely ever a member of an upper caste would serve as agricultural labour in the past. The next important occupation was that of construction labour which comprised exclusively of people belonging to Tenugu (Mudiraj) caste mentioned before. This caste provided the bulk of both agricultural and non-agricultural labour for the village. The rest of the village comprised of service castes such as Chakalollu (Washermen), Gollollu (Shepherds), Gavundlollu (toddy tappers), Vishwabrahmanulu (carpenters, goldsmiths and blacksmiths, saleollu, weavers), Dudekulollu (ginners) and kurumollu (woolen blanket weavers). These service castes were mostly tied up to the farmer households by way of jijamani relations (patron-client relations) under which the farming household will give a certain measure of grain to them annually in lieu of their services.

**Vatandari System:** Vatandari system prevalent in the village was the basic building block of the feudal power structure. Vatandar roughly translated means holder of a title. The study village as well as all other Telangana villages have three vatandars each. They were the Police Patel (Village Munsif/Magistrate), Mali patel (Village Revenue Officer) and the Patwari (Village Record Keeper). The vatan or post of Police Patel was held by a member of the leading Reddy family and the Mali Patel post was held by a member of biggest land holding family belonging to the Velama caste. The Patwari post was held by a Karanam Brahmin (also called Niyogi Brahmins) residing in the neighboring village. These three were the most important holders of power in the village, which then did not as yet have Sarpanch or Panchayat which only come up in early 1960's. In addition to them the other powerful persons in the village were the village servants locally known as 'Yelollu' and the Neeralikadu. Two Yelollu each were attached to the Police Patel and Mali Patel and the Neeratikadu (meaning waterman) used to function under the Patwari. Also influential the village life were the caste heads of various lower castes known as kula peddal in the village. Interestingly, the caste heads system was confined to only lower castes but was not there for the three upper castes in the village viz Reddy, Velamas and Vaishyas. Another interesting thing was the positions of Vathandar and kulapeddal were hereditary and the first sons of the diseased incumbents would naturally succeed to the position under the principle of primogeniture. The vatandaars and Yelollu as well as the Neeratikaadus were not salaried employees. Nor were they full time employees of the

village. There was no office for any one of them. They were all part-time functionaries and they did not also have any timings for their work. The Kula peddalu would settle disputes among their caste folk, finalise marriage alliances, represent problems of their caste people to the village officials and get prime of place in wedding celebrations in his circles. Further, all of them were allotted toddy palm trees at the rate of one each from which they would get the palmyrah booze called kallu. The Vatandars were allotted three toddy palms each from which they would get kallu (Palm brew) all through the year. In addition the later were given goats/lambs free by shepherds for major festivals and marriages. Things such as loads of custard apples, mangoes, fish etc., were given to them free by village folk. The vatandars in turn would feed their suppliers on those occasions with food, snacks and sometimes with booz. The hereditary vatandari system continued till 1983, when it was abolished by TDP government headed by NT Rama Rao. The abolition of the vatandari system resulted in consequences that were both good and bad. On the positive side it has removed one of the last strongholds of feudal power. It has also ended one of the strong bases of hereditary power. These two consequences contributed to make the village power structure more egalitarian than it was in the past. On the negative side it can be mentioned that the abolition meant the cutting short of a time old system of village administration that was simple, accessible, cheap and relatively responsive. In place of three vatandari officers (Police Patel, Mali Patel, Patwari) as in the past came up the system of village administration headed by a single village functionary known as Village Officer who has been invariably from outside the village. Unlike the earlier hereditary village officers the new incumbents are outsiders and are poorly informed about the complexities of the rural life and the ticklish nature of village records and a general lack of knowledge of the past affairs of the village and villagers. Another consequence has been that the appointed VO s have all been from lower castes unlike the upper caste hereditary vatandars.

**The Village Panchayat :** In the administration of village affairs formation of Thimmapur Village Gram Panchayats was a watershed. Prior to 1959 village administration was in a hereditary-patrimonial mould sans any democratic element. From the 1960s the village administration and politics gradually started secularizing and democratizing. The administration of village affairs was run by multiple authorities. These were the Village landlord, Police Patel (village munsif), Mali Patel (collector and custodian of village revenue), Patwari (custodian of village land records), Kula Peddalu (caste elders), Kula Panchyat (caste panchyat or caste council), and Sakala Kula Panchayat (council of caste elders).

The village landlord, who would normally wield enormous power over village affairs elsewhere in Telangana, was not living in the village, and hence he was not an active participand in village administration. He would occasionally visit the village to collect the rent on his vast tracts of tenancy land cultivated by the peasants of the village. His authority formally ended with the enactment of law infavour of protection of tenants and later by the transfer of land ownership to the tenants.

The Police Patel who was a very important person in the village was a hereditary village officer incharge of law and order. He would write and send daily reports on law and order situation to the nearest police station. The Police Patel's diary, called 'Roj Nancha', contained details about law and order, visitors to the village and other matters of importance. He would mediate in the disputes between people and give his judgment in minor cases. Before trying the cases if parties were people of the same caste he would ask the caste elder to intervene and settle. If the matter in dispute involved different castes he would call for the inter caste council to resolve the dispute. Dispensation justice those days was summary and speedy although the legal niceties were not there. Only major cases such as murder, dacoity etc., were reported by

him to the government. The Police Patel's position was held by hereditary succession by Gangidi family belonging to Reddy caste.

The Mali Patel position was held by a Velama (upper caste) person by hereditary succession by name Bogavelli Someswara Rao. His main job was revenue collection. He was also incharge of the irrigation . He belonged to the richest family in the village owning some 350 acres of land in Thimmapur village and adjoining villages of Allipur, Ammavaripet, Kondaparthi and Rangashaipet. The position of Patwari was in hereditary position of Mamnoor Karnalu (Karanam is the other name for Patwari). The Karanam was one Devulapally Prabhakar Rao who used to reside and visit the village occasionally.

**Change Agents and Changes in Power Relations :**The power relations in the village have been undergoing significant changes in the last six decades. The major changes relate to the introduction of Panchayati Raj system in 1959, the abolition of hereditary village officer system called vatandari system in early 1980s and the tenancy reforms of early 1950s that bestowed land rights on the hitherto kavuludarlus (tenants-at-will). These developments have shattered the monopoly of power in the village in the hands of the hereditary village officers. The new land owners hailing from the peasant castes such as Reddys, Velamas and some Kapus became owners of the land hitherto owned by two feudal lords. They were a Brahmin Deshmukhs of Vaddi Raju family and a Muslim jagirdar by name Anwar Pasha. These feudal landlords did not reside in the village since they owned lands in many villages. They were represented by their sheridars (supervisors).

The Panchayati Raj institutions lead to emergence of a new power center. The village Sarpanch became a new vip of the village. The abolition of vatandari (hereditary village officer) system lead to appointed administrative officers taking control of the maintenance of village records, revenue collection, and administration of village affairs.

