CHAPTER - 5
FACTORS INFLUENCING DEVELOPMENT OF ENTREPRENEURSHIP IN WESTERN MAHARASHTRA IN BRITISH RULE [1850-1947]

5.1 Introduction:
In the previous chapters an effort was made to present a comprehensive picture of the historical phenomenon of the process of evolution and growth of entrepreneurship in Western Maharashtra in the chosen period of the study.

The present chapter is devoted to analyze the factors, which influenced the entrepreneurial development in Western Maharashtra in British rule, i.e. 1850-1947. The present chapter could be taken as a synthesis of the earlier chapters and is the major focus of the study.

5.2 Selection of the Factors:
The present analysis may not include all the factors which influenced the development of entrepreneurship in Western Maharashtra in British rule due to the unavailability of consistent and sufficient data and the appropriate logical interpretation of the correlation between the chosen factor and the industrial development before Independence in the region.

Following is the list of the factors, which would be analyzed, in the later part of the present chapter for understanding the process of evolution and development of entrepreneurship in Western Maharashtra during the British rule.
5.3 Factors Influencing Entrepreneurship in Western Maharashtra in British rule:

An effort is made to present the list in a systematic order as much as was possible as the repeated, discontinuous and also simultaneous occurrence of many of the factors was observed.

5.3.A- Comprehensive list of the factors influencing Entrepreneurship in Western Maharashtra in British Rule:

1] Role of the Social Environment
2] Role of Social Change
3] Role of State of Technology
4] Role of the Managing Agency system
5] Role of Railway Development
6] Role of Banking and Financial sector
7] Role of Bombay and Pune
8] Role of the Princely States
9] Role of Foreign Investment
10] Role of Economic Environment
11] Role of British Government
12] Impact of ‘Swadeshi’ Movement
13] Role of Agricultural Development
14] Emergence of Trade Unions
15] Role of Big Industries
16] Effect of the Great Depression of 1930s
17] Impact of the Two World Wars [1914-1918, and 1939-1945]
18] Business and National Politics
19] Role of the Cooperative Sector
20] Role of Parsi and Marwari Class
21] Role of Small Industries
5.3.B– **Classification** - The above comprehensive list could be classified on the basis of nature of the factors to make the analysis systematic. The factors could be classified into the four major categories given below -

1] Social factors.
3] Political factors and
4] Other factors.

5.3.1 **Social Factors** – The three factors from the general list originated from the social background of the region and influenced the entrepreneurial development in the region in British rule are shown in the following table –

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Title of the Factor</th>
<th>Sr.No. in the General List</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Role of Social Environment</td>
<td>One</td>
</tr>
<tr>
<td>2</td>
<td>Role of the Social Change</td>
<td>Two</td>
</tr>
<tr>
<td>3</td>
<td>Role of Parsi and Marwari Class</td>
<td>Twenty</td>
</tr>
</tbody>
</table>

These factors would be analyzed in the later part of the study.

5.3.2 **Economic Factors**: There are ten economic factors from the general list which are arranged in the following table.
Table 5.2
Economic Factors Influencing Entrepreneurship in Western Maharashtra

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Title of the Factor</th>
<th>Sr. No. in the General list</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Role of the Managing Agency System</td>
<td>Four</td>
</tr>
<tr>
<td>2</td>
<td>Role of Railway Development</td>
<td>Five</td>
</tr>
<tr>
<td>3</td>
<td>Role of Banking and Financial Development</td>
<td>Six</td>
</tr>
<tr>
<td>4</td>
<td>Role of Foreign Investment</td>
<td>Nine</td>
</tr>
<tr>
<td>5</td>
<td>Role of Economic Conditions</td>
<td>Ten</td>
</tr>
<tr>
<td>6</td>
<td>Impact of Swadeshi Movement</td>
<td>Twelve</td>
</tr>
<tr>
<td>7</td>
<td>Role of Agricultural Development</td>
<td>Thirteen</td>
</tr>
<tr>
<td>8</td>
<td>Role of Big Industries</td>
<td>Fifteen</td>
</tr>
<tr>
<td>9</td>
<td>Effect of the Great Depression</td>
<td>Sixteen</td>
</tr>
<tr>
<td>10</td>
<td>Role of Small and Tiny industries</td>
<td>Twenty One</td>
</tr>
</tbody>
</table>

The analysis of the influence of these factors would be discussed in the later part of the study.

5.3.3 Political Factors: The third category includes the four political factors influencing entrepreneurial growth in Western Maharashtra in British rule, which are arranged in the following table.
Table 5.3
Political Factors Influencing Entrepreneurship in Western Maharashtra

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Title of the Factor</th>
<th>Sr. No. in the General List</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Role of the Princely States</td>
<td>Eight</td>
</tr>
<tr>
<td>2</td>
<td>Role of British Government</td>
<td>Eleven</td>
</tr>
<tr>
<td>3</td>
<td>Impact of the two World Wars</td>
<td>Seventeen</td>
</tr>
<tr>
<td>4</td>
<td>Business and National Politics</td>
<td>Eighteen</td>
</tr>
</tbody>
</table>

The analysis of these factors is presented in the later part of the study.

5.3.4 Other Factors:

It was observed that some of the factors in the general list could not fit in any of the above categories, which are arranged under the classification of ‘Other factors’. The four factors are presented in the following table.

Table 5.4
Other Factors Influencing Entrepreneurship in Western Maharashtra

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Title of the Factor</th>
<th>Sr. No. in the General List</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Role of State of Technology</td>
<td>Three</td>
</tr>
<tr>
<td>2</td>
<td>Role of Bombay and Pune</td>
<td>Seven</td>
</tr>
<tr>
<td>3</td>
<td>Role of Emergence of Trade Unions</td>
<td>Fourteen</td>
</tr>
<tr>
<td>4</td>
<td>Role of the Cooperative Sector</td>
<td>Nineteen</td>
</tr>
</tbody>
</table>
5.4 General Structure of the Analysis of the Factors: The general structure of the analysis of all the factors presented in the above tables would be as below.

I] Title of the Factor- This point would give the title of the factor and would also state the approach behind studying the factor, wherever required.

II] Period of the Factor- This point would explain the approximate period of the influence of the chosen factor.

III] Impact of the Factor on Entrepreneurial development: This could be taken as the most important point in the analysis as it focuses on the nature of the influence of the factor on the entrepreneurial development in the region.

IV] Concluding Remarks and Rating - This could be taken as the climax of the entire analysis as it concludes the analysis and ranks the factor into positive or negative category. Each category would be further divided into the most influential, moderately influential and least influential sub-categories.

V] Summary Chart- This would be provided at the end of the analysis of each of the four categories of the factors, such as social, economic, political and other.

To begin with, the influence of the social factors on the development of entrepreneurship in Western Maharashtra in British rule would be analyzed.

5.4.1 Influence of the Social Factors on the Development of Entrepreneurship in Western Maharashtra in British rule:

The three social factors from the general list are analyzed in the above given structure as below.
5.4.1-1.

I] Title – Role of Social Environment:

II] Period-

This factor reflects the social background of the region, prior to the rise of modern industries in 1850s. Hence, it would refer to the period of the first half of the 19th century.

III] Impact on Entrepreneurial Development-

In the beginning, the characteristics of the social environment of the region are presented below.

A] Conservatism- Since the time immemorial till the mid 19th century, the dominance of religion, the evil practices of caste and untouchability, high illiteracy, prohibition on sea journey etc. made the society conservative which in turn might have restricted the modern economic development in the region.

It was criticized that the common people in Maharashtra could never realize the existence of the political, economic and sociological sciences apart from the religious and spiritual philosophy. [1]

In short, in the first half of the 19th century, the social structure of Maharashtra was completely conservative, fate driven and non-modern.

B] Hindu Beliefs- Apart from the conservative society, it was observed by the scholars such as Max Weber that the materialistic attitude was never a significant part of the Hindu consciousness.

He stated that ‘a passive and permissive role for Hindu beliefs in the country’s industrialization as opposed to the positive, dynamic role of the Protestant ethic in the development of European industrial capitalism. [2]

This was discussed in Chapter three under the social theory of entrepreneurship.

C] Dr. D. R. Gadgil’s Remark – The famous economic historian of the 20th century Dr. D. R. Gadgil had remarked that unlike Gujrath and other
states, Maharashtra did not possess the trader community [vani]. Hence, the social structure of the state was one sided and lacked the materialistic approach. [3]

Thus, the social environment of the region till the mid 19th century was not conducive to the industrial development.

IV] Concluding Remarks and Rating -

The analysis clearly shows that the factor seemed to play a negative role in the development of industries. Hence, the ranking of the factor would be in the most negative category.

5.4.1-2.

I] Title- Role of Social Change-

II] Period –

The present factor refers to the next phase of the time period of the previous factor and takes into consideration the change in the social environment of the region that occurred in the mid 19th century.

III] Impact on Entrepreneurial Development-

As against the unfavourable social conditions discussed earlier, the social change stands in opposition, which created a favorable situation for the industrial development in the region in mid 19th century. The nature of the social change that took place could be explained as below-

A] Introduction of New Education-

The government in the 1830s introduced the western education to Indian youths by the recommendations of Macaulay. This was supposed to give Indians access to the superior science and technology of the west and also was aimed to produce the necessary force of the clerks and lawyers required for the smooth functioning of the administration.

The establishment of the Bombay University in 1857 and colleges affiliated to it in Bombay and Pune gave an opportunity to the youths to avail for modern education and western culture which in turn would have
moulded their thoughts in favour of modern and developed society. [4] This resulted in the emergence of a new class of intellectuals in the society.

**B) Formation of New Class of Intellectuals –**

The newly educated youths could be seen as a new wave of thinking and though it was observed that the class of the educated youths slightly tended in favour of British rule, they also were responsible to create a social change in the region. [5]

**C) Role of the Leaders -**

Maharashtra could be regarded fortunate that even in the slave-like atmosphere in British rule, there were many people who were scholars in the areas ranging from religion to mathematics, from theatre to literature and from political to economic betterment of the region.

Most of the influencing personalities in the region were the national leaders and their influence on the society could be applied to the analysis of the first phase of the ‘business and national politics’ [5.4.3-4].


Dadabhai explained the economic drain from India by the British. Though, his direct influence on the development of industries in the region could not be traced due to the lack of information, however, he influenced other leaders who pleaded for the industrial development of the region.

One of them was Justice M.G. Ranade who was the first leader to think of the economic development of the region. He gave lectures on India’s trade and economics and wrote in the journals to create awareness about the economic conditions and he could be seen as one step ahead to
Naoroji in stating that the drained money could have been available for the industrial development.

