Socialism in India -- Reality or Myth with Special Reference to Foreign Direct Investment in Retail

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ABSTRACT: Socialism is not the new notion to India. Since Pre-Independent era the movement of Indian Socialism achieved the considerable attention. The word socialist has many meanings. The concept of socialism in India is not per se. Socialism is a much misunderstood word. The idea of socialism is inbuilt in our Constitution. The concept of Equal opportunity is there in minds Constitutional framers and impliedly the idea brought into the Constitution. The domestic organized retail market in Indias growing very rapidly. It has adversely affected the small retailers. These big retailers are financially strong to source their supplies from the lowest cost producers at the global level. Ultimately small enterprises fear that they may not be able to compete with world class large companies and may ultimately be edged out of business. Allowing FDI in retail will worsen the situation more if proper policy is not framed. Current the policy and legal mechanism is more favourable to organized players which is hampering the concept of socialism in India.

KEYWORDS: Socialism, FDI, Retail, Policy, Constitution

I. INTRODUCTION

Mixed Economy is controlled Capitalism. Most discussion pertaining to reforms and growth are focused around the government and corporate sector. Trade is considered as essential business under unincorporated sector. This sector has largest share in our national income. The unorganised retail is one of largest but least focused component of our economy. The current stress of globalization has led an impact on this sector. The type of development model we choose will decide the future of this sector. Globalization in India made financial growth and not economic growth. The reforms might have helped large investors but definitely not to the unorganized sector.

Retail revolution is one of the inspiring and debatable talks in India. Indian economy is passing through a process of crucial change but ‘Globalization should not become Government Corporatization’. The fluctuating global growth conditions vitiated the domestic atmosphere as well. The need of hour is quick policy action and the Government took multiple measures to attract foreign investment in Retail but on to revise domestic interest.

In India, there has always been emphasis on Mixed Economy i.e. along with public sector; the private sector has a role to play. So the implication socialism does not make any strong precedent. There are concerns as regards the economic and social aspects. India being developing country not having level playing field to maintain sustainable development.

The problem is not only that the top income group are getting larger share of the economic pie but those in the middle class are not sharing the economic growth. With this unparallel growth the concept of socialism is in question.

II. SOCIALISM

Their two types of socialism practiced in the World i.e. Soviet socialism and the Fabian gradualism. Soviet socialism developed by Karl Marx called as Marxism. It is primarily a social, political, and economic theory that interprets history through an evolutionary prism. Marx actually believed the primacy of social classes struggle over the ownership and control of material resources. The Fabian socialism drew its main attention to Utilitarian tradition. This is an evolutionary form of socialism rather than revolutionary, in which the state involvement in economic activity is supposed to increase. The typical way a Fabian socialism works is

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1 Datt and Sundharam, Indian Economy page 191, S.Chand and Company Ltd.
3 Ibid at xxvi
4 Donald Sassoon, One Hundred years of Socialism- The west European left in 20th century, page 15, I.B.Tauris and Co. Ltd.,2010
by nationalizing private industry, stifling private and ultimately achieving the Commanding Heights of the Economy which is the same as complete State Control of economic activity.\(^5\)

The principal aim of a socialist state is to eliminate inequality in income, status and standard of life. The basic framework of Socialism is to provide decent standard of life to the working people and especially provide security from cradle to grave.\(^6\) In particular, Jawaharlal Nehru, who shaped India’s socialist policy after independence, was greatly influenced by Fabian ideas. So Nehru’s socialism is not only speaks about economic equality but classless society where economic democracy is important.\(^7\)

But in all these views, in a bid to establish an equalitarian society with justice to all, Pandit Nehru evolved a compromise formula known as ‘democratic socialism’.\(^8\) The conflicting idea of democratic socialism is not clear in Indian jurisprudence. But it promotes equal Opportunities which contribute to the enrichment of the individual and community life.

So from these different aspects; one can derive the meaning of socialism in India is economic uniform society. This concept is only aim to form economic democracy in India. But this idea of socialism not adapted by then and now society and State in pragmatic manner.