**Conclusion :** Thimmapur Haveli, the village under reference, is a typical village. For that matter every village in Telangana can be considered a typical as no two villages does not have the full spectrum of castes. The ritually upper caste Brahmins (who are the highest caste) are absent in the village. The village community is geographically fragmented into multiple habitations. The fragmentation is total in the case of scheduled castes. The villagers own lands outside of the village and outsiders own the village lands. Thus the village is not a wholistic and self contained community. The village has a mixture of upper castes, middle order castes, lower castes, untouchable castes and scheduled tribe population. The landholding in the village is highly skewed with the bulk of land being in the hands of Velamas and Reddys now as well as in the past. They still are the principal landholding castes of the village. Their influence in the village which was near total prior to 1960s, underwent major change. These castes now are the economically better off though their social dominance and political power are highly eroded. There is a very high degree of migration of people from the upper castes to urban areas and outside India for employment. The space created by the erosion of social dominance and political clout of upper castes is now largely captured by the Backward Caste People who are figuring prominently among holders of power in the village. The upper castes who lament over the loss of their socio-political domination are reconciled to that situation. They are partly compensated because their children are gaining lost ground through urban employment, business and employment abroad.



# Gandhiji as a Management Thinker

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“The difference between what we do and what we are capable of doing would suffice to solve most of the world's problems”—Mahatma Gandhi

## Abstract

*Mahatma Gandhi passionately wrote, eloquently spoke and worked with a missionary zeal on a range of subjects such as education, economics, ethics, politics, law, women's uplift, Harijan welfare, tribal development, alternate medicine, rural reconstruction, ills of industrialism and so on. However, one theme of Gandhian concern on which little is known in the mainstream discourse is his views on management. In this article an attempt is made to highlight Gandhiji's views on management. Gandhiji had said many valuable things on different aspects of management such as owners as trustees of their companies, need for purity of both the ends and means of business, corporate social responsibility, customer relationship management, place of spiritualism in management, total quality management, leadership by example, workers as stakeholders of the companies they work for, owners as trustees of the companies and so on. Gandhiji preceded modern management gurus who harped on these modern management practices but without straight using the same words. His contributions to humanisation of management need to be duly recounted and acknowledged.*

*This short article is a small attempt in this direction. Gandhiji's contributions to management are so stupendous that he may duly be called a management thinker or a management guru. The purpose of this paper is also to underscore the role played by Mahatma Gandhi as a leader and as a manger, to study various techniques used by him which had high impact during freedom struggle and to co-relate his techniques with recent management principles.*

## Key Words

Management guru, Business school, Business management, Ends and means, Trusteeship theory, Corporate social responsibility (CSR), Customer relationship management (CRM), Spiritualism. Ethics, Leadership by example, Level 5 leader, walking the talk.

**Introduction :** Mahatma Gandhi passionately wrote, eloquently spoke and worked with a missionary zeal on many a subject such as education, economics, ethics, politics, law, women's uplift, Harijan welfare, tribal development, alternate medicine, rural reconstruction, industrialism and so on. However, one theme of Gandhian concern on which little is known in the mainstream discourse is his views on management. In this article an attempt is made to highlight Gandhiji's views on management.

Gandhiji had said many valuable things on different aspects of management such as owners as trustees of their companies, need for purity of both the ends and means of business, corporate social responsibility, customer relationship management, place of spiritualism in management, total quality management, leadership by example, workers as stakeholders of the companies they work for and so on. Gandhiji preceded modern management gurus who harped on these modern management practices but without

straight using the same words. His contributions to humanisation of management need to be duly recounted and acknowledged. This article is a small attempt in this direction.

**Spiritualism and Management :** During the course of his work in South Africa, Gandhiji studied the nature of human beings and adopted a spiritual path to address the problems arising out of sufferings of Indians living in South Africa. In his relentless quest for truth he realized many things. He wrote that he saw truth in the suffering of the Indians. He took measures to remedy their sufferings for attaining self-realisation and achieving truth. It is this larger goal of reaching out to truth by redressing the sufferings of the people that made him one of the finest managers in human history. The advent of such a manager is a byproduct of a deeper spiritual conviction which took Gandhiji beyond the material sphere and made him an outstanding leader engaged in experiments with truth. He exercised self-control and subjected himself to self-assessment unremittingly and thereby took steps in pursuit of the final goal of truth which he said is the God. In one of his many celebrated books viz., 'Management Tasks, Responsibilities and Practices', Peter Drucker, who has shades of Gandhian thinking, devotes one whole chapter to the topic of management and self-control. Much after Mahatma Gandhi subjected himself to self-control and spearheaded one of the epoch-making movements for Independence, the founder of the modern management devoted his attention to self-control to prescribe methods to the modern managers for realising the objectives of the organisations in which they worked.

**Ends-Means Schema :** Management is about getting things done. In getting things done two factors are involved and they are ends and means. Gandhi said that both the ends and means must be pure and good. It is not enough if the ends alone are good and means are bad. Both of them should be justifiable. Between the two he accorded primacy to the means for achieving the ends. Gandhi's plea for purity of ends and means finds an echo in the writings of Peter Drucker. Drucker once wrote: "Efficiency is doing things right and effectiveness is doing the right things." His statement stresses on right means for reaching the desired goal. We can apply appropriate means if we exercise restraint and cultivate values. It is being suggested by important managers in the modern organisations that the role of leadership must stress on making efficiency effective. One Austrian admirer of Mahatma Gandhi, Mr. John Brussen slightly altered the famous equation of Einstein  $E = MC^2$  and stated that if 'E' stood for excellence then 'M' stood for men and human beings and out of 'C<sup>2</sup>' one 'C' stood for commitment and the other for character. This is exactly what Mahatma Gandhi did and this is exactly what the modern-day managers are now trying to emphasise.

**Views on TQM :** TQM has become a defining feature of managerial practices especially since the 1990s. Much like the quality gurus Gandhi stressed on total quality in all his endeavours be it feeding a goat, cleaning a toilet or spinning cotton or mobilising people for winning freedom. Quality for Gandhi however did not mean the quality of the final product alone but the quality of the processes or honesty in transactions. For him quality consciousness has to permeate every level of the organisation. His stress on quality Swaraj rested, inter alia, on quality of Hindu-Muslim unity, quality of sanitation of our surroundings and quality of human relations marked by gender equality and elimination of untouchability. In today's management theory and practice, total quality means the sum of the quality work from the lowest level to the highest level of the organisation.

### **Workers as Stakeholders**

The idea of stakeholder in preference to shareholders finds an apt expression in Mahatma Gandhi's writings. Most of the modern-day managers, driven by unreasonable greed, tend to neglect the interests of the customers and shareholders. Mahatma Gandhi treated both the workers and the labourers in a factory as major stakeholders. On 31st March, 1936, seeing the pitiable conditions of the Kolar Gold Mine workers, in the present day Karnataka, he wrote: "If the workers only knew what they could do for themselves by combining the training and intelligence, they would realise that they were no less proprietors of the mines than the managers and the shareholders." This statement is somewhat akin to labour theory of value propounded by Karl Marx. According to Mahatma Gandhi, stakeholders are not only the people who possess the shares of a company but also all those who are linked to the activities of the organisation, which has a larger goal of serving the society at large.

