The late 1930s saw a definite turn in political developments in India. Following the abandonment of Civil Disobedience in 1934, a prolonged period of internal peace helped the Congress, until then a broad-based movement with a general commitment to fight foreign rule, evolve into a more organized party capable of aspiring to political dominance. In the process, its relations with different social forces took a more definite shape. While in the past the Congress had clung to the myth of an Indian society free of internal conflicts and united in opposition to the British, the growth of social conflicts in town and countryside forced it to take into account the competing aspirations of various groups.

Assuming office in seven provinces in July 1937 under a regime of qualified provincial autonomy introduced by the 1935 constitution, the party found itself confronted with the difficult task of accommodating these competing interests within a framework in which only limited financial resources were available; financial control at the centre remained firmly in British hands,¹ and provinces had largely inelastic

sources of revenue. Among the interest groups which were making
demands on the Congress ministries the most powerful was the Indian
business class, which had expanded at a relatively quick pace during
the period 1932–7, and which found itself increasingly alienated from
the conservative economic policies followed by the Government of
India. By the ‘Indian business class’ we mean here Indian big business,
that is the small elite of big traders, financiers, and industrialists which
was largely concentrated in a few centres like Bombay, Ahmedabad,
Calcutta, Kanpur, and Coimbatore. Though far from constituting a
homogeneous group, these businessmen displayed certain charac-
teristics which set them clearly apart from the mass of small traders,
moneylenders, brokers, and petty entrepreneurs which formed the
bulk of the Indian merchant classes. They differed from the lesser
interests in the size of their financial resources, the range and scale of
their activities (from foreign trade to big industry), and their organiza-
tional skill. They had captured the leadership of most of the regional
trade associations and had established in 1927 the first all-India
business association, the Federation of Indian Chambers of Commerce
and Industry (FICCI), which was the closest thing to a lobby in India.
This group had been a major source of funds for the Congress cam-
paigns since the 1920s, and it had acquired some influence on the
Congress High Command. While the businessmen expected to derive
some advantages from the advent of the Congress ministries, they
were at the same time apprehensive of the policy the latter would fol-
low in labour matters.

How could the Congress accommodate capitalist demands along
with the growing populist pressures and postures which were in evi-
dence both outside and inside the party? Conversely, would business-
men, who had always been careful of keeping good relations with the
British, and had used nationalist agitations mainly as a means of ex-
tracting concessions from them, adjust to a situation in which some
power of patronage had passed from the hands of the British into
those of the Congress? These were some of the questions raised by the
advent of the Congress ministries. After 1937 the British, though
they were less in evidence, had not altogether disappeared from the