He was actively associated with the Sarvajanik Sabha – an organization established by G.V. Joshi alias 'Sarvajanik Kaka' for the social enlightening. Justice Ranade devoted his life for the industrial development.

Jagannath Shankarshet was a social worker and reformer who contributed considerably in the process of urbanization of Bombay in the mid 19th century. He popularized the modern structure of residential schemes and also the construction of bridges, roads, sanitation and water supply schemes for the city. He was active in starting railways in the region. He had started the gas light company, the Agro Horticulture Society of Western India for popularizing new crops and equipments and thus the modern green revolution was initiated by him way back in 1830s.

He could recognize the importance of trade and industrial development in the country. He himself was the promoter of the Great Eastern Spinning and Waving Company and tried to organize an industrial exhibition like that of one in London.

He took lead in starting school for the girls and also participated in developing the modern banking sector. The versatile role that he played would have made an impact on the region. He was praised by Dadabhai Naoroji for being among the first who sowed the seeds of education and watched and nursed it for its healthy growth. [6]

Gopal Ganesh Agarkar was basically a social reformer but also worked on the economic problems faced by the region. He compared Indian economic conditions with those of the European countries and proved that the poorest of the poor country in Europe like Greece, Italy, Russia were richer than India. He further pleaded for industriousness among the people of the region through his articles in the newspapers.
The influence of the great national leader Bal Gangadhar Tilak alias *Lokmanya* could be the highest on the region during the late 19th and early 20th century. He wrote on the *Swadeshi* as early as in 1885-86 in his newspaper *Kesari*. His editorial on the first textile mill in Pune by Seth Hindumal Balmukund gives a proof of his keen interest in the industrial development of the region.

Besides encouraging the industrialists through his writings, Lokmanya suggested to start the technical education for developing the domestic industries in foundry, weaving, carpentry, metal work, and manufacturing candles, matches, blades, knifes, scissors paper, oil, soaps sugar and chemicals etc. to prevent the drain of money.

One of the examples of the enterprises due to his inspiration and support could be stated as the Paisa Fund Glass Factory, Talegaon which has been analyzed in chapter four.

His remarkable suggestion was noticed that instead of putting money in the banks for 4% interest, people should invest in the industries, which would definitely earn them 10-12% interest. His suggestion on the lack of capital was to form the joint stock companies for the enterprises. Besides, the intellectuals like M.B. Namjoshi, G. V. Joshi alias *Sarvajanik kaka* etc. actively contributed in creating awareness for the economic development of the region. [7]

Thus, it shows clearly that Lokmanya and his contemporary leaders tried to stress on the industrial independence of the country.

**D] Overall Impact on the Society**-

The analysis would reflect a positive side of the social change. However, this was coupled with a negative side of the social change discussed below.

**a] Indifferent Attitude of the Wealthy Class**- In spite of the tremendous efforts by the leaders, it was unfortunate to witness that the rich class
remained indifferent from the new wave of thinking. It could be stated that had they shown interest for the industrial development, there would not have been any shortage of the industrial capital. [8]

The dominance of investment in gold and land was another obstacle in the way of industrial development, which has been discussed, in the economic atmosphere of the region. [5. 4.3- 5]

b] Split in the Society - As against one could have expected, the newly educated Maharashtrian youth became the supporters of British. They hardly protested the foreign rule and were enjoying the improved lifestyle. Due to this, the expected results of the social change could not be observed.

Moreover, the split in the society into the educated high caste people and poor, uneducated was witnessed as a serious obstacle in the economic progress as neither of the classes took interest in changing the economic scene. [9]

Thus the negative impact of the social change in the region did certainly reduce the benefits of the social change.

IV] Concluding Remarks and Rating -

In spite of the negative side, the role played by the social change in the region in developing the industrial sector was immense. Hence, the ranking of the factor would be in the most positive category.

5.4.1-3.

I] Title -Role of Parsi and Marwari Class-

II] Period –

This factor being of the social nature could be studied on the entire time span of the period of the study, i.e. 1850-1947.

III] Impact on Entrepreneurial Development-

The analysis of the role of Parsi and Marwari Class on the entrepreneurial development could be done in two separate parts. Section
A would analyze the impact of the Parsi community and Section B would analyze the impact of the Marwari community.

III -A] Impact of the Parsi Community-

A] The History and Origin of the Parsi Community-

As has been given in Chapter Three, the Parsis were originally from Iran [Persia] who migrated in the seventh century to settle down in Gujrat at the west coast of the country. They were basically agriculturists and owned huge land and got mixed up into the native culture of the country.

B] Migration to Bombay-

The second phase of the development of the community was experienced when they migrated from Gujrat to Bombay in the 17th-18th century, the period of the rise of the economic power of British traders and East India Company.

After migrating to Bombay, a newly developed island at the coast of Maharashtra, Parsis were witnessed to play an altogether new role in the economic life of the region.

C] Emergence as Middlemen between British and Indians-

The British and European traders and merchants were strangers to the country and needed badly an agency of middleman between them and the natives. This role was successfully played by Parsis.

As Parsis knew the land and language and being a small minority, it was relatively easy for them to deal the foreigners with flexibility. Thus, their minority status could give them some advantage in mediating between different interest and political powers.

D] Diverse Role - Parsis established themselves as guarantors, brokers, contractors, exporters, ship builders, suppliers for troops, importers, general traders and money lenders and were found even as weavers, artisans, liquor brewers, retailers of the imported alcoholic drinks, carpenters and so on.
Thus, it was observed that from the agricultural background in Gujarat, Parsis gradually metamorphosed into a business community in Bombay. It was their proud achievement that almost all trade between Europe and Bombay went through their hands. Moreover, they also claimed a substantial share of trade with East Asia. Some thinkers point out the similarity between the Parsi and the Calvinist culture of entrepreneurship and state that the Italian thinker Gramchi would have called the Parsi entrepreneurs as *Organic Intellectuals* who were responsible for the rise of capitalism. 10

The diverse role of the community would be worth studying for their special characteristics.

**E] Special Characteristics**-

**1] Pioneers in the Industrial Development**-

Apart from anything else, the pioneering role in the development of modern industries in not only in Western Maharashtra but also in the country could be the most important contribution of Parsis.

It could be known from Chapter Four, that the first cotton textile mill was established by a Parsi trader and banker, Cavasji Nanabhai Davar in 1854, which led the flag of the industrial revolution in the country. Parsi entrepreneurship was mainly found in the textile industry, shipping and banking. They also were involved in partnership with the other communities in new enterprises.

The community could be also credited for being pioneer in the university education, initiating printing press, newspapers, banks, film industry, women’s lib movement etc.

**2] Substantial Number**- Besides, being the pioneer, it was observed as the number of Parsi entrepreneurs in British rule was substantially large in proportion to their population [less than 1% of total population in all the censuses]. In Chapter four, there were six Parsi entrepreneurs taken in
the universe of the analysis, out of which three cases [Tata, Godrej and Cooper] were analyzed in the study.

3) Honesty, Hard Work, Spirit of Entrepreneurship – These qualities of the community could be easily seen from the analysis in the previous chapters.

IV] Concluding Remarks and Rating -

It would be agreed that the role of Parsis would be placed in the most positive category.

III- B] Impact of Marwari Community-

The influence of the Marwari class on the industrial development of the region could be analyzed in the following sub-points.

A] The Origin of Marwari Community-

The Jain sect of Hindu religion from the desert region of Marwar in Rajasthan are popularly known as Marwaris, who migrated and settled all over Maharashtra in the 19th century to seek for livelihood. They were engaged mainly in the activities of trade and money lending and thus became the sahukar and shroffs for the region.

B] Conservative and Narrow Outlook - Unlike Parsis, the Marwaris were not modern in their outlook. They were satisfied to act as subcontractors in the sector of internal market and avoided the export business which seemed to be risky and tightly controlled by British. They were engaged in the internal trade of Bombay in cotton and cotton piece goods and salt etc. from hinterlands, Gujrat and Konkan.

Perhaps, the religion would not have permitted them for the sea-voyages, due to which they remained aloof from the export business. [11]

C] Civil War- The period of the American Civil War [1861-63] created a speculative euphoria for a short time and encouraged small merchants to try their luck in the export business. British importers paid handsome
advances to the middlemen agents who could collect the yarn or cotton from the weavers.

This might have attracted the Marwari petty traders to join in the field of the international trade, which offered a higher return than their usual business. Thus, the entry of the Marwari businessmen in the international trade was observed only when the attractive conditions were existing.

However, the boom in the international trade was temporary and it collapsed with the end of the Civil War when the free availability of American cotton was restored. Obviously, the newly entered Marwari traders could not cope up with the competition and left the export business. [12]

This clearly shows that the business talent of the Marwari traders was directly influenced by the profit motive.

D] Modest Role- It was observed that the Marwari merchants successfully played a role of cotton buyers and money lenders in the villages. Their role before the rise of modern industries was thus quite modest one and not a diverse one as the Parsis. However, they could be credited to develop the Indian market as a dependent adjunct of world market.

E] Proto-type- The community was surprisingly uniform in their practices and showed a proto-type entrepreneurship by serving as buyer-cum-creditor. Perhaps, this feature of the community led to tight kinship bonds among them.

F] Kinship Ties - The fellow Marwari businessmen were always observed to help each other in the business. Perhaps, this was the major reason for the spread of entrepreneurship among the community. Thus, the Marwari entrepreneurship would be a good example for explaining the social theory of entrepreneurship discussed in Chapter Three.
G] **Large Concentration in the Region**- Marwaris on the eve of the rise of modern industries were found everywhere in the country and they were concentrated in some places of Western Maharashtra such as Amadnagar district to such an extent that these places could be recognized as the headquarters of their activity.

**H] Exploitation**- The significant role of the Marwari middlemen trader obviously led to the dominance over the farmers who had to sell their produce at a lower price to them. As the farmers were individually helpless to carry on the trade due to the costly transport and storage facilities, the Marwari traders started with the exploitative trade practices.

**I] Peasant Uprising**- The exploitative practices of the Marwari money lenders led to the peasant uprising [Deccan riots] in the region wherein the farmers attacked the *sahukars* and burnt the bonds of their loans as a protest. The detailed reference of this could be found in the discussion on the economic conditions of the region.[5.4.5]

**J] Marwari Community and Industry**- The first Marwari industrial concerns were the two cotton mills of which one each was established at Pune and Bombay during 1890s. During the First World War, the process of transition from trading to industry was observed to begin among the community.