**Leadership by Example:** Gandhi firmly believed that the best leadership is leadership by example. He identified himself with the working masses and embraced poverty voluntarily to live and experience the life of the ordinary people. A leader, according to him, must have the ability to communicate and diffuse disagreeable situations. Conflicts naturally occur between individuals who are passionate about something. Often a leader must stand on the neutral ground and help facilitate a win-win situation when dealing with conflicts. Leaders are people whom others follow, for whatever reason. They are special people who are willing to tell other people what to do and have the confidence or respect of other peoples as well. Leaders are people who convince and channelise group efforts into action and take control of crises. Gandhi is a good and well known example of leadership by example.

Anand David, Founder Director of Manford Alliance, penned a special article on Mahatma Gandhi entitled the "Leader Mahatma" in the Training and Management Journal way back in 2005. He referred to his qualities—humble, bold, modest and determined. He called him the Level-5 leader who went beyond personal gains and identified himself with the larger cause of society, nation and humanity. The use of Mahatma Gandhi's picture in 1998 by the Apparel Computers, in an advertisement testifies to the enduring relevance of Gandhiji also for the modern-day managers. In that advertisement there was just one picture of Gandhiji and below it, was written: "Think Different". So beyond the realm of politics Gandhiji assumes enormous significance for the corporate world.

Mahatma Gandhi was a leader par excellence. Leadership is considered to be the most important aspect of management in which Gandhi had excelled. He planned his activities accurately and identified the targets to be achieved correctly. He had studied his opponents and their strategies accurately. By identifying himself with the masses, dressing like them, living among them and empathizing with them, he won their respect, confidence and allegiance. Millions responded to his call. They spun cotton, burnt or boycotted costly foreign goods and made salt in defiance of the law. They submitted to beatings and imprisonment but did not react with violence. Judging from his remarkable achievements and the excellent and effective manner in which he selected and negotiated his Satyagraha issues, and planned and implemented his campaign, he was undoubtedly a management expert.

On 24th February, 1942, Gandhi had authored an interesting piece entitled "The duty of a Manager" in response to a question that: "Is it correct for the head of an institution, while demanding the utmost from his subordinates in the way of simple life, to live in comparative luxury himself even though the money he spends on himself be his own earnings?" the reply of Mahatma Gandhi was both educative and inspiring. He wrote: "The manager who expects more from his co-workers than what he does is bound to fail." His example is now being followed by modern management institutes in the name of 'leadership by example', 'walking the talk' and the like.

**Customer Centric Management :** Professor Drucker once defined quality of a product from the point of view of customer. Much before him Mahatma Gandhi wrote: "A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so." There can never be a more eloquent and meaningful statement of CRM than these words of Gandhiji.

**CSR and Sustainable Business Practices :** A pervasive decline of ethics in many a corporate organisation has resulted in numerous financial irregularities, self-aggrandisement and self-indulgence. Many corporations in the world have collapsed on account of such unethical practices. It is in this context that Gandhiji's plea that 'commerce without principle is a sin' assumes significance.

In the context of today's emphasis on the corporate social responsibility (CSR) Mahatma Gandhi's theory of trusteeship is of immense relevance for our time. In fact, many business organisations are now emphasising on sustainable business practices, and are expanding the definition and scope of stakeholders to include the larger biosphere comprising of plants, animals and the whole environment. In the book 'Beyond Reasonable Greed', the authors have stressed on reforming business to go beyond the predatory commercial instinct and to cultivate a positive vision involving sustainable business in both the social and an environmental sense. They have outlined the danger of following lifestyles, products or business processes which are unsustainable. It is very instructive to note that the authors used Mahatma Gandhi's famous words: "The Earth has enough for everyone's need but not for everyone's greed", and emphasised on a business practice that would look after the interests of not only human beings but also of the nature. It is this larger understanding of the concept of stakeholder that remained central to such an approach.

**Importance of Truth and Transparency :** Truth and transparency are the hallmarks of Gandhian philosophy. This holds good eminently for the business world, too. For a management to be effective and enduring, it has to be an open book, subjecting itself to public scrutiny. Ethics and honesty, by which Gandhi set store, are among the critical elements of a successful business policy. Rahul Bajaj, Chairman, Bajaj Auto and MP, lamenting over the poor state of ethics in business said: "Ethics today are undermined in every sphere. Corporate governance is about accountability and transparency."

**Gandhi as Chief Executive and Strategist :** In his book on '14 Principles to Guide and Inspire Modern Leaders' Alan Axelrod seeks to add a novel dimension to Gandhi's personality by drawing a parallels between Gandhi's qualities and the attributes of a Chief Executive Officer. "There is no doubt that Gandhi was a good man and an intensely spiritual man, but he was also a manager and executive, a supremely practical leader for change [management]".

According to Gita Piramal, managing editor of The Smart Manager, Gandhi was a wonderful strategist, showman and leader. According to B.D. Agarwal, Chairman, Surya Roshini, Gandhi and his charkha were not against new technology but symbols of self-reliance' (CRBiZ March 2007). Says Vijay Govindarajan of the Tuck School of Business at Dartmouth: "Gandhi represents the essence of what we need in our business leaders today. There is a general negativity and cynicism all around. Remember Enron, Tyco, WorldCom and Hewlett-Packard? It's time corporate leaders restored their moral authority."

Simple corporate strategies like vision (freedom for India) and core values (honesty and Non Violence)

are well illustrated in Gandhi's life. As a master strategist the Mahatma knew how to create a vision which would be widely shared by the people. Gandhi's greatest achievement was that he could easily relate to the people. Gandhi travelled throughout the country to make the vision of independence a shared vision among the people living in different parts of the country. He made efforts to relate to the masses through his "walk the talk" method of rallies, dharnas, padyatras and non-violent protests.

**Gandhi's Public Relations Network :** Gandhi had an amazing public relations network and a very good relationship with the press. We can here cite the example of the Dandi March. If Gandhi had gone there quietly, it would just not have made an impact. He knew he had to create an event to make an impact and so he took his followers on a long march that stirred popular imagination of the time. He had a total understanding of the human psychology and used it along with his public relation skills. Gandhi faced opposition among his senior colleagues when he decided to march to Dandi to make salt. The British government had decided to ignore the naked fakir, confident that he would fail and make a mockery of himself before his people. The march and the symbolic making of salt galvanized the entire country. It shook the foundations of the British administration. The effects of the Salt March were felt across India. Thousands of people made salt, or bought illegal salt. The march mobilized many new followers from all sections of Indian society and it drew the world's attention thanks largely to the public relations strategy of Gandhi.

**Trusteeship Principle and Resolution of Capital-Labour Contradiction :** Gandhi understood that an industrialised society created two classes, the haves and the have-nots. He offered his Theory of Trusteeship that required capitalists to consider the wealth they had as being held in Trust for the benefit of the poor. The concept of Trusteeship is a midway-path between pure capitalism and pure communism. Gandhi said the rich were the Custodians or Trustees of the wealth they earn and that this was to be used for the welfare of their less fortunate beings. "My theory of trusteeship has the sanction of philosophy and religion behind it. No other theory is compatible with Non Violence/" Gandhi had said. For Gandhi, a Trustee is one who self-consciously assumes responsibility for upholding, protecting and putting to good use whatever he possesses, acquires or earns. In the last few years, there is a thinking that capitalism is not just about creating wealth, but you have to take care of the shareholders and stakeholders, too. This is the essence of Corporate Social Responsibility as propounded by western writers. So, Gandhi's ideas and the lessons learned from him are not totally different from what corporate India would like to do."