### III. SOCIALISM AND CONSTITUTION OF INDIA

The word Socialism inserted in the Preamble by the 42\(^{nd}\) Amendment, 1976. The objectives of 42\(^{nd}\) Amendment are aim for socio-economic revolution through equality of opportunity and end of poverty.\(^9\) The unsuccessful attempt has been made by Legislature to define the word Socialism.\(^10\) But the word socialism inserted to spell out expressly the high ideals of socialism and these words in object have no reference of Nationalization but mere social justice through equality of opportunity.\(^11\)

The preamble depicts ours as a socialist state. A socialist society involves a planned economy which takes note of time and place consideration in the distribution and pricing of output. The Indian conception of socialism with democracy with human dignity is by creation of opportunities for the development of each individual and not destruction of the individual.\(^12\)

The Directive Principles of State Policy enshrined in the Indian Constitution, clearly indicate the broadly egalitarian social and economic goals, the pursuit of which by common consent can lead to what Nehru

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\(^5\) http://www.indiapolicy.org/debate/defs.html
\(^6\) D.S. Nakara v/s Union of India (1983) 1 SCC 305, 327
\(^7\) His Presidential address to the A.I.C.C. Lahore in 1929
\(^8\) "Our basic aim is to create an ideal ‘welfare state’ on a socialistic pattern, a classless society in which none is exploited, where there is no class conflict, regional rivalry or groupism. Our object is to promote individual initiative and social and moral orientation of people. In short, we are to evolve an entirely new pattern of our social, cultural, ethical and economic outlook of our entire nation.”

As quoted in Second Five Year Plan, page 22 available at http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html

"Democratic Socialism to some people means two things; distribution and nationalism. Distribution means cutting off the pockets of the people who have too much money and nationalisation means state ownership. Both these are desirable objectives, but neither is by itself Socialism. The basis of Socialism is greater wealth; there cannot be any Socialism of poverty. Therefore the process of equalisation has to be phased. Every individual in State should have equal opportunity for progress."

\(^9\) The objectives of 42\(^{nd}\) amendment is as follows —

"The question of amending Constitution for removing difficulties which have arisen in achieving the objective of socio-economic revolution, which would end poverty, ignorance and disease and inequality of opportunity, has been engaging the active attention of Government and the public. It is therefore, proposed to amend the high ideals of socialism, secularism and integrity of Nation to make the directive principles more comprehensive and give them precedents over those fundamental right which have been allowed to be relied upon to frustrate socio-economic reforms for implementing directive principles.”

Available at Loksabha debate, vol.65

\(^10\) 45\(^{th}\) Amendment Bill,1978 defines socialism

"The expression Republic as qualified by the expression socialist means a Republic in which there is freedom from all forms of exploitation, social, political and economic.”

However this amendment not accepted by Council of States.

\(^11\) D.D. Basu, Commentary on Constitution of India, page 394, ed. 8\(^{th}\), 2007, Wadhava Publication

understood by socialism.\textsuperscript{13} Art. 39 deal with Socialism per se i.e. Distribution of material resources, no concentration of wealth and equal pay for equal work. It is adopted of pure socialism as concentration of wealth is refused and allocation is accepted. The evolution of Socialism basically started from this inequality and economist and Jurists suggested allocation of the wealth is the alternative solution for the same. The remaining Article is promoting standard of life through adequate means of livelihood, health and child care.\textsuperscript{14} Article 39 (b) and (c) only speak about distribution of material resources. It also consists of those economic condition which results in inequality. Equality before Law under Article 14 can be predicted meaningfully only in equal society i.e. the society contemplated by Art. 39.

The very important article for this promotion of equality in opportunity is Article 38 (2). State strives to minimise the inequalities in income, status, facility and opportunity is the basic objective of this principle. Art 43 A has been inserted in order to direct the State to insure the participation of workers in the management of industry and other undertakings for profit sharing. This provision strengthens to help the weaker group to raise its economic standard.

All these Articles relate with Socialism are giving enhancement to equality in opportunity. These articles are very important for inclusive growth in India.

Justice P.N.Bhagwati in decent in landmark Minerva Mills v/s Union of India\textsuperscript{15} beautifully stated; The Directive Principles impose an obligation on the State to take positive action for creating socio-economic conditions in which there will be an egalitarian social order with social and economic justice to all, so that individual liberty will be a cherished value, not only for few privileged persons but for the entire people of the Country.”

With all this observation, Indian Socialism can be divided into two main parts; these parts have no basis of policy and Institutionalism. But it evolved through adaption of Democratic Socialism in India in much unorganised manner.

1. Collectivism i.e. State ownership
2. Equality of opportunity

1. Collectivism i.e. State ownership

This issue discussed in the Constitution and also interpreted by the Judiciary.\textsuperscript{16} The successful attempts have been done through Nationalisation of Banks and Public Sector Undertakings (herein after PSU) to achieve Collectivism in India. But with advent of time Government not able to carry forward the concept of socialism in pragmatic manner. The idea of private ownership is increasingly considered by Government in current days.

2. Equality of opportunity

Constitution of India protects Equality of opportunity in terms of status and social standard. But equality of opportunity per se has not been exhaustively discussed. Equality of opportunity never exhaustively analysed in India which is one of the basic aim of inserting the word socialism in preamble. The Government policies and action plan is purely towards capitalism as we more speak more about private engagements to enhance economy irrespective of sustainable growth.