Seth Walchand Hirachand whose entrepreneurial contribution has been presented in Chapter Four, could be taken as a representative of this transition. Thus, the share of the community in the industrial sector was observed in the ‘War babies’ [industries started during the First World War]. Thereafter the community was observed to take lead in the business in the region. [13]

**IV) Concluding Remarks and Rating**-

The Marwaris who became the leading business community in the later period, showed the signs of their entrepreneurial abilities even
before Independence. Hence, its ranking could be made in the most positive category.

5.4.1.a] **Summary Chart of the Social Factors** - At the end of the analysis of the role of the social factors, a summary chart at a glance showing the main features of the factors would be presented.

**Table 5.5**

Summary Chart of the Social Factors

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Factor</th>
<th>Main Features</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Social Environment</td>
<td>-Conservative, Hindu beliefs, castism, illiteracy, no trading class.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>2</td>
<td>Social Change</td>
<td>Modern education, new class of intellectuals, influence of the leaders, overall positive change.</td>
<td>Most Positive</td>
</tr>
<tr>
<td>3</td>
<td>Parsi and Marwari Class</td>
<td>-migrated, middlemen role, pioneers, diverse role, high entrepreneurial qualities. -Conservative, kinship, concentration, exploitation, modest role</td>
<td>Most Positive</td>
</tr>
</tbody>
</table>

5.4.2 **Influence of the Economic Factors** -

The economic factors influencing entrepreneurial development in Western Maharashtra in British Rule is the largest category holding ten factors, is analyzed below.
5. 4.2 –1.

I] Title - Role of the Managing Agency System-

II] Period – The influence of the Managing Agency Houses could be studied from the 18th century till Independence.

III] Impact on the Entrepreneurial Development-

It was observed that the managing agency system was a dominant form of business organization in India for over a century but ironically, little study was available about its role in the industrial development of the country. However, the analysis of its influence is tried to make systematic as below.

A] History and Origin -

It was agreed that the system was the gradual result of the interaction between the Indian and the European businesses and was unique feature of India’s industrial sector. Its origin could be traced in the socio-economic conditions of the country in British rule.

The beginning of the 19th century was witnessed to offer a plenty of opportunities for the enterprising men due to the growing external trade and commerce. However, the shortage of entrepreneurs, dearth of venture capital and lack of technological and managerial know-how etc. seemed to be the great obstacles in the way of the growth of the business. Perhaps, the emergence of the system was an answer found for these problems.

The origin of the system could be traced in the system of the Agency Houses carried by the East India Company since the mid 18th century. In 1813, the monopoly of the EIC in trade with India was abolished and a new class of the private traders many of whom had resigned their jobs in the EIC to become free traders was observed to emerge gradually.
The change was witnessed to lead for the finding out new ways and areas of trade with a close and vigorous interactions with the natives in an aggressive manner as against the traditional trade carried by the EIC.

The credit of the first House in India belongs to Bombay with the establishment of Forbes and Company by John Forbes in 1767. However, the city being still undeveloped, the second House, the Bruce Fawcett and Company did not come until 1790. [14]

**E] Development of the System-** The managing agency system emerged on the ruins of the agency houses facilitated by the Charter of 1833 due to which the monopoly of the EIC was abolished exposing Indian traders to the Industrial revolution of the west.

The traders made effective use of their connections with the foreign firms for the venture capital. The *Swadeshi* movement of 1906 acted as a stimulus to the system and the first World War led to the rise of agencies in new spheres. The development of the system was considerable as to see that for 59 industries, more than 50% of paid up capital came from the agencies at the time of Independence. [15]

Thus, the system developed to do the needful job of the industrial development in the region.

**B] Working and Importance-** The system acted as a business agent between the British firms and the Indian traders from whom it charged a fee for its services on the partnership basis as no other form was possible due to the absence of any company law in Britain and in India till the early 19th century.

Usually, their main source of finance used to be the deposits from the Company servants. In lieu of money deposited with the Agency in India, London firms made payments to them. Thus, the system though a product of foreign business organization looked similar to the Indian method of ‘hundi’ payments.
The multi-functioning role was performed by the system as bankers, bill brokers, ship-owners, insurance agents, surveyors, importers and exporters and more daring houses involved in the risky business of coal mining and it could be noted that some of them went in the cotton textiles industry in western India.

Being unfamiliar with the land, customs and language, the agencies employed Indians to assist them in the business. It was observed that the Indian agent was not a mere factotum but used to be the lynchpin of entire business operation for a commission [dastooree].

It was pointed out that never before in Indian history did a group of people was observed to build up a sizable business network with a little owned funds. Moreover, their demonstration effect made them a role model for Indian businessmen.

C] Western Business Scenario- It would be interesting to know that in a complete contrast to the east, the Indo-British partnership in business was uncommon in western part of the country with a notable exception of Bombay.

The conventional petty trading and money lending was the prominent activity by the Marwari Jains as was explained earlier. Moreover, in the absence of the modern joint stock firms and their frequent failures, the business environment was stable compared to the east.

The list of the major agency houses in Bombay could not go beyond the two names of the Forbes and Company established in 1767, which was referred earlier and was later extended to become Forbes, Forbes and Company. The firm enjoyed the monopoly position in trading for more than 20 years till the Bruce Faweete and Company was established in 1790. The two Companies were witnessed to work cooperatively.
It could be guessed that the limited British possession in the region till the second decade of the 19th century could have been the reason for the closed business life in the region.

It was observed that the major Houses in Bombay at the turn of the century were from a diverse origin such as 18 Parsees, three Portuguese, four American, 15 Hindu, four by the Bohra Muslim merchants and two Chinese operating in the areas of shipping, money lending and general trading. [16]

D] Defects and Regulations- In spite of the substantial contribution of the system, the Planning Commission of India pointed at the malpractices of the system in purchasing of the raw material, sale of finished goods, and interlocking of financial transactions. Moreover, the speculative behaviour and lack of innovations were another drawbacks of the system, all of which neglected the aim of industrial development in the region. [17]

The need was felt for the legal regulations on the system. The revised Company Act of 1936 made it compulsory to fix the period of contract between a firm and the agency for less than 20 years, aiming to control the hereditary rule of the agents. The commission of the agents was linked with the profits and a restricted number of the agents on the Board of Directors etc. were some of the regulative measures.

In spite of the regulations, it was observed that the tendency of malpractices did not change drastically till the Second World War and Independence. The system continued till 1970 when it was abolished by the law. [18]

The analysis of the role of the managing agency system on the industrial development would provide a comprehensive picture of the influence of the system.
IV] Concluding Remarks and Ratings -

It could be concluded that in spite of the serious defects, the managing agency system did contribute for popularizing the modern industries in the region. Hence, it would be put in the ranks of the most positively influencing category.

5.4.2-2.

I] Title- Role of Railway Development-

II] Period- The period considered for the analysis of the factor would range between 1853 to 1947.

III] Impact on Entrepreneurial Development-

The discussion presented below would be useful for understanding the impact of railways on industrial development of the region in British rule.

A] Origin and History of Railways-

According to many thinkers, the most positive product of the colonial rule in India was the development of railways. It was no surprising that the place of the first railway in the country was Bombay as the city was the most developed area in the British Empire. It would be interesting to know that not long after the development of the railways in the west in 1830-40s, the British government introduced the system in India.

It could have been thought by the rulers that railways would provide a market for British goods along with the safe and speedy movement of British troops.

Lord Dalhousie, the Governor General then seemed to be aware of the need of an improved means of communication of railways for the colonial exploitation. Obviously, he substantially contributed for the emergence of railways in the country.

His efforts became fruitful and the first railway in the country was started on 18th April, 1853 which ran between Bombay [Byculla] to
Thane. Thus, the sensational and revolutionary event began in the history of the country.

The construction and other work of railways was carried by the big ten companies in England. The Great Indian Peninsula Railway [GIPR], East Indian Railway, Madras Railway, and the Bombay, Baroda and Central India Railway [BBCI] were the main companies whose head quarters were situated in London.

It would be interesting to know that the Princely states, the provinces and even the district boards constructed some railways in different areas of the country.

These companies used to give contracts of the construction to the local contractors. The reference of Chapter Four could be used in this context that Seth Walchand was one among the local petty contractors with the railways when he began his career in 1903. [19]

B] Growth and Development -

The two decades since its inception showed a substantial expansion in railways. In this period, a line was extended to Mohol in Solapur district which passed through Pune and Khandala near Bombay was linked in 1858 which contributed to ease the journey between the two main cities of Western Maharashtra.

In 1860-70s, Igatpuri- Nasik and Daund—Manmad line were started the important rail lines were complete by 1871. From its beginnings, India’s railway system grew rapidly to become by 1910, the fourth largest in the world. [20]

One more characteristic of railways was that they normally avoided the Central Business Districts of the cities and passed through the outskirts of the cities. Though, this could have been easier for the companies, it definitely would have caused inconvenience to the travelers.
The development of railways was accompanied by spread of postal and telegraphs communication and thus, India began to be linked to the world. [21] Thus, the railways made a speedy growth since its inception.

**C] Effects on the Economy-**

The development of railways led to a series of effects on the region which could be classified into the economic and social and also as the positive and negative ones. Below is presented a discussion on the major effects of railways.

**A] Economic Effects-** These refer to the change in the economic life of the region due to railways which would have influenced the industrial development. These are-

**I] Control of Famines-** The avoided loss of lives could be a great achievement of railways. Unlike in the earlier famines, it was possible to transport food from surplus to deficit areas in the famines of 1897 and 1900. Hence, the name given to railways as ‘famine lines‘ seemed to be appropriate. [22]

**II] Agricultural Development -** Railways helped Indian agriculture to become export oriented in those goods which were previously not meant for exports such as wheat, rice, oilseeds, etc. [23] This obviously commercialized the sector.

**III] Growth in Trade -** It should be taken into account that the available statistics is of not the values of trade but the quantities of goods which could not be useful for analyzing the growth in trade due to railways.

However, it was sure that railways helped the transport of imports and exports of cotton and other goods leading to reshape the trade structure of the economy.

Moreover, the loose packaging of cotton bales called ‘dokra’ was found unsuitable for railway cartage and hence the GIPR Company charged a graduated freight rate on these. Hence, the system of full-
pressed cotton bales was adopted by the traders leading to saving of time and cost on inspection, repacking, storage etc. which in turn would have increased the volume of trade.

One more favourable change due to railways was the setting of the uniform pricing system throughout the world trade. [24] Thus, a small change due to railways became responsible for a considerable progress in the trading methods.