**Shared Vision and Core Values :** The core of Gandhiji's thinking is the point that every action must be humane and people-oriented, rather than based on any ideology. For today's corporate leadership the lessons Gandhi provides is that when they conceive a transformation plan for their organisation they need to think for the future and define values that will help achieve this vision. They should share their vision like Gandhi did with the other stakeholders. Corporate managers should invest their time and effort to create a shared vision and define values while initiating a change. Contrary to this most corporate plans are conceived and finalised within the four walls of the Board Room and generally no effort is made to communicate these plans to the masses who are the real engines of change. As Shahbir Merchant said CEOs should not talk about cutting costs and cost optimisation to the rank and file, while they continue to fly business class or stay in five star luxury. Living the values is the key for CEOs marching on the change management path.



**Satyagraha as a Weapon to Secure Compliance :** Satyagraha is the force, which is born of truth, love and non-violence. Truth implies love and firmness and therefore serves as a synonym for force. People respond better to kindness than to brute force. Using the principles of Satyagraha, leaders of today can incorporate change and empower people without forcing them into compliance as would happen in traditional hierarchical organisations.

Satyagraha as a tool begins with reasoning with one's opponent in an attempt to arrive at a just solution. Neither person has a monopoly on the truth nor is either side wholly correct. The purpose is to work out a rational compromise that is agreeable to both sides.

**Non-Cooperation as a Technique of Management :** The doctrine of non-cooperation was the genius of Mahatma Gandhi. He believed that even the most oppressive governments derive their authority from the consent, implicit though, of the oppressed. If only the people showed resistance and turned their backs on the government, it would collapse, sooner or later. Coming to business he said that for the chief executive of a company, non-cooperation by his employees is a stark reminder of the imperative to win the loyalty and goodwill of his employees. A business enterprise cannot be run by coercion and compulsion. Voluntary cooperation by the employees can be secured only by providing adequate opportunities for their self-development and self-management.

**Gandhi as a Management Guru :** Several modern day management gurus have either taken a leaf from Gandhi or their ideas reflect the Gandhian thinking overtly or covertly. For example, Peter F Drucker, much like Mahatma Gandhi, had said that management is deeply involved with spiritual concerns such as the nature of human beings, good and evil. Spiritualism was truly the driving force behind Mahatma Gandhi's remarkable life, writings and work. Gandhi understood religion not in the conventional sense of just going to a place of worship. For him it had a larger meaning of going beyond one's self, eschewing selfishness and linking oneself with the larger society, the world at large and even the whole of the universe. To put in Peter F. Drucker's own words, it is essential for a manager, to "motivate and direct people for a common venture". Gandhiji preceded the modern-day managers by successfully motivating people to launch and successfully manage the first-ever successful non-violent struggle for Independence in the world. The author of 'Count Your Chickens Before They Hatch', Arindam Chaudhuri, calls Gandhi a great marketing guru. As a great marketing brain, Gandhi had done a SWOT analysis and he knew his opponents and competitors viz., the British very well. He also knew that the British were cultured and believed in being fair and had a court that they were answerable to. So he knew that it would be almost impossible for the British to kill him if all he did was to walk and talk of peace. He used their weakness to be ruthless to his advantage. Not to forget, he used fasting as a great tool to drive home the message - that he was not scared of losing his life when it came to the cause. Thus, Mahatma Gandhi is now being increasingly considered as a Management Guru. In fact the Harvard School of Business Management has hailed him as the Management Guru of the Twentieth Century. Arun Maira CEO of Boston Consulting Group and prominent professors of management such as CK Prahalad and Arindam Chaudhuri are variously stressing up on Gandhiji's ideas for making managers more successful, humane and compassionate. Mahatma Gandhi was indeed an ideal management guru. With truth and non violence as the two key components of his creed the Mahatma inspired the masses as well as the classes of India to follow his principles and to win freedom for the country. These principles, that were founded on moral authority flowing from his "inner voice" or conscience, constituted the bedrock of his multifarious campaigns.

Though Gandhi lived many years ago, his leadership principles must be considered in order for organisations today to compete in a global market. His high moral standards are what leaders today should strive to achieve. His belief in non-violence is a principle that must be understood by all project managers in order for them to lead a diverse and culturally mixed community. Hierarchical organisations, where managers rule and the workers are treated just as commodities are a thing of the past.

Gandhi's concept of Non-violence and his high moral standards are what today's leaders must emulate in order for organisations to have the advantage in the global market. His concept of a self-ruled society can be compared to a project-orientated organisation, where individual teams are self-governed and highly efficient. Almost eight decades since he preached simplicity and Non Violence, the man in the loincloth; today, has more followers than ever before. Many universities in India and abroad are taking note of the Mahatma and his principles. Many management gurus' newfound faith in Gandhian principles only means good for the country and the business- only if interpreted correctly.

Management Guru C.K.Prahalad has said that corporate India needs to apply the lessons learned from Gandhi's ideas to their leadership styles. He said "the Mahatma's ideas have particular relevance for India as it struggles to find ways to inch closer to the 8-10 percent gross domestic product growth. Today I do not know how to grow at 10 percent or more or how to create 10- 15 million new jobs every year. But that is not the option before us. We have to reinvent new ways and that is what Gandhi taught us: clarity of goals. Let us have the courage to re-invent the means."

**Conclusion:** Business academics across the world have discovered a new management icon in Mahatma Gandhi. While leading the nation in the struggle for independence Gandhi had spun many a management strategies which are relevant to the contemporary corporate world. Gandhi is now being rediscovered as more than just a political leader who had gained independence for the country. He is also being looked upon as a master strategist, a management guru and an exemplary leader whose ideas and strategies have great meaning for the business world.

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## **GANDHIAN APPROACH TO INDUSTRIAL RELATIONS & TRADE UNIONS**

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### **Abstract**

*This article sketches the Gandhian vision of industry and industrial relations. It highlights the suggestions of Mahatma Gandhi to solve the trade union problems and to establish industrial peace. The purpose of this paper is also to develop, a framework of Industrial Relations system which could be regarded as Gandhian. The article is based on his numerous lectures, letters written to or editorials in the periodicals Young India and Harijan outlining an ideal industrial relations system for India. Gandhiji rejects both the western and Marxian models of industrial relations and posits a uniquely Indian model based on and consistent with his philosophic world view of truth, non-violence and non-possession (aparigraha). He has, through his advocacy of trusteeship theory, conceived a non-antagonistic way of securing industrial peace between labour and capital. He demonstrated its practicality by personally providing leadership to the Ahmedabad Textile Mill Strike in 1928. The outcome of this strike had significantly defined the state and tendency of policy on industrial relations in India.*

### **Key Words**

Trusteeship, Marxism, Capitalism, Satyagraha, Aparigraha, Sarvodaya, Strike, Lockout, Jurisprudence, Arbitration, Bipartism, Tripartism

### **Introduction**

Nineteen twenties and the thirties in India witnessed the emergence of a new ideology in the field of industrial relations and trade union movement. Labeled as the Gandhian ideology it emphasized that the ideologies of socialism and communism were inadequate to address the problems of industrial peace and economic development. Besides, Gandhi also felt that they were essentially alien to the Indian tradition. Gandhi had developed a new vision or approach to industrial relations and trade unionism in keeping with the Indian ethos.