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\textsuperscript{14} Art. 39 of Constitution -- The State shall, in particular, direct its policy towards securing—
(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;
(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;
(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;
(d) that there is equal pay for equal work for both men and women
(e) that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;
(f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment.

\textsuperscript{15} AIR 1980 SC 1789

\textsuperscript{16} Art. 39 of Constitution and Judiciary’s contribution by D.S .Nakara v/s Union of India, Excel wear v/s Union of India, Akadasi Padhan v/s State of Orissa. Also infra 18
IV. FOREIGN DIRECT INVESTMENT IN RETAIL

Foreign direct investment (here in after FDI) is an investment made by a foreign individual or company in productive capacity of another country. Foreign direct investment in the retail trade is never being free from controversies. As FDI in retail is mass concern, its important to notice the controversies which relate to livelihood of people.

Retail is divided into organised and unorganised trade. Generally all enterprises either registered or come under the purview of any one of act are defined as the organized act. All unincorporated enterprises and household industries which are not regulated by any act and which do not maintain any annual reports are classified as Unorganized. Basically what is unorganized sector, the comprehensive list is not prepared yet by Government. It is also called as informal sector. So it consisted of all possible business which is done under the roof for livelihood.

The legislative development in FDI in retail is taking more than two decades to be certain. Now 100% FDI is permitted in Cash & Carry wholesale trading and Single Brand product. Recently Government scrap the policy to permit FDI in multi brand which was 51% earlier.

The unincorporated sector in India contributes about 45% of the national income which surpasses the corporate sector’s contribution of around 15% and yet its contribution remains unnoticed. One needs to remember that the unorganized sector is only a large subset of the non-corporate sector. The unorganized sector is fastest growing sector in India, so it should be termed as the engine of our economic growth.

The weak are marginalized because neither they have quality and skill to get job in organized retail nor they can compete with organized retail. Also their business get reduced because of not providing multiple option like organized retail because if weak credit they having.

Weak unorganized players are not having any privileges from institutional and non-institutional finance sector which is making them more vulnerable. But the planners instead of enhancing credit delivery mechanism are focusing on control and regulations. If we want globalization without local depression then a cost effective and efficient credit delivery mechanism is important. Making organized retail global before integration of financial market to unorganized retail may lead to unfair growth.

One of the major contentions ‘Is the big foreign players diminishing the business of Unorganized Retailers in India?’ There are around 1.5 crore retail shops in India, having total sales of around $400 billion. The unorganized retail sector accounts for around 92% of all retail sales. The large retail businesses and supermarkets, that is, the organized retail sector, constitutes the remaining 8%. In all, the retail sector employs around 4 crore people, nearly 10% of the total employment in the country. Also in labour surplus economy it is difficult to find secure employment in the organized job market. The generation of employment in the retail is very less as compared to mass involved in the sector. The organized retail needs lot investment and it will ultimately crate employment in India. But the issue is whether this employment will give justice to the mass people or by giving lakhs employment will it take millions of self-employment?

The global experience is that for every job created in a supermarket, around 17 jobs are lost in the unorganized retail sector. Critics analysed that the “Liberalization” came under the pressure of monopoly capital.

V. SOCIALISM AND FOREIGN DIRECT INVESTMENT IN RETAIL

Retail is an integrated part of the economy both as income and employment as they contribute significantly to the Gross domestic Product and the work force. With a contribution of an overwhelming 14% to the national GDP and employing 7% of the total workforce (only agriculture employs more) in the country, the

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17 http://www.oecd-ilibrary.org/sites/factbook-2013-en/04/02/01/index.html?itemId=/content/chapter/factbook-2013-34-en
18 Household industry includes partnership, proprietorship and individual business
19 National Account Statistics, sources and methods,1980, page 69
20 7 December 2012 policy; available at dipp.gov.in/English/Discuss paper/RetailTrading_VNPrasad.pdf
21 Supra 2 at 15
22 Supra 2 at 40
23 http://shodhganga.inflibnet.ac.in/bitstream/10603/4534/8/08_chapter%201.pdf
25 Supra 1
retail industry is definitely one of the pillars of the Indian economy. Competition Commission of India, the retail sector is expected to grow by 30% per annum.28

With the lifestyle changes, improvement in the standard of living and consumerism with retailing, franchising and availability of multiple goods and services available under one roof, the proposals for liberalization as far as FDI in retail sector is concerned, is getting a different approach from the government.29 Also, in recent times, the consumers are showing much greater confidence and in due response the retail players in the market are turning towards aggressive expansion plan. These developments are clearly signalling comfortable time for the retail sector. Hence the need of enhancement in retail Sector is the need of time which cannot be fulfilled by the domestic entrepreneurs. This provides ample opportunities for bringing in FDI into India. Foreign Direct investment plays an important role in the economic development of a nation not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology strengthening, infrastructure, raising productivity and generating new employment opportunities. Such progress is most favourable to Indian financial growth. But to maintain sustainable development, one sided development is not enough. Weaker unorganized sector also needs more protection like organized retailer. The concept of economic democracy is solely depends on the equality of opportunity. To protect the weaker some protective discrimination is very important which is lacking in legislature.