**IV] New Employment and Income** - The improved trade and agriculture obviously created new income flow among the people. This further led to rise in the demand for the imported gold. However, there was no evidence found for the industrial investments from railway workers.

It could be commented that had this been used as industrial capital, the development could have been faster.

It was observed that in 1865, there were 34,000 workers in railways, the number rose to 2,73,000 in 1895 and from 1920s to the end of the Second World War, it went to 7,90,000 again to come down to 1,047,000 after the War. Thus, the rise in employment was no doubt a positive sign of economic development.

**VI] Impact on Industries** - The remark of Karl Marx in the New York Herald Tribune in May 1853 could be worth mentioning. He had predicted that railways would become truly the forerunner of modern industries. It could be agreed upon the fact that his expectations came true. [25]

It could be observed that at one hand, railways eased the industrial development in the region and at the other, the handloom industry which was protected from the competition due to the high cost of transport was forced to compete and was ruined due to railways.
The issue of de-industrialization was highly debated among the thinkers as is explained in Chapter two. According to Vera Anstey, the famous historian, it was probable that the railways just hastened the inevitable change and the fall of traditional industry was a problem met within every country that had been touched by Industrial revolution. [26]

Thus both, the positive and negative effects of railways on the industries were observed and no definite conclusion could be drawn. However, it could not be forgotten that India’s economic progress since 1853 must in a large measure, be attributed to the railways.

B) Social Effects-

The social change due to the spread of railways are discussed below.

I] Social Change- It was a surprising fact that railways as a means of transport was accepted by all the strata of the natives as against their conservative nature. It could be observed that no other factor than railways led such an impact on the society.

Moreover, the GIPR installed rain-gauges at the railway stations and also contributed in spreading telegraphs and regular mail service through its network.

All these led to create a social change through railways.

II] Helped to Increase Nationalism- The first meeting of the National Congress Party in 1885 could not have been possible without railways which carried members and volunteers from all parts of the country to Bombay where the meeting was held which could be taken as the beginning of the national movement against British rule.

Also, railways helped in extending of British legal network and it was noticed that most of the Indian lawyers were the nationalist leaders. [27]

III] Development of Bombay- Railways helped in developing the city of Bombay and its suburbs by providing a fast, cheap and convenient mode of transport of passengers besides linking it with the hinterland.
It was observed that the GIPR Company advertised heavily to encourage people to settle in suburbs and also provided free tickets to those who were erecting their houses in the suburbs. [28] Thus, the city of Bombay owes a lot to railways.

D] Controversies and Negative Aspects of Railways-

The scholars have raised the doubt that instead of investing in railways, had the government invested a much lower amount in the canal irrigation system, it would have helped for both, the agriculture and transport system of the region.

The nationalist thinkers criticized that railways was an expensive affair in which a poor country like India should not have entered. [29]

However, this criticism does not take into account the socio-economic effects of railways discussed earlier which would not have been possible to experience through the canals. Moreover, the growth in the external trade and movement of army could not have been achieved with the canals.

A couple of negative aspects of railways were pointed out. A major part of the profits of railways was used in Britain itself for purchasing machinery and other inputs of railways. This led to the development of the ancillary occupations such as banking, insurance, trade; shipping etc. in Britain and thus railways in India did give a boost to Britain which was already at the peak of industrial development.

Secondly, it was observed that the transactions of railway shares were carried only in London Stock Exchange and not in India. Also, the limited number of Indian shareholders [400 out of 50,000 in 1868] was another limiting factor in getting benefits of railway in India. [30]

Moreover, the rates of freights of railway were discriminative and unjustly high beyond the capacity of the common traders. The reason could be found in the hostile trade policy of British who did not want to
make the internal trade cheap. It could be added that only profitable rail-
lines were built thus leading to the concentration of railways. [31]

Also, it was observed that the high posts in railways were always
given to the British and only clerical jobs were available to Indians on the
false ground of the language problem. This injustice against Indians who
could never prove their abilities could have washed out the benefits of
rise in employment due to railways. Moreover, the Indians could not get
equal pay for equal jobs as that of Europeans as the belief of Indians
being lazy, apathetic and bigoted was dominant in the government. [32]

Thus, it could be agreed that the rapid increase in railways did not
contribute to a ‘take-off’ of India and the railways could not become the
‘leading sector of the economy.

IV] Concluding Remarks and Rating-
Though, there were some defects
in the system, it would not be wrong to rank the role of railways in the
most positive category.

5. 4 .2- 3.

I] Title- Role of Banking and Financial development-
It has been assumed that the development of banking and financial
sector plays a positive role in development of industries in any region.

II] Period-
Like many other factors, this factor could be studied with a
span of period ranging from the mid 19th century to 1930s.

III] Impact of Development of Banking and finance–
To begin with, the background of banking and financial sector in the
region could be presented.

A] Indigenous Banking and Industry-
The banking sector in the region till the early 19th century was in the
form of the indigenous bankers such as Shroffs who besides carrying their
usual money lending activity, were also observed to help in financing the
newly developed small industries like sugar, oil mills, flour mills, rice mills, silk and the traditional cotton and silk handloom sector in the rural and semi-urban areas.

Perhaps, the convenience in operations was one of the most important reasons of their popularity. However, it could be suggested that their financing would have been more useful, had they borrowed from the big financial institutions in the urban areas. In the absence of the proper re-financing chain, their principal source of money was the Imperial Bank. [33]

Thus, the indigenous bankers could play a limited role in the development of industries.

B] Development of Modern Banking –

This phenomenon could be classified into different stages so as to show the notable features of the development of modern banking.

I] Early Phase - The first exchange bank in the financial history of India, was the Bank of Western India, later renamed as Oriental Bank promoted in 1842 by a mixed group of European and Indian capitalists of Bombay. It was a proud achievement that within four years it was observed that the Bank opened up branches in Calcutta, Chennai, Colombo, Hong Kong and Singapore.

It would be interesting to know that among its promoters were two Parsi financial magnates, namely Framjee Cowasjee and Jeejeebhoy Dadabhoy, and one Maharashtrian Hindu banker, Jagannath Shankarsheth’, whose reference is given earlier in the analysis of social change. [5.4.1-2]

The Bank was followed by the Commercial Bank of India [1845], and the Mercantile Bank of India, London and China [1853].

Along with the European businessmen, some Indian financiers, including the first Parsi textile mill owner, Cowasjee Nanabhoy Davar,
whose reference is given in Chapter Four, played a part in promoting both the banks. [34]

Thus, the decade of 1840s witnessed a remarkable growth of modern banking.

II] Second Phase- In the second phase of banking development, it was witnessed that the early exchange banks located in India with a strong Indian partnership shifted to London and controlled Indian finance by the remote control operations. Obviously, these banks favoured Europeans as against Indian firms and thus created racial discrimination.

It was observed that from the suppression of the Mutiny [1857] to the outbreak of the First World War [1914], the private European businessmen who had already established new industries could enjoy supremacy due to the partial policies of foreign banks.

III] Third Phase- The third phase of modern banking could be seen with the revised Company Law of 1860 and 1866 which made the banks and insurance companies to be formed on the limited liability basis. It was witnessed that the legal change along with railways developed since 1853, gave a marked impetus to the formation of the managing agency, the factor which has been discussed earlier. [35]

IV] Land Mortgage Banks-

In 1926, Conference of Registrars of Bombay decided to set the LMBs under the Cooperation Acts as it was found that the village credit societies were not suitable agencies for long-term loans for farmers and small industrialists.

To start with, the first LMB was set up at Dharwar, the place in south of Bombay Province then, now in Karnataka and soon at the other places such as Solapur in Western Maharashtra which did quite a remarkable job.
C] Modern Banking and Industry-

The structure of modern banking sector in the region was diverse and scattered. The Imperial Bank made by the amalgamation of the three Presidency Banks which was solely responsible for the government money. Various joint-stock banks working for industrial finance and the cooperative societies at the rural level working in agricultural finance could be seen as the major part of the modern banking sector.

Among the other sources, the British exchange banks at the Port towns were usually restricted to short-term financing of maritime trade and the managing agencies, as was discussed earlier were mainly looking after the cotton textile industry. Moreover, most of the joint-stock companies were raised by the issue of shares from the public.

It would be surprising to know that the finance was never a problem of the industries due to their limited development. The most spread and developed cotton industry was largely financed by the Sahukar and to small extent by the cooperative societies, the factor which would be presented in the later part of the Chapter.

It was an unfortunate scene that many modern Indian banks often proved to be unreliable and collapsed. [36]

In short, the general scene of the banking sector in the region in British rule was not encouraging for the growth of modern industries.

D] Low Growth - The major reasons for the low development of modern banking and financial sector could be traced in the undue preference to liquidity, which Keynes termed as the ‘emotional craving’, low monetization and use of paper currency and dominance of the traditional investments in land and gold.

In the second decade of the 20th century, silver was demonetized and sold at lower prices and inflation backed by silver currency led to slow deflation. This could have been a favourable situation for the
businessmen for getting cheaper imports with their enormous wartime savings. Unfortunately, the expected result was not achieved on a large scale, leading to low industrial development in the region.

Moreover, the hostile British policy would be another major hindrance in the development of modern banking sector, which should not be overlooked. [37]

On the basis of this, it could be stated that the absence of sound banking in the region would have acted negatively for building a strong industrial field.

IV] Concluding Remarks and Rating -

The role of banking and financial sector in the industrial development of the region in British rule could be ranked in the most negative category.

5.4.2-4.

I] Title- Role of Foreign Investment - It could be assumed that the foreign investments can play a positive role in the industrial development.

II] Period- The factor could be analyzed for the entire period of the study, i.e. from 1850 to the 1940s.

III] Impact on Entrepreneurial Development-

It should be made clear in the beginning that a less literature on the debatable issue was found due to which the analysis seemed challenging. [38]

[A] Role of Foreign Investment in Development of Industries-

Before looking into the actual scene of the foreign investment in Western Maharashtra, it would be proper to present an argument in favour of and against the foreign investments for economic development.
It was argued that for a country like India where the shyness of capital was observed, it was but natural to seek for foreign investment even at a higher rate of interest. However, the profits of a company which constitute the most important source of the new capital investments were almost absent in the country and the profits were send out by way of ‘home remittances’ Thus, it seemed unfair to comment on the shyness of the Indian capital.

One more argument in favour of foreign investments was that it along with the technology could have defeated the ‘discriminating’ policy of the government against Indian industries.

However, it was also warned that whether the foreign capital ultimately contributes to a genuine rise in the total wealth or not as it was believed that the industrial development should not be considered as an end in itself but, is a means to increase total wealth, removal of poverty by reducing unemployment in the region.