### **Philosophic Basis of Gandhian Approach**

Gandhiji's views on industrial relations are based on his larger philosophy based on the principles of truth, non-violence and aparigraha i.e. non-possession. Based on these principles he evolved his concepts of non-co-operation and trusteeship, which form the basis of his model of industrial relations and trade unionism. Gandhiji developed a method to create possibilities, to conquer violence and to involve oneself in acts of "ethical existence" within the context of relationships transforming them toward a new, restructured and reintegrated pattern.

The Gandhian ideology of industrial relations advocates a system of conciliation and arbitration in resolving industrial disputes. In this ideology, capital and labour are not regarded as antagonistic but as complementary and interdependent. This interdependence is justified on the basis of morality and ethics. It is no wonder that it had been branded as a reactionary ideology by the Left-wingers since it potentially restricts the development of class forces.

Industrial peace, according to Gandhi, cannot be built on vague slogans or pious programmes. There can



be no peace on earth without the kind of inter change that restores man's mind to the fact that all life is one emanating from one universal self. The greatest of man's spiritual needs is the need to be released from evil and untruth that are within one self and in society. Individual freedom and preservation of individual integrity were high in the Gandhi's scheme of values.

Gandhiji warned of the dangers involved in focusing upon the misdeeds of the opponent and observed, "no one is wicked by nature -and if others are wicked, are we the less so?" Thus non-violence extends the area of rationality. There is a high level of responsibility toward the "other" who is not an "enemy", but an "opponent", the one who "disagrees". The act and the reaction are not automatic but conscious. They have the strength of conviction and of being able to convince.

### **Gandhian vs Western methods of Trade Unionism**

There are essentially two contrasting approaches to industrial relations that emanated in the west viz., the Marxist approach and the Capitalist or the western approach. Gandhi's views on trade unionism are in contrast with both the western and marxian notions of trade unionism.

Gandhiji did not approve of the Marxian concept of class struggle. He advocated class-collaboration instead of class-conflict and mutual confidence and sacred heartedness as the pillars of the relations between capital and labour. If workers are properly organized, they have more wealth and resources through their own labour than the capitalist through their money. Similarly he also rejected capitalism as a solution to the problems of industrial strife. The differences between the Gandhian and western approaches go much deeper and concern attitudes more than the formal machinery of settlement. A western trade unionist would be quite prepared to accept voluntary arbitration if, in the circumstances, he thought it would lead to higher wages or better conditions, but he would be equally prepared to use other tactics if the circumstances were different.

Although in practice Gandhian trade unionists do use other methods, they tend to believe that voluntary arbitration is somehow superior. The western trade unionist is concerned with results. The Gandhian is concerned with means and ideally would be prepared to sacrifice results if the means were not entirely pure.

According to Gandhi the notable defects of the capitalism are the concentration of wealth and income in the hands of a few, vast disparity between rich and poor, exploitation of the working class by the owners of the means of production and the commercialization of every dealing in the society. He also noticed that a large section of the people want to destroy capitalism and create a new social order based on the principle of equality by adopting any means to achieve their ends including a bloody revolution. On the other hand, the rich people were seen as preferring to maintain the status quo by strengthening their economic and political power and giving few benefits and privileges to the poor. Gandhi felt that both of these approaches were not helpful in solving the problems of capitalism and trade unions.

Alternatively Gandhi wanted to create a new social order, namely *sarvodaya* (literally welfare of all), in which the welfare of all would be looked after. He had given thought to the ways and means of transforming the existing capitalistic society and evolved his grand theory of Trusteeship. He believed in the theory of continues evolution of individual and society and expected that the rich man in the society would realise their social responsibility. He had developed the theory of trusteeship as an alternative to private ownership of industrial wealth.

### **Gandhi's Conception of Trusteeship in industry**

The term trusteeship was first used in relation to property and its ownership. The trusteeship theory of

Gandhi envisages a new society and has a distinct philosophy of its own. It stands for the reconstruction of the society on the twin principles of truth and non-violence. In India it is long since being used in connection with temples and mutts. The word trustee refers to a person who manages the property of the temple without any selfish interest. In the field of business management however the concept of trusteeship has had its origin in western jurisprudence. This western concept of trusteeship implies that there should be first of all property. Secondly, that there should be a legal owner of property who has the right to take decisions about the use of such property. This owner is termed in law as the author of the trust who has to fix, settle and determine the objects of such use. These are called the objects of the trust. Fourthly, he has to decide for whose benefit such property would be used.

Reflecting on the Indian society of early twentieth century Gandhi said that it was confronted with many complex problems such as poverty, exploitation, unemployment, inequality, inflation, conflicts, corruption and violent outbreaks. The people were frustrated as they lost hope in the existing socio-economic order and political system. He held that though the capitalism has made its own contribution it had outlived its purpose and has become a major cause for all these evils. The theory of trusteeship ultimately means that both the employers and the employees are equal partners in a joint endeavour for the good of the community. They hold the industry in which they are working, in trust for the community. They are equal partners, co-workers. Neither is superior nor inferior to the other.

Gandhi has widened the meaning of trusteeship. When others use it in connection with property only, he used it in a broader sense to indicate a man's attitude to his entire life. The attitude of trusteeship involves our identification with the entire humanity. There are three important aspects of trusteeship which correspond to Gandhian values. First, it demands transfer of ownership from individual, either directly or via the state. It also implies transfer of ownership from the state to common ownership among those who would run an enterprise, those who would consume its products and those who will represent larger against sectional interests, with all the built in provisions for social priorities. Second, trusteeship is not a limited economic exercise; it is a non-violent movement or method of dispossessing the owners of wealth and property. Third, the trusteeship will have to satisfy conditions of ethical economics, i.e., create those conditions of production and consumption economics which do not permit greed, conflict or alienation among different classes of the society, including the workers. If power, wealth, skill and knowledge are owned by society then there will be no room for conflict.

According to Gandhi the way of emancipating ourselves from the concept of ownership is trusteeship which dissolves various forms of property relationships such as "owner", "employer", "employee", "labourer" and so on. We cannot build harmonious human relationships as long as these narrowly conceived property relationships exist. Only an attitude of sharing and co-operation can eliminate classes and discrimination.

Gandhi was of the view that the basis of all human relationships is trust and faith. He advocated 'Satyagraha' as a means of redressing grievances of workers. Satyagraha enables one to fight or resist the root cause without hating the doer or human being. One must resist evil but not hate the person who becomes its victim or perpetrates it. Society or people do not mean a crowd. It means a living entity, a sum total of relationship. Since the root cause of conflict is the concept of ownership and authority or power inherent in it, Gandhi tried to find a way of extinguishing the concept. This way is called "Trusteeship".