Raising maximum income through growth is the way to progress the Nation. Distribution measures indicated that very little could be changed by way of the distribution of income in different societies. More importantly, this view was reinforced by the view that a long-lasting effect on the incomes of the poor was possible only if the economy was geared to raising incomes, investment and hence jobs for the underemployed as rapidly as possible.30 The policy assumption thus, the country would utilize foreign assistance using ‘aid to end aid’. 31

The policy of Foreign Direct Investment in Retail is the extension of control capitalism. The framework of Indian economic policies has therefore been called into question on several dimensions, from the viewpoints of both the capitalist objective of efficiency and the socialist objectives of equity. To ensure success for democratic socialism in India, there are certain requirements which must be followed provision of equal facilities to all sections of the people; prevention of concentration of economic power in a few hands through state regulation and legislation; elimination of monopolies and monopolistic trends in business, industrial or other organizations, progressive extension of the public sector in key industries In the social sphere, the aim is the elimination of social inequalities through legislation and extensive state-implemented welfare activities.32

VI. CONCLUSION
To attain Economic development Foreign Investment is must but entire growth is not depends on foreign investment. This nostalgia needs to be removed from Indian Institutions like Legislature and Judiciary. Planners should address these local issues along with liberalization. The Paper is not against globalization but it seeks to draw attention to poor and uncertain policy. The sooner we strengthen and facilitate our small business, the better for employment and society.

As discussed above all unincorporated enterprises and household industries which are not regulated by any Acts, and which do not maintain any annual reports considered as unorganized sector. So it would be useful if Government or rather Central Statistical Commission first decide what factors come under this informal business. With such weak database, policy makers try to formulate policies with presumption to maintain socio-eco balance. Another is though Foreign Investment share is less, the protective measures and privileges are highly provided by the Government which is important also to increase foreign flow in India. But the argument lies with by suppressing rights of rest of people; can the policy be benefited to India at a larger scale? Can it be called as Sustainable development in India? Can it be one sided development we experienced?

All above observation leads to question of realism of socialism in India. The 42nd Amendment was the result of political will. By mere putting objectives of Economic Equality does not serve any purpose. Since liberalisation, Government is always partial in giving privileges to weaker section of society. Foreign Direct

28www.cci.in/pdfs/surveys-reports/Retail-Sector-in-India.pdf
30Supra 6 at 215
31As mentioned in Second Plan available at http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html
Investment is always a welcome measure but can we afford this economic development by the cost of our own people. The local suppression is the major issue which resulted into economic inequalities. Government providing special privileges to foreign players though subsidies, easy clearance. Can the same options are available to the unorganized retailer in the Country. The answer is No. Because the separate Institutionalism set up for foreign direct investment and different policies formulated for them. The instances available where Government changes the policies as per the convenience of the foreign players. These measures are welcome to boost our economy; rather we need FDI in different sectors including retail. The question is whether this same protection available to the Unorganized Retail. There is no single Law, policy available in India for the protection of second most employable sector in India. The trend of the government shifting its policies towards Globalization and liberalization begs the question whether citizens are being misdirected into believing that the government's policies are in consonance with the Constitution.

So the concept of Democratic Socialism which we adopted through 42nd Amendment is proving to be myth.

Now on analysis of Socialism mentioned under Constitution, it further divides into Socialism per se and Democratic Socialism. The idea evolved in India but the legal acceptance is not achieved in a greater manner. Though the Directive Principles are non-justifiable but the judicial activism in recent past made them extension of Fundamental Rights. Beyond the basic rights, the new generation expect for more comprehensive rights. So these principles are nothing but the legitimate expectation of people. Unfortunately not enough attention paid by Legislature and Judiciary with respect to equality in opportunities which is another form of Socialism. No legislation passed to protect the economic interest of weaker section of people in unorganised retail. Judicial contribution is comparative less to secure and promote equality in opportunities. Economic democracy is the pillar of social democracy. In isolation Social democracy can never be attained.

There are two types of legislations which need to be formulated after opening up of economy; legislation which contains of credit policy to unorganised retail, location policy to organised retail, power to sue against monopoly practices, policy on schemes/offers giving in market and Institutionalism for the implementation and adjudication of this process.

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Socialism in India -- Reality or Myth with Special Reference to Foreign Direct Investment in Retail

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