On this backdrop, it would be interesting to see the role of the foreign investment in India and in Western Maharashtra.

**B] State of FI in India** - It would be proper to classify the different phases in the pattern of the foreign investments.

**I] Phase One- 1850s to 1900-** In this phase most of the foreign investments were seen in the plantations such as tea, rubber, coffee, and in mining, oil concerns etc. mostly concentrated in the east and southern part of the country. Besides, there were a large number of the foreign owned and controlled companies with Rupee capital in the subsidiaries of similar companies in Britain till 1940.

The Lever Brothers for soap, Dunlop for rubber, Batas for shoes, Remington for the typewriters were some of the examples of foreign direct investment in India. [39]
II] Phase Two- 1900 to 1920 – Before and during the First World War, India was Britain’s most prized possession as the largest importer of its industrial goods and the largest supplier of raw cotton.

In 1913, Britain held a central position in the international economy, with London at the hub of international financial affairs.

However, it was pointed out that for at least four decades before the Independence in 1947, the cracks had begun to weaken the foundations of the British economic supremacy which started to lose its ground during the War. Thus, the phase denoted the beginning of the fall of the financial power, which would have certainly affected the investment pattern in India. However, British investments remained unchanged in plantations, mining, jute and shipping.

III] Phase Three- 1920-39- This phase led to the fall of the financial power of Britain due to the War and the Great Depression even though the high interest rates were offered to attract foreign short-term capital.

Moreover, the emergence of the new financial power of the United States created the ‘Dollar Era’ in the world market which replaced British supremacy. Obviously, it was noticed that between the two Wars, British investments in the Indian private sector showed a marginal rise in nominal terms [185 million pounds in 1921 to 218.3 million pounds in 1938].

Although, British expatriate businessmen did venture into some of the newer fields [telephones, electricity, civil engineering, insurance and investment companies], this was not a particularly marked trend.

By contrast, it was observed that Indian businessmen displayed greater vigour in the diverse fields of the textiles, iron and steel, paper, cement and sugar in the same period.

It could be observed that most of the industrialists analyzed in Chapter Four had initiated or expanded their business in the same period.
IV] Phase Four- 1939 onwards- The Second World War in 1939 was observed to lead a downfall in the economic situation of Britain and no British investment took place since the War till Independence.

However, even in the falling trends during the Second World War, the established foreign enterprises were observed to be profitable and English businessmen thought the withdrawal of their capital from India as a ‘last resort’. [40] Thus, the scene of British investments in the country could not be considered as an encouraging one.

C] Foreign Investment in Western Maharashtra-

The role of foreign capital in the region showed a different trend than the Indian scenario of foreign investments.

It would be curious to know that in developing the cotton textiles industry, which laid the foundation of the industrial development in the region, and also in the country, the European role was marginal and the Indian entrepreneurs were dominant in the region.

The only European managing agency that was seen in Bombay cotton textile field in the 19th century was the Greaves Cotton and Company producing yarns of low count for export for the Far East countries.

It should be mentioned with pride that the cotton mill industry of Western Maharashtra which was developed on the western lines unlike tea and jute in east India was almost entirely developed by the domestic entrepreneurs with domestic capital and was integrated with the economic development of not only the region, but also the country.

Moreover, the multi-nationals entered in the region in the end of the Inter -War period, concentrating on the technically intensive capital goods and certain specialized consumer products for the middle class such as sewing machines, radios and cosmetics.

In this way, it could be seen that the region did not depend on foreign investments for its industrial development.
D] Analysis of British Investment –

It could be commented on the basis of above presentation that the foreign investment of which 90% share was British could not yield the assumed benefits.

Moreover, the investments in the British dominated sectors of plantations, jute, mining etc, could not prove that they had contributed substantially to increase the wealth and welfare of the masses as a whole and hence failed in the important test of foreign investments. [41]

IV] Concluding Remarks and Rating –

It was witnessed that foreign investments played a negligible role in the process of developing entrepreneurship in the region. Hence, the ranking of the factor would be made in the most negative category.

5.4.2-5.

I] Title - Role of Economic Environment-

This factor would cover the economic life of the region, which is analyzed in Chapter two. Hence, the analysis would be made in brief.

II] Period- As it could be agreed that the factor covers the entire period chosen for the study, i.e. 1850-1947.

III] Impact on Entrepreneurial Development-

In the beginning, the difficulties in the analysis due to the non-availability of proper information about the economic life of the region, attributed to the illiteracy of the people and chaotic administrative situations in the transitional period of the 19th century, could be noted.

An attempt is made to present the analysis on the basis of different phases.

Phase One –[1850-1900]

The series of the favorable changes were experienced during 1850-66, such as the rise of modern industries, introduction of railways, the
American Civil War and new land settlement by Captain Wingate, etc. due to which there was a general tendency of inflation.

Moreover, the railways and public works increased the level of employment, which added to the tide of prosperity, further to expect a more favourable result in the region.

However, a negative setback was experienced in the mid 1860s in the form of severe droughts leading to the deterioration in the economic conditions of the masses. Moreover, in 1870s, the government reduced the expenditure on public works which indirectly injected depression which was worsened due to the steady growth in population leading to increase the pressure on land and further deterioration in the standard of living of the masses. Thus, boom and depression were experienced simultaneously.

As was shown in the analysis of the Marwari community, the ‘Deccan Riots’ were observed during 1875s. The Deccan Agriculturists’ Relief Act did not help the peasants of the region and it was criticized that the region was found sleepy, quiet and enjoying the ‘paradise of contentment’ with no industrial activity worth the name was taking place during the period. [42]

Second Phase- The First Half of the 20th Century-

During the early 20th century, the Deccan villages were observed to be no better off in the sanitation, health, hygiene and economic conditions than were in 1870s. The major economic changes in the period are discussed below.

1] Bombay- The inflationary tendencies continued with the shortage of food grains due to famines, the depopulation in the rural areas, migration to large towns mainly to Bombay [which was estimated around four to five thousand every year], all led to the shortage of labour and rise in wages in villages in the region.
Rise of Bombay, as an economic center could be the exciting phenomena in the economic life of Western Maharashtra. It would be no exaggeration to state that Bombay compensated the negative factors by absorbing the poor, village economy into its upcoming industries. Besides Bombay, there were many small towns famous for the regular and periodical trade and commerce centers such as Pune, Baramati, Junnar, Indapur etc. [43]

II] Undeveloped Economic Sector - Chapter Two discussed the nature of trade in the region in British rule. Hence, a brief explanation would be sufficient to bring home the point.

Static, isolated and fragmented traditional market, high transport cost in spite of railways, thrust on the imported items by the handful rich class etc. could be stated as the major features of the trade sector in the region during the period.

Moreover, the poverty and backward financial structure of the traditional economy, the rising prices of land for which the crazy demand of the both rural and urban people was observed could have made it impossible to channelize rural capital for industrial investments. [44] This resulted in the scarcity of industrial capital in the region.

III] Colonial Syndrome - The term implies the imitating nature of the subjects of the colonial power to the practices of ruling race.

In Indian context, it meant thinking that technically good for the most successful industrial country of Britain would also be good for Indians. [45] This obviously led to expensive imports of capital goods resulting in low industrial development

The issue has been discussed in details in the analysis of the state of technology in the same chapter hence, would be presented in brief over here.
IV] No Considerable Influence of the Major Events- It was observed that the deteriorating conditions were so deep rooted that it was surprising that even the major events did not make a lasting impact on the economic conditions of the region. The two major events that occurred in the region during the chosen period are discussed below.

A] Rise of Modern Industries- Though, the sensational phenomenon of rise of modern industry was experienced in the 1850s, it was also noticed that unfortunately, the modern industries did not spread easily from one to the other sector to lead to a cumulative effect retaining the non-industrial character of the country at the time of Independence.

This clearly points out the fact that the rise of modern industries did not result into an industrial revolution as it happened in the west.

B] The Two World Wars - The First World War did not change the economic course of life to a considerable extent though, it could be considered as the beginning of the end of the colonial rule and also the spread of private enterprises in the region. At the most, it could be seen that the War increased the prices leading to the further deterioration in the standard of living of the masses.

During the Second World War, there was observed an increase in the demand but, some thinkers had a doubt that the increased demand was observed especially in the textiles which could be due to the increase in population over the period. [46]

It was further observed that whatever favourable impact the Wars created on the region, were of temporary nature and vanished as soon as the Wars ended. The influence of the Wars on the industrial development would be discussed further in the study in details.

Thus, the two great political phenomena could not influence the economic life of the region in a substantial way.
IV] Concluding Remarks and Rating -

It would be seen from the analysis that the backward economic environment in the region was a negatively influencing factor for the industrial development. Hence, the ranking of the factor could be made in the most negative category.

5.4.2- 6.
I] Title – Role of the *Swadeshi* Movement-

This factor though is a political agitation would be considered as an economic factor as the nature of the movement was based on the economic criteria.

II] Period – The economic history of Western Maharashtra discussed in Chapter Two, explains the *Swadeshi* movement was launched in 1905. Hence, the period for the analysis would be considered from 1905-47.

III] Impact on Entrepreneurial Development-

A] Nature of the Movement-

As is well-known, the movement was the product of the nationalist agitation against British rule led by the great leaders such as Lokmanya Tilak.

The most common defense of the *Swadeshi* movement given by the nationalists was that it was to compensate for the most needed but never given protection policy to the domestic industries by the government. Thus, the movement seemed to protect the interests of Indian industries.

The movement was rooted deep in the minds of the common people to such an extent that it was thought as a sin to use and sell the foreign goods. This led to the shifting of the merchant capital to trading in native commodities instead of the imported ones. This further might had helped to stimulate the domestic production.
The movement thus tried to influence the economic sector of the region.

B] Analysis of the Movement -

I] Advantages- There was observed a substantial expansion of the domestic market for the Indian goods which in turn ensured a large demand for the labour and thus an all round growth of the economy. The annual economic survey for 1905-06 anticipated for the positive role of the movement in helping the domestic industries.

The movement also benefited the large enterprises, traders and moneylenders who were interested in the development of small enterprises. Moreover, the movement helped to stimulate the accumulation of capital and accelerated the development of the allied sectors. It also stimulated handicrafts industry. [47]

Thus, though no reliable information of the accurate measure of the benefits of the movement were available, it could be understood that it led to a favourable change in the economy.

II] Examples of Entrepreneurship influenced by the Movement-

The examples of entrepreneurs under the influence of Swadeshi movement analyzed in Chapter Four are given in the following table to understand the impact of the movement.