### **His Views on Trade Unions**

Gandhiji was in favour of organizing trade unions. According to him the thoughts and methods of western thinkers would fail to solve, the problems of our country and hence wanted labour to be organized along Indian lines. The structure of the trade unions inevitably leaves its stamp on the character of its member

workers. The union should make labour the master of the means of productions. The union should enlighten the worker, so that they can earn livelihood. The welfare, and safeguard of the workers entirely rests on the trade unions. In a country like India education is the major obstacle in the way of development of strong union, moreover, to keep harmony, it is realized that there should be one union in the industry. Union should not wait and seek help from outside and the workers from within should be invited to share the work of the unions as far as possible.

Gandhiji suggested that the unions should expand their activities to increase the welfare of the members. This will enhance their will power to participate more in the working and functioning of trade unions.

The unions should raise the moral and intellectual heights of labour and such qualities in the labour will make them master of the means. He always demanded equal status for capital and labour. He desired that capital and labour should be mutual trustees as well as trustees of the consumer class. One must not look after his own interest but should safeguard the interest of others. In this manner, interest of both the classes will be safeguarded. He wanted to develop clear understanding and co-operation between the two such that the two must help each other. They should decide the matters themselves. It should be a large family living in unity and harmony. Capitalist being trustees for the welfare should not only look after the material welfare of the labourers but this moral welfare too. Gandhiji never advocated the agitational role of labour. There is no place for coercion in Gandhian scheme for trusteeship. The labourer should feel proud in him to identify himself as labourer because without labour nothing can be done. Gandhiji spelled out the four fold duties of the trade unions as follows:

(a) To make arrangement for educating both men and women. This is to be regularly undertaken through night schools.

(b) To educate the Children of the labourers.

(c) To ensure establishment of a hospitals and creches and a maternity home attached to every centre

(d) To prepare labour mentally and physically to support itself during the strikes.

Gandhiji advised the workers that while forming their unions, they must select their representatives carefully. He advised the labour to frame rules and select their representatives from men who have proper understanding. He advised them to keep a watch over them not only regarding the finance and management of their affairs but also to know what they have actually done for them.

Gandhi's aim was to make trade unions shed some of their syndicalist characteristics such as violent class struggle, continuous strikes, sabotage, etc. and to adopt constructive methods of collective action, settling their difference with employers as far as possible by negotiation and arbitration.

### **Gandhi's Stint as a Trade Union Leader**

Gandhiji was not only the greatest political leaders of our country but he was also the greatest trade union leader of our country. Infact, the history of India's trade union movement started with the struggle of the Ahmedabad textile workers under the leadership of Mahatma Gandhi. The strike commenced on 22<sup>nd</sup> February, 1918. This was an epic struggle of the working class to achieve their just demands through methods peculiar to the Indian tradition.

During the course of the strike Gandhi used to address the workers under the shadow of a Babul tree on the bank of the river Sabarmati in Ahmedabad, to remind them to their pledge and to continue the strike peacefully till the 35 percent increase in wage was secured. The struggle ended in a success to both the parties. It had for the first time, demonstrated the efficiency of the new technique propounded by Gandhiji to govern labour- management relations. The manner in which he conducted the strike and the method of its settlement were unique in the history of Industrial relations and probably in the history of industrial

relations anywhere. Although for Gandhi this strike was just another particular application of the weapon of "Satyagraha" which he had devised for his followers in the trade unions, the methods used at Ahmedabad in 1918 constituted an ideal to be applied as far as possible to the settlement of industrial disputes elsewhere.

For Gandhi this textile mill strike was not a mere stoppage of work. It was but a "Satyagraha", an assertion of truth characterized by adherence to a stated truth by means of behaviour which is not violent but which includes self-suffering. It seeks to effect change and it operates within a conflict situation.

Thus the satyagraha, when applied in the field of labour, can be distinguished from an ordinary strike and the settlement reached at the end of a satyagraha is not a mere compromise.

The first distinguishing feature of Gandhian method of industrial relations is that only "truthful" claims should be made. A strike is a form of "satyagraha" a striker, therefore, would not submit to superior force or hardship; once he resolves, he keeps firm to it and even at the cost of privations including starvation, he sticks to the resolution.

### **Gandhiji's Approach to Industrial Relations**

Mahatma Gandhi's approach to industrial relations is based upon the "Sarvodaya" principles of truth, non-violence and trusteeship, in which class harmony prevails. He considers trade unions basically as reformist organizations and as economic entities which must be organized based on the assumption that capital and labour are not antagonistic but are supplementary to each other. He said that capital and labour should supplement and help each other. They should be a great family living in unity and harmony. The capital should not only look to the material welfare of the labourers but their moral welfare also. The capitalists should view themselves as being trustees of the welfare of the labouring classes under them. The trade unions on their part should not only undertake the functions concerned with improving the economic conditions of workers, but must also try to raise the moral and intellectual standards of labour. They should also undertake programmes for teaching supplementary occupations to their members so that uncertainty of employment during a strike may be reduced to the minimum. He declared "the working class would never feel secure or develop a sense of self assurance and strength unless its members are armed with unfailing subsidiary means of subsistence."

For Mahatma Gandhi, the aims, objectives and policy of unionism are not anti-capitalist. The idea is to take from capital labour's due share and no more. This should be done not by paralyzing capital but by reform among labourers from within and by their own self-consciousness. This should not be again through the cleverness of non-labour leaders, but by educating labour to evolve its own leadership and its own self-restraint, and its self-existing organization

Gandhiji said that while it's quite proper to insist upon worker's rights and principles, it is imperative that they should recognize the obligation that every right carries with it. Workers should treat the business of their employers as if it were their own business and give it their honest and undivided attention. They should fight, if they must, on the path of righteousness.

Thus the essence of Gandhian methods when applied to trade union questions is its emphasis on persuading the employers rather than on coercing them, the strict adherence to non-violence, and a willingness to bear any suffering rather than to betray a principle. For Gandhi the trade union's functions did not end at the factory gate.

**Preference for Voluntary Arbitration:** Supporters of the Gandhian approach to industrial relations tried to regard the concept of voluntary arbitration as his main contribution to industrial relation. This approach

is regarded as "indigenous" and sometimes as uniquely Indian.

**Satyagraha:** It is essential to understand "Satyagraha" fully in order to grasp Gandhij's principles of peace making. "Satyagraha" has within itself the Gandhian concept of truth, nonviolence, self-suffering. The ingredients of satyagraha include truth - nothing exists in reality except truth which in Sanskrit means "sat" - "is ness" or "being" "sat" or truth is perhaps the most important name of god. In fact, it is more correct to say truth is god, than to say that god is truth.