Table 5.6

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Firm</th>
<th>Year</th>
<th>Place</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Godrej and Boyce</td>
<td>1897</td>
<td>Bombay</td>
<td>Lock, furniture etc.</td>
</tr>
<tr>
<td>2</td>
<td>Paisa Fund Glass Factory</td>
<td>1907</td>
<td>Talegaon</td>
<td>Glass and Glass items</td>
</tr>
<tr>
<td>3</td>
<td>Sathe Biscuits</td>
<td>1920</td>
<td>Pune</td>
<td>Biscuits and chocolates</td>
</tr>
<tr>
<td>4</td>
<td>Camlin Ltd.</td>
<td>1935</td>
<td>Bombay</td>
<td>Ink, school stationery</td>
</tr>
</tbody>
</table>

Source - Chapter Four of the present study.
The Godrej and Paisa Fund Glass Factory were the examples of the firms started under the impact of *Swadesh*, While the Sathe Biscuits and Camlin were expanded under the influence of the movement. Through these, the spread of industries under the influence of *Swadeshi* movement could be noticed.

**III] Drawbacks-** In spite of its spread, it was observed that the movement did not become an all India movement and remained restricted to some parts of the country.

Moreover, even in Western Maharashtra, as was pointed by the Commissioner of Central Division in 1908-09, the educated classes offered little help to the few struggling industrialists in the region. This indicates the partial failure of the *Swadeshi* movement.

Moreover, it was observed that the movement met a strong opposition by a section of the nationalist leaders and the rising Indian industrial class due to the fear of the retaliation by the English manufacturers against Indian goods and also the denial for the supply of machinery. [48] The fear could be justified as the imports of the capital goods was the only source of the domestic industries.

**IV] Concluding Remarks and Ratings-**

Though, there were some drawbacks, the analysis of the influence of *Swadeshi* movement on the entrepreneurial development would recommend to rank it in the most positive category.

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5.4.2- 7.

**I] Title –Role of Agricultural Sector-**

Though, the factor is referred in the analysis of the economic environment, it would be proper to study it in details.

**II] Period -** As could be obviously understood that the factor would cover the entire period of the study.
III] Impact on Entrepreneurial Development-
This being the main point of analysis could be started with the importance of agriculture.

A] Importance of Agriculture- It is well known fact that agricultural sector could play a complementary role for the industrial development as the supplier of the raw materials to the industries and also the supplier of food to the urban area and also it can earn foreign exchange besides buying the industrial goods as its inputs.

Thus, the all round role could be played by the sector in developing the economy. The anti-thesis of this could be that the backward agriculture may put obstacles in achieving industrial growth. On this backdrop, the agriculture of Western Maharashtra in British rule could be analyzed.

B) Agriculture in Western Maharashtra-

The analysis would be seen as one-sided as it was observed that there were all negative aspects attached to the sector. Some of the major drawbacks of the agricultural sector in the region are given below.

I] Backwardness- Agriculture in the region could not demand the inputs from other sectors at a large scale. It remained mostly labour-intensive and used simple instruments such as wooden plough produced by the local artisans. The farmers were reluctant to use the modern factory made instruments for the cultivation.

Moreover, frequent famines and the failures of crops, defective marketing and exploitative money-lending practices, all of which have been discussed before made the sector to remain in a primitive form of occupation. [49]

II] Contributions in Industrial Development- It was observed that the sector could not create any direct stimulation and linkage effects for the
industrial development in the region because of its thorough backwardness.

In this regard, it has been compared that the railways played a comparatively major role in the economic development of the region than the role-played by the traditional agricultural sector. [50] This comment would clearly indicate the least impact of the agriculture on the modern industries.

Chapter Four refers to the difficulties of the Kirloskars in creating demand from the farmers for their newly invented metal plough. This underlines the conservative nature of the farmers, which in turn resulted in low demand for the industrial products.

IV] Concluding Remarks and Rating –

The ranking of the factor could be obviously in the most negative category.

5.4.2- 8.

I] Title – Role of Big Industries

II] Period- The rise of modern industries in the region was experienced in 1850s. Hence, the period concerned for this factor could be taken from 1850s till Independence.

III] Impact on Entrepreneurial Development-

This point could be explained with the help of the sub-points as given below .

A ] General Scenario of Industries-

As was mentioned earlier, it was observed that the Indo-British partnership in business was negligible in Western Maharashtra and the role of domestic businessmen was remarkable. There was seen a division of areas between the foreign and Indian entrepreneurs. The European businessmen were mainly settled in shipping, plantations, mining and jute
mills while Indians were active in the cotton textile, small-scale industries, sugar, handicraft sector etc.

However, there were some exceptions to this. The business house of Wadias and Seth Walchand were active in shipping and navigation who obviously might have faced a severe competition and partial treatment from the government. Chapter four refers to these problems faced by Seth Walchand while analyzing his entrepreneurial performance.[51]

Some of the main features of the industrial sector in the region are presented below.

I] Restricted Domestic Industry – Indian industrialists were prohibited to produce products like glass items, crockery, paper, sugar matches etc. to protect the interests of the British producers and the fear of manufacturing bombs for the anti-British agitations by the nationalists.

In Chapter Four, the discussion on the Paisa Fund Glass Factory at Talegaon, Pune has presented the difficulties in pioneering a glass factory as against the opposition of the government.

The absence of the chemical, fertilizers and medicines industry in the region could be understood on account of the absence of the suitable background for these industries. [52]

III] Dominance of the Cotton Textile Industry - With the début of domestic modern industry was in the cotton textile sector by Mr. Davar in 1854. Many others followed and the industry remained dominant throughout the period of the study though, the engineering and construction, sugar and cement industries also made their place in the region.

IV] Family Business and kinship - The family businesses played a central role in the growth of industrial development of the country. This could be taken as perhaps unique feature of the Indian business.
Most of the cases of big industries discussed in Chapter Four were mainly the family business either owned and managed by the entrepreneur and his family or a few like the Godrej were owned by the family but were funded by the public equities. The exceptions like that of the Tatas and the Paisa Fund Glass Factory, Talegaon, were rarely seen.

Moreover, the dominance of certain communities such as the Parsis, Jains and Chitpavan Brahmins could be taken as another important feature of the Indian industrialists which developed the kinship ties among the entrepreneurs which in turn might have increased the confidence and performance of the businessmen.

V] Loyalty to British rule- It was criticized by the nationalists that the big industrialist like that of the Tatas did not show the direct opposition to British rule and it was further commented that the big businessmen were proud of their loyalty to the empire and tried to seek every benefit of their loyalty.

It was found that even the members of the FICCI, [the Federation of Indian Businessmen] who were close to the Congress were never comfortable with its large scale mass movements against the foreign rule as they would have feared for the difficulties in their business that would arise due to the agitations.

It was noticed that when the 1935 Act was passed, the Congress and FICCI were completely dissatisfied, but FICCI was seen as ready to suppress its dissatisfaction and helped to make the Act work. [53]

This clearly shows the adaptability of the big businessmen to the situations. Though, a criticism from the nationalist view point, it shows the pure entrepreneurial mind of the businessmen to protect their business in the adverse situations.

VI] Bombay Plan- Though, their nationalistic feelings could be doubtful, it should not be forgotten that they took an initiative in preparing the
'Bombay Plan’, the scheme for the industrial growth of the country which has been explained in Chapter four while analyzing the case of the Tatas. It could be stated without doubt that had the Plan come into reality, the industrial scenario would be different than the actual.

One more feather in the cap of the big industrialist could be added by analyzing their unique business behaviour of ‘blue entrepreneurship’ which was explained in Chapter three.

**VII] Blue Entrepreneurship-** The concept of blue entrepreneurship refers to the cooperation by the established firms with the emerging enterprises by providing them financial and or technical guidance and support.

This may prove profitable for both the parties as the establishment of small industries would ensure the smooth supply of the inputs and ancillary parts of the products of big industries. Below are given a few examples of the cooperative strategy for industrial growth by the leading industrialists.

Seth Walchand bailed small Indian shippers wherever and whenever he could. JRD Tata developed satellite empires around the Tata industries. They fostered a community spirit even though it meant creating new rivals and more competition for themselves. [54]

As was mentioned in Chapter Four, the Paisa Fund Glass Factory at Talegaon was active in training and guiding the willing entrepreneurs. The glass factory by the Oagles at Karad [Satara], match factory, umbrella, soda, artificial silk manufacturing etc. enterprises in the region and outside were started and developed by its active financial and technical support. The case of Parkhes explains the supportive role played by Sir Padumjee in the development of his enterprise. Thus, it could be seen that the big industries not only worked for their profits, but also helped the development of the industrial sector as a whole.
Concluding Remarks and Rating -

The analysis reflects the positive role of the big industries in development of industries in the region in British rule. Hence, the ranking would be in the most positive category.

5.4.2- 9

I] Title – Effect of the Great Depression

II] Period- The phenomena of the Great Depression was experienced in the Inter–War period, i.e. between 1918-1939 and more specifically, during the period of 1929-33. Hence, the period of the analysis would be the decades of 1920s and 1930s.

III] Impact on Entrepreneurial Development-

The factor being of economic nature would hold significant place in influencing the industrial development.

A] Background- Being a colony of Britain, the crisis of the 1930s was experienced with a heavier force on India than on any other country. It was but natural that Britain tried to shift her economic burden over to India.

It was observed that in immediate post-War period the cotton handloom industry grew and in fact the year 1922-23 was observed as the peak level of the production due to the spread of the fly-shuttles. However, after 1925, a sudden fall in the production was faced due to the severe competition from Japan and England. In 1927, the government changed the pattern of the import duty, which made the English and Japanese yarn dearer than the domestically produced yarns.

Thus, a little before the Great Depression occurred, Indian industries especially the cotton textiles experienced the extreme fluctuations.
B] Decay of Traditional Small Industry-

i] Textiles- One of the saddest parts of the process de-industrialization experienced in the inter–War period was the famous silk weaving industry of Yeola and Pune began to decay due to the free flow of the silk goods from Surat, Benaras, Coimbatore and also from China and Japan.

Moreover, the handloom weaving centers of Baramati and Junnar in Pune district showed a deterioration in the quality of production. Also, their usual urban markets of Pune, Bombay, Nasik etc. were lost due to the unbearable competition form the power loom and mill production. Moreover, the dyeing and textile printing industry witnessed a setback after 1925 due to the influx of the reparation dyes after 1923.