**Non-violence:** Gandhiji did not consider non-violence as a matter of tactic although it was certainly effective in liberating India's people from an alien rule. On the contrary, he believed that the essential spirit of non-violence springs, from a deeper, Inner realization of spiritual unity in one's own self. Therefore, it is as much a means of achieving unity as the hit of the inner unity already achieved. Gandhiji's non-violence was not a sentimental religiosity or a denial of the reality of evil. The first duty of a real satyagrahi is to bring to light the evil, the wrong, the injustice that he knows of even if he has to suffer by so doing "There is no limit whatsoever to the measure of sacrifice that one may make in order to realize this oneness with all life." Love and nonviolence must be the means because truth is the end and because truth and love are "the law of our being". Gandhiji asserted that "If love or non-violence be not the law of our being, the whole of my argument falls to pieces".

Gandhi's belief that different men might sincerely take a different view of truth, implied for him the use of non-violent means. Non-violence was also implicit in Gandhi's theory of trusteeship If the employers were to be considered as "trustees" there could be no justification for the use of violence against them. The lesson Gandhi taught was that the workers should always respect the good in their opponent.

In a strike the workers are fighting the evil in the employers, and not the employer personally? Therefore while on strike, the worker should be truthful, courageous, just, and free from hatred or malice towards anybody, and should be prepared for the voluntary sacrifice by putting his faith in god.

**Self-suffering:** "Tapasya", which means austerity, has within it implied both self-discipline and self-restraint. Gandhiji believed that in the satyagraha mode of action self-suffering is the chosen substitute for violence to others. To punish and destroy the oppressor is to initiate a cycle of violence and hatred. Self suffering, Gandhiji held, enables life and morally enriches the world. There is an arresting paradox in this that one can overcome evil by suffering it. The only way truly to "overcome" the adversary is to help him become other than an enemy. This is the kind of wisdom one finds in Gandhij's principles.

**Ends-Means Relationship:** Besides truth, non-violence and self suffering, ends-means relationship is very important in Gandhian principles of peaceful industrial relations. It was Gandhiji's firm conviction that means are as important as, and often even more important than, ends. Ends alone can never justify the means. The inseparable combination of truth, and love in Gandhian principles form the basis of Gandhian solution to problems. Non-violence and truth, ahimsa and *satyagraha* are so intertwined that it is almost impossible to say where one begins and the other ends. They are like two sides of a coin. No action is worthy of human effort if it degrades man even if the outcome is a spectacular one. He used to say means are after all everything. As the means so the end. There is no wall of separation between means and end.

### **His Views on Strikes**

A strike was justified in Gandhi's view only if other means for settlement had failed. Firstly, the parties



should try to convince each other of the truth of their claims. Secondly, they could agree to appoint a respected arbitrator. Gandhi was prepared to respect the interpretation of truth reached by an arbitrator even if it did not measure up to his own version. Finally, if the employers refused to accept arbitration, the workers had to go on strike until their demands were met.

The objectives of a strike was not the coercion of the employers but their conversion. By being steadfast in their behaviour the workers would show to the employers that truth was on the worker's side. Gandhi did not want the employers to relent because of losses due to the strike or for other such practical reasons, but because they had been convinced that the works claims were just. As a matter of fact, Gandhiji was never against strikes as such. He had himself led some strikes in Ahmedabad and declared that a strike was an Inherent right of the working men for the purpose of securing justice, but it must be considered a crime immediately the capitalist accepts the principle of arbitration. According to Gandhiji, strikes might be permitted and would succeed if these conditions are fulfilled.

1. The causes of a strike must be just and strikes should be organized only for redressal of genuine grievances. He did not want workers to resort to strikes for unreasonable demands which the capitalist cannot meet without impairing the production unit.
2. There should be practical unanimity among the strikers.
3. Strikes should be peaceful and non-violent- i.e., the worker should refrain from assaulting or abusing capitalist or their agents and avoid violence against the non-strikers. Even damaging capitalist property is considered by Gandhi as violence.
4. Workers should undertake strikes only after taking up alternative jobs for their living during the strike period.
5. Workers should go on strike only after the capitalist failed to respond to moral appeals and only as a last resort after exhausting all other means of persuading the capitalist to concede their just demands.
6. Unions should not take part in political activities for two reasons. First, because the workers were not enlightened, and second, because political parties exploited the workers for their own ends.
7. Regarding sympathetic strikes, he advocated that such strikes should be organized in sympathy if workers who were for a just cause after exhausting all other means of settling disputes and were following the nonviolent path. He, however, disapproved of strikes organized by workers doing essential services. He conceded that one had every right to lay down conditions of service (but) the laying down of conditions is not an absolute right. Even if such an absolute right would be permitted, it might not be proper to use it under certain circumstances".
8. He insisted that, strikes should be resorted to with a "fair notice" being given to the authorities and after every other legitimate means has been adopted and failed".

According to Gandhi, the right to strike arises only when employers are adamant not only to concede the legitimate rights of labour but also to agree to the reasonable course of arbitration of the issues at dispute. Subject to these qualifications, labour disputes that may arise would obviously be those in respect of which employers resort to unfair and stubborn unilateral action. Not only did Gandhi hedge, the right to strike with arbitration as a precondition for resolving differences and disputes, he also laid down imperative norms of industrial discipline to be observed by workers who followed him. Workers should exercise, rights with countervailing obligations as "part-proprietors" to collaborate with the management in production.

Thus, it would be evident that Gandhiji insisted that strikes should be undertaken only after adopting the legitimate means of settling disputes. These means in his views were first making a moral appeals to the conscience of employers to concede their just demands and when moral appeals failed, resort to

voluntary arbitration. Gandhiji would not like the parties to declare a strike or a lockout without, first trying to refer the dispute to an umpire who would give a decision on the dispute which would be binding on both the parties.

A strike should not be manipulated nor it should not be organized under compulsion. It should be marked by perfect co-operation amongst the striking employees. It should be non-violent and there should be no show of force. There should be no place for goondaism and looting. The strikers should take up some work as to earn their bread during the strike period. Strikers should not lose patience under any circumstances after going on stake. The strikers should not intimidate, those not joining the strike.

The strikers should stick to their demands until they are fulfilled by the factory owners. Gandhiji laid down the following code of conduct for the workers to follow during the period of strike.

1. Never to resort to violence
2. Never to molest black legs
3. Never to depend upon alms; and
4. To remain firm no matter how long the strike continues and to earn bread during the strike by any other honest labour.

### **The Ahmedabad Experiment**

Gandhi did not merely propound his concept of industrial relations and leave it to his followers. As a pragmatic labour leader he put his ideas into practice. For an appreciation of his influence on the labour movement a brief account of the labour dispute he sponsored and got settled by a fastidious application of the principles of 'Satyagraha' and arbitration may be relevant.

In the first half of 1918 an industrial dispute arose regarding the quantum of "plague bonus" paid to textile mill workers at Ahmedabad. The workers were paid 70 to 80 percent of their wages for inducing them to stay at work even when plague broke out. Though the plague had subsided, the war-time inflationary prices of necessities of life did not abate and hence the bonus was continued. The workers had misgivings that the mill-owners were thinking of discontinuing it. They demanded that if the bonus was to be discontinued they should be given a fifty percent increase in dearness allowance in lieu of the bonus. Gandhi was requested by a mill-owner, Ambalal Sarabhai, to intervene in the dispute. It was agreed by the representatives of the parties to the dispute that the issue should be settled by arbitration. The arbitration board consisted of representatives of mill-owners and workers in equal numbers, with the district collector as the umpire.

While Gandhi was away from Ahmedabad the workers of some mills precipitated a strike. On hearing about the strike, Gandhi returned to Ahmedabad and apologized to the mill owners for the precipitate action and offered to dissuade workers from continuing the strike. But the mill-owners took the stand that since the workers struck work after the appointment of the arbitration board, the arbitration stood cancelled and that they were free to deal with the workers who were reluctant to work with 20 percent increase in wages offered by them.

During the period of stalemate that followed, Gandhi made a meticulous study of the financial position of the mills, the wage levels prevailing in Ahmedabad and Bombay, and the economic condition of workers, and came to conclusion that workers should not demand more than 35 percent increase. Before broaching the proposition to workers, he mooted it with the management which neither accepted the proposal nor agreed to refer it to the arbitration board. The mill-owners declared a lockout from 22 February 1918 for 25 days. During its pendency, Gandhi exhorted the workers to maintain themselves by alternative employment. The mill-owners attempted to break the strike by ending the lockout on 12 March 1918 and

by announcing that the mills would be open for those willing to accept the 20percent increase. With the lifting of the lockout, a strike had commenced.

Gandhi, sensing that workers were giving away, commenced his historic fast on 16 March 1918 which finally led to the acceptance of arbitration by the mill-owners on 20 March 1918. The arbitrator gave an award for 35 percent increase in wages.

This strike under the leadership of Gandhi became a watershed in the history of industrial relations in India. It demonstrated that if a serious dispute arises between parties it should be settled not by resort to a strike but by arbitration. Further, since the settlement was reached through arbitration it is presumed that on a similar occasion in future an arbitrator will also be appointed. It should not be taken that an arbitrator will be appointed even in regard to trifling differences. It will be humiliating to both the parties if a third party, has always to intervene whenever there is a difference between the employers and the workers.

Certain principles emerged for the settlement of industrial disputes in the aftermath of this strike. They were that there is a need for bipartite negotiations for resolving differences and for avoidance of referring trivia for arbitral settlement; the condition that arbitration of a dispute should precede strike action, and the application of tripartite principle as the fulcrum of industrial democracy. The tripartite principle for the resolution of industrial disputes gained ground ever since this strike.

Commenting on this event, Louis Fischer observed: "The principle of arbitration is essential to Gandhiji's philosophy. It eliminates violence. It teaches people tolerance and conciliation. Gandhiji fasted in Ahmedabad labour strike not for anybody or against anybody, but for a creative idea". At Gandhi's suggestion, the president of the Ahmedabad Mill Owner's Association (Ambalal Sarabhai) called a joint meeting of the managing committee of the association and representatives of the TLA on 18 December 1919 for exploring ways of setting up a permanent machinery for the settlement of industrial disputes. , the Ahmedabad experiment in labour-management relations has, by and large, been a shining example of smooth industrial relations.

### **Gandhi on Capital-Labour Relationship**

A close examination of the Gandhian ideology indicates that though Gandhi eventually wanted capital and labour to evolve an interdependent relationship, he had simultaneously identified some crucial areas of conflict between capital and labour. These were related to the necessities governing the basic conditions concerning the existence of workers. In the Gandhian system, these needs were considered workers rights and a struggle for these rights was given legitimacy. However, Gandhian ideology was not able to reconcile the two positions viz., that of advocating interdependence and mutuality between capital and labour and emphasizing the right of workers to struggle to obtain their basic needs.

The core of the Gandhian ideology of Industrial relations lies in his conceptions of morality and ethics built on such concepts as justice, honour, dignity and self-respect. These provide normative guidelines for interaction between the two groups. Gandhi, very early, recognized that both capital and labour had their respective "strengths"; the mill owners had money, the workers their hands and feet. While other social philosophers had highlighted the unequal nature of these strengths, Gandhi emphasized a mutuality between capital and labour. For him, the wealth of the capitalist was useless without the workers, for there would be no hands to make the mills work. Similarly, without the mill owners the workers would be useless; there would be no mills for them to work in.

Having provided the justification for the interdependence of capital-labour relationship, Gandhi stipulated the means through which the disputes between capital and labour would be settled. Arbitration was the answer. But the Gandhian arbitration board would not function as a normal arbitration board whose



decision would be binding on the parties. Instead, the 'panch', as he called it was to be a board in which the representation of the employees and employers would have consultations and would try to come to a decision. If these consultations failed to generate an agreement, then an empire whose decisions would be binding on both the parties would be nominated. In this manner, Gandhi evolved a system of arbitration on conciliation to guide the conflicts in the relationships.

### **Conclusion**

Gandhi's personality was vast and multifaceted. He devoted his life for the promotion of human dignity and welfare, particularly for the under privileged sections of the community. He made significant contribution to labour management relations which has influenced Indian Labour Policy since the Indian National Congress took the regions of government in the States and at the Centre .Gandhi's main aim was to eliminate the conflict potential inherent in the economic system to the extent practicable. He worked for the golden mean of compromise not only in their mutual interest but also for promoting the welfare of the community by making uninterrupted production possible. Gandhi's ideas of worker's right to organize for themselves and to strike work in the last resort, his advocacy of the tripartite principle for peaceful settlement of industrial disputes, his concept that employers should function as trustees of labour and both of them as custodians of the interests of the community, were being experimented in the textile industry of Ahmedabad at the time the International Labour Conference came into existence in April 1919." He exhorted workers to be truthful, since he believed that even if only one side adhered to truth the struggle for it was bound to succeed." This anchorage of industrial relations to "truth" had introduced an ethical element raising the plane on which collective bargaining had to be conducted. In this way, Gandhi applied the principles of non-violent non-cooperation, which he adopted in the political sphere, to industrial relations. But before resorting to the extreme course of strike action, Gandhi made it incumbent on workers and those who guided them to explore and exhaust all possibilities of a peaceful and honourable settlement. Gandhi observed: "I know that strike is an inherent right of the working men for the purpose of securing justice; but it must be considered a crime immediately capitalist accept the principle of arbitration."

It is evident that in the midst of his varied and more important activities Gandhi could devote his time and energy to the cause of Industrial labour. Gandhi was both a thinker and activist on matters relating to labour and capital-labour relations. His work as a labour leader was confined mostly to the textile labour of Ahmedabad. But his concepts are of general validity. The success of Gandhian concepts depends much on the human element, and it is for this reason that he appealed always for maintenance of standards of behavior and a spirit of compromise without recourse to extreme steps as far as possible.

The key to an understanding of Gandhian principles is to comprehend his revolutionary mode of actions namely "Satyagraha" and his challenging goal of "Sarvodaya", the good of all a fuller and richer concept of "peoples" democracy than any we have yet known. The central figure in all these is the individual, the human being of soul, mind and body, the three-dimensional being. Therefore the individual is the one supreme consideration with his conscience and will together with his reason to affect change.

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