In the absence of the government protection to the industry, the general result of the sector was of growing decay which remained unchecked in spite of various committees and other measures for avoiding the decay were implemented. [55]

Besides the textile industry, the other sectors such as the metalware also experienced the negative impact of the world depression.

ii] Metal Ware- From 1925, the copper and brassware industry spread in Pune and Nasik showed a decline as it could not stand the competition of the machine made wares from Bombay and the cheap aluminum and enamel ware from the foreign countries.

C] Labour Unrest- This could be taken as the most striking feature of the industrial scene in the post-War period that the labour unrest started for the first time in the history of modern industries and continued thereafter in the form of the series of strikes. The influence of labour unrest and trade unions on the entrepreneurial development would be discussed later in the same Chapter.

However, it was observed that in spite of the strikes, the mills continued to flourish during the 1920s.
D] Rise of Modern Small Industries-

In contrast to the gloomy picture of the big industries in the inter-War period, due to strike and competition, the rise and growth of the small scale modern industries was observed. Some of the examples of these are mentioned below.

The paper mill in Pune, the glass factory at Talegon and Ogalewadi, carpet factory near Lonavala, match factory at Karad etc, enterprises continued with varying degrees of success, the reference of some of these has been given in Chapter Four.

It was indeed an achievement for a tannery at Wanori [Pune] even exported large quantities of leather and hides. Besides, the Tikekar Textiles and Metal Works at Tikekarwadi, Solapur continued with good progress.

The Deccan irrigation projects had resulted in the establishment of sugarcane companies giving rise to the modern sugar factory at many places. The Belapur Sugar Company in Ahamadnagar district established by Mr. Dahanukar was listed in the source list given in Chapter Four.]

E] Impoverishment of Market- In the declining exports conditions due to the depression in the world, the payments were made from the export of the treasure of gold. It was estimated that between 1931-35, 32 million ounces of gold were extracted from India. Moreover, the small savings of the peasants was extracted by the government in a planned manner causing economic drain as was explained by Dadabhai Naoroji. Obviously, this resulted in the diminishing purchasing power of the people for the industrial goods, further leading to an inevitable adverse effect on the process of industrial expansion. ]

Thus, the depression in the world reached to the region through colonial exploitation.
F] Remark in The Economist- The remark in *The Economist*, Indian Supplement in 1936 would support the above observation, which explained the decline in the industrial employment in the country. The magazine even placed the doubt on India being ‘industrialized’.

This showed that the state of the Indian industries during the 1930s was of ‘de-industrialization,’ the concept which has been analyzed in Chapter Two. It could be added that barring the growth of a few consumer good industries there was observed no development in the capital goods industries. [56]

IV] Concluding Remarks and Rating -

The effect of the Great Depression could be seen in the deteriorating business conditions at one hand and at the other, in the rise of small industries in the region. Hence, the factor would be ranked in the moderately negative category.

5.4.2-10.

I] Title – Role of Small Industries-

II] Period - It would be agreed that the factor, could be studied on the backdrop of the entire time period of the study, i.e. from 1850 to 1947.

III] Impact on Entrepreneurial Development-

The small industries could be also named as the rural industries as majority of the small industries were situated in the rural areas as against the large industries were concentrated in and around Bombay. The analysis is presented below.

A] Traditional Small Industries – In the economic history of Western Maharashtra, it could be seen that the traditional industry was scattered and unorganized in comparison to the modern industry. The units were working in a non-factory pattern in an individual level. In spite of the de-industrialization and the competition from the modern mills in the
country, the handloom industry could hold its own during the last decade of the 19th century.

Apart from the cotton handlooms spread almost in all the areas of the region, the working in wood and metals was quite popular in Nasik and Pune and the silk weaving industry was witnessed to flourish in the region under the Peshwa patronage.

Satara and Ahamadnagar were the centers for the copper and brassware industry. It was observed that after 1884, railways helped the manufacturing of the gold thread at Pune and Nasik which became well organized.

At the close of the last decade of the century, and at the dawn of the 20th century, the evolution of the Karkhana and contract work system in the handloom weaving sector took place and gave rise to a class of the stockists called ‘Padamsali’, however, this was not observed to lead to any positive change in the economic position of the weavers which remained far from the satisfactory. [57]

Thus, it could be seen that at the eve of the rise of modern small industry, the position of the traditional small industry was losing its base.

B] Rise of Modern Small Industry-

By the end of the first decade of the 20th century, there was observed a gradual rise of the small industry in various fields such as manufacturing buttons, matches, umbrella, carpet, rice and flour mills etc. mostly in the urban places in Western Maharashtra.

The sugar industry may not be treated as a small industry in the present context but when it began as a result of the improved irrigation facility and the rise of the sugarcane belt in the region during 1930s, it was a small industry.

With the rising mechanization, the manual methods of production in the processing units such as oil presses, rice mills etc. were replaced by
the mechanical power and thus the small industry sector changed drastically.

The pioneering industrialists in the domestic engineering sector, the Kirloskars were observed to manufacture the sugarcane crushers and the groundnut cleaners on the mechanical power. [58] The reference of their untiring efforts to popularize the idea of the new machines among the conservative rural masses could be seen in Chapter Four.

C) Impact of Rise of Small Industries-

The newly emerging sector of the small industries could be analyzed on the basis of the positive and negative aspects.

I] Positive Impact- With the rise of modern small industries, it was noticed that a positive change occurred in the form of the rural capital formation. Besides the traditional choice of investment in land, the rural rich started investing their surplus funds in the machinery for the agro-processing industry and also in the transport vehicles such as buses and lorries in competition with railways. It was also noticed that the tendency of de-hoarding of gold among the rural capitalists emerged though in a small scale. It was also noted that the modest imports of the investment goods also took place.

In total though a limited amount would have been invested in these sectors by the rural investors in comparison to the urban modern industries, the significance of the rural capital formation could not be overlooked, as the emergence of the rural bourgeoisie class was a positive sign from the viewpoint of rural industrialization.

Apart from these positive effects of the rise of the semi-mechanized rural industries in the region, there were a few negative effects.

II] Negative Impact- The most important negative effect of the mechanized agro-processing industry was to increase the unemployment among the skilled labour and artisans in the rural areas.
Moreover, the lack of the organized efforts and absence of the financial and technical assistance restricted the individual efforts at a limited level. Hence, the small industries in the rural areas were concentrated among the rich traders, resulting in the increase in the economic and social inequalities in the area.

The most important feature of the rural small industries could be recognized that the sector emerged and grew on its own without any direct support of the government. It could be perhaps the demonstration effect of the rise of modern industries in the urban areas, which led to the emergence of the small industry sector. [59]

Thus, the role of small industries was observed to have both, the favourable and unfavourable effects on the economy of the region.

**IV] Concluding Remarks and Ratings**-

It could be concluded that the ranking of the influence of the small industries on industrial development of Western Maharashtra in British rule could be made in the moderately positive category.

**5.4.2.a] Summary Chart of Economic Factors**- The Table 5.7 presents the summary chart of the economic factors analyzed above.
### Table 5.7

**Summary Chart of the Economic Factors**

<table>
<thead>
<tr>
<th>Sr.no.</th>
<th>Name of the Factor</th>
<th>Main Features</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Role of Managing Agency</td>
<td>Unique, multi-functioning, exploitative system.</td>
<td>Most positive</td>
</tr>
<tr>
<td>2</td>
<td>Role of Railways</td>
<td>Fast growth, social change, increased trade, industry, employment and income</td>
<td>Most positive</td>
</tr>
<tr>
<td>3</td>
<td>Role of Banking and Financial sector</td>
<td>Indigenous bankers, start in 1850s, slow growth.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>4</td>
<td>Role of Foreign Investments</td>
<td>Meager role, 90% British, no reinvestments.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>5</td>
<td>Role of Economic Environment</td>
<td>Colonial syndrome, scarcity of capital, static market, no influence of major events.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>6</td>
<td>Role of Swadeshi movement</td>
<td>Political movement, increased industry.</td>
<td>Most Positive</td>
</tr>
<tr>
<td>7</td>
<td>Role of Agriculture</td>
<td>Backwardness, no linkage to industries.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>8</td>
<td>Role of Big Industries</td>
<td>Dominance of Indian textiles, family business, loyalty, blue entrepreneurship, Bombay Plan.</td>
<td>Most Positive</td>
</tr>
<tr>
<td>9</td>
<td>Effect of the Great Depression</td>
<td>Decay of small industry, labour unrest, rise of modern small industry, impoverished market.</td>
<td>Moderately Negative</td>
</tr>
<tr>
<td>10</td>
<td>Role of Small Industries</td>
<td>Traditional –handloom, modern - processing, consumer goods.</td>
<td>Moderately Positive</td>
</tr>
</tbody>
</table>

**5.4.3- Political Factors-**

The four political factors from the general list would be analyzed in the next part of the study.

5. 4.3 –1.

I] Title –Role of the Princely States –

II] Period-
As like many other factors discussed earlier, the present factor could be analyzed on the span of the period from 1850 to 1947.

III] Impact on Entrepreneurial Development-

The analysis of the impact of the Princely States on the entrepreneurial development would be as below.

A] Background- There were hundreds of Princely States existing in Western Maharashtra before Independence. All of these were ruling on varying size of the geographical area and with different economic status.

It was surprising that even in the peak of the colonial rule, they could maintain their territory almost immune from the direct influence of the colonial power. Of course, this was possible not because of their strength, but perhaps because the British rulers thought it less attractive to acquire these States in their possession like the rest of India due to uneconomical revenue collections in these areas and might have thought it feasible to impose an indirect rule over these. Hence, the States could enjoy a limited freedom in their socio-economic policies. This freedom led to lack of uniformity in their policy towards many important issues such as industrial development.

Some States did not show a direct support to the nationalist movements, but tried to help it indirectly perhaps through developing domestic industries in their territory.

Thus, the background of the Princely States in the region would make it clear that their role was sidetracked in British rule.

B] Princely States and Factory Employment- It was observed that the Princely States in Western Maharashtra showed increasing interest in the development of modern industries after the First World War. In fact, they could be credited as one of the important employers of the factory labour in the country.
As the figures for Western Maharashtra were not available, the figures for India would help to understand the role-played by the Princely States. It has been estimated that 8.7% of all India factory employment in 1923 and 17% in 1938 was through the factories supported or owned by the Princely States in the country. There was given an evidence that from 1930s a larger proportion of the registered factory employment in the Princely States was recorded than in British India. [60]

This in other words meant that the number and proportion of the small scale industries must be more in the States than in the rest of the country, thus revealing the important role played by the Princely States in the industrial development.

C] Labour Welfare and Princely States- It was observed that the employers in the Princely States were given many concessions than their counterparts in British India. Hence, shifting of industry from British India to the Princely states was witnessed as quite common in those days. This further was observed to the complaints of the employers in rest of India about the shifting and also the low wages and working conditions of labour in the Princely States. They were reported to allege about the undue competition among both the classes of entrepreneurs due to the advantages availed by the industrialists in the States.

Though, the complaint may not be based on the universal reality in all the States and it was it was also true that the majority of the Princely States had no labour legislation at all and even where legislation was there, its implementation was not satisfactory.

It was experienced that some of the States such as the State of Aundh in Satara district and Karvir [Kolhapur] of Chhatrapati Shahu implemented more or less the same labour enactments as in the rest of India. The heads of these and a few more States were keen to develop the
small industries in their territories by offering various concessions to the budding entrepreneurs.

It could be reminded on the basis of Chapter Four that the pioneer of the Kirloskar industries was brought to Kirloskarwadi, the place of the foundation of the industry by the Raja of Aundh who donated his land and provided a loan at cheap rate of interest for starting the engineering industry in his territory.

However, it was also true that the majority of the Princely States had no labour legislation at all and even where legislation was there, its implementation was not satisfactory.

This shows the gray side of the industrial development in the Princely States. There could be mentioned a few more weaknesses of the States.

D] Weaknesses- Apart from the small share in developing modern industries in their territory, the Princely States of Western Maharashtra showed many weaknesses in accelerating the industrial development.

It would not have been a high expectation from the States that they should have provided a favourable economic atmosphere for the rise of modern industries in their States. It was also expected that they could have formed an industrial bank for providing finance to the industries which would have attracted the businessmen not only from their own territories, but also from British India.

The example of the Prince of Japan could be given who helped in forming the industrial bank which boosted the Japanese industries in 1900. The Japanese royal industrial bank worked successfully as a system of deposit bureau and gathered small savings from the public, which was used for industrial investments.

Unfortunately, neither of the States showed any enthusiasm in developing the financial sector for the industrial progress on the Japanese lines. [61]
Also, the Princely States could have implemented a planned strategy for the industrial development to be followed by the small States.

Nothing of this sort was experienced in the Princely States in Western Maharashtra in British rule. The above-mentioned States who showed their enthusiasm in developing modern industries hence remain isolated and dispersed.

IV] Concluding Remarks and Ratings -

In spite of their individual efforts to develop industries, the absence of an uniform and organized strategy, the role of the Princely States could be ranked in the moderately positive category.

5. 4.3 –2.

I] Title –Role of the British Government-

The factor refers to the general attitude of the British government in relation to the entrepreneurial development in the region.

II] Period- The period covered by the factor could be taken as the period chosen for the study, i.e. from 1850 to 1947.

III] Impact on the Entrepreneurial Development-

The impact of the British rule on the economy seems to be difficult to analyze as the rule offered both, the positive and negative effects on the development of industries.

A] Positive Side of British Rule- Political unification of the economy as a single entity could be considered as one of the greatest benefit of British rule though it could not be directly linked with the industrial development.

It was Lord Dalhousi, the Governor General who apart from taking lead in starting railways in the country as is mentioned earlier, also played a major role in pursuing for India’s political unification. It should be noted
that the main instinct behind the unification of the economy was the convenience in administration and not the benefit of the economy.

It was stated that being a British colony, India could have achieved industrial development following on the steps of Britain by importing British industrial goods in the initial stage, then implementing tariff protection for the infant industry for import substitution and then finally through large exports of the industrial goods for achieving industrial progress.

Though, during the Second World War a short sighted liberal attitude was adopted by the government, there was no long term planning observed in the War policy.

The year 1938 should be taken as one of the important years in analyzing the change in the government policy. The National Congress Party started with a concrete beginning of economic planning for the country, though the complete freedom was not yet demanded. The domestic Planning Commission was set up of which the leader was Jawaharlal Nehru. The commission had the members of the Party and also representatives of the Princely States.

The role of the Congress Party and the National Politics in influencing industrial development of the region would be analyzed further.

The Cripps Report in 1942 gave the first authorized economic plan for India for the first time in the period of British rule. However, the nationalists believed that the Plan was prepared to convince Indians that British were their true friends and not the Congress or the industrialists of India.

The Plan suggested encouragement of Indian agriculture and modest rise in the industrial sector sponsored by the private capitalists and the State. Moreover, the idea of mixed economy was suggested for the first time.
Unfortunately, the plan never saw the light of the day as the Viceroy suppressed it due to the fear of criticism that British had no money to support the planned development for India.

In conclusion, it could be stated that though the government offered some favourable policies, it was not a permanent approach of the government to encourage industrial development in the region.

**B] Negative Effects**- The first stage of the above mentioned strategy for the industrial development of the country of British imports was experienced without any difficulties as it was beneficial to Britain to export its products to India.

But, the second step of protection could not arrive in full form due to the reluctance of British government. It was observed that whatever tariffs on imports were levied were on the exports of the countries other than Britain which aimed at earning revenue and not at the development of Indian industries. Ottawa Agreement in 1932 suggested ‘reasonable’ protective tariff for India but it was observed as ‘not sufficient’.

Thus, in the absence of proper protection, India could not enjoy the benefits of being the colony of the most industrialized nation in the world and also of its availability of cheap labour.

Obviously, the next stage of large exports of Indian industrial goods could not come into reality. Moreover, the implementation of the British Factory Act 1882 made it difficult for India to exploit the cheap labour for its industries. The insistence of British manufacturers to implement the Act in India was not because of the philanthropic reasons but, due to the want of protection from the cheap Indian exports.

This perhaps gave an indirect help to the rise of trade unions in the region, the factor would be analyzed in the next part of the chapter. Moreover, Indian entrepreneurs could have accessed to British capital market and enjoy the benefits of its low and stable interest rates, but
unfortunately they could not have free access to the foreign capital market and it could be commented that even if they had it, the depreciation of the rupee would have made the debt service burdensome resulting in no net advantage to Indian industrialists. [62]

It was criticized that the government was only interested in the collection of land revenue from the rural moneylenders for which no innovations and industrial progress were required to implement.

All this taken into considerations, the conclusion follows that the impact of the negative effects of British government on industrial development of the region was tremendous.

IV] Concluding Remarks and Rating -

It would not be difficult to rank the factor in the most negative category.

5.4. 3- 3 .

I] Title – Impact of the Two World Wars-

The analysis of the influence of the two World Wars on the entrepreneurial development could be separately discussed into two parts.

II] Period- The period of both the Wars would be considered for the analysis.


III] A- Impact of the First World War –

It would be proper to sketch a general economic scenario during the period of the War for the background of the analysis.

I] Background- It was observed that the First World War marked the new phase of relationship between India and Britain. From the end of the War, the British imperialism started to weaken and it was seen that the government could no longer ignore the demands of the Indian capitalists and actually offered some support to the domestic industries.
The major reason for the favourable change in the government could be traced as the growing requirements of the industrial goods in the War and decline in the imports from other countries might have compelled government to encourage domestic industrialization.

The War was observed to have a two-fold effect on the economic conditions of the region. At one hand, the income of the peasants was declining and at the other, there was a accumulation of capital due to the postponement of the new investments in the imports of machinery required for the industries thus, leading to increase the economic inequalities. [63]

Further, the regressive tax and wartime inflation led to create the process of polarization, which continued during the next period of the Great Depression and the Second World War. This showed a dichotomy in the economic conditions of the region during the First World War.

**II] Effects on Industrial Sector-** This could be divided into the positive and negative effects sections. The positive effects are discussed first as below.

It was quite natural for the industrialists to support the government in the War efforts as they could enjoy immense profits due to the War conditions.

Besides offering a huge profit to the businessmen, the War also brought the Indian bourgeoisie some protection, which was expected from the government since long. Moreover, the end of the imported goods from Germany and allied countries led to provide a favourable opportunity of less competition and the advancement of the *Swadeshi* movement, which was already launched in the region. [64]

This led to a series of the positive effects which are explained below.
i] Increase in Number of Firms- During the War, the number of the joint stock companies registered in the country was observed to increase from 2,552 to 2,789. Though, the statistics for the region of Western Maharashtra could not be available, it could be easily guessed that the region must had a lion’s share in this due to its most industrialized status in the country.

ii ] Structural Change in Bombay Industry- Besides the quantitative increase in the industrial sector, the structure of the Bombay industries went under a change during the War period. The organization of the firms transformed from the family ownership to the limited liability companies.

The new structure was organized and professional which in turn would have led a positive effect on the industrial development in the region.

iii] Increase in Employment - With the increase in the number of firms, it was natural that the industrial employment rose sharply at 12% [2,60,000 in 1913 to 2,93,000 in 1918. Also, the shift system in factories was introduced in this period.

The tremendous rise in the demand of factory labour made the agriculture, the primary occupation of the masses only a pastime activity for the rainy months. The opportunities of employment as a mill labour, in the docks and railway works in Bombay and elsewhere were the responsible factor for this change. [65]

Thus, the quantitative and structural change was witnessed in the industrial sector of the region.

iii ] Reinvestment of Profits- The rise in the net profits per year during the War period at the substantial rate of 60% could be taken as the major sign of growth of the industrial sector of the region.
It was expected that the profits could be used in developing the neglected industries. One of the rare examples was that of the Tatas who built the hydropower stations in 1915 and in 1918 with the assistance of the capitalists in Bombay. [66]

This would be again illustrated in the analysis of the state of technology. [5.4.4-1] However as mentioned earlier, the difficulty in the imports of the capital goods might have restricted the re-investment of the profits.

iv] Beginning of the Cement Industry- The industrial growth in Western Maharashtra since 1850s till the First World War was mainly seen in the cotton textiles which grew in an isolated form and showed no sufficient linkages for the growth of the other industries.

The first notable change in the industrial structure of the region was observed with the rise of the cement industry during the War period perhaps partly due to the linkage effect of the cotton textile industry and partly due to the boom for the urban construction in Bombay.

The first cement factory was started with the capital of Rs. Two million raised by the Bombay capitalists. By 1918, there were three cement factories producing 64,000 tons of cement.

This could be taken as a remarkable achievement, though due to the dominance of the cheaper building materials used in those times and hence, the demand for cement was limited the urban areas. [67]

v] Other Effects-Among the other effects of the War, it could be mentioned that the emergence of a large market for the Indian goods inside and outside the country, War contracts, availability of cheaper agricultural raw material and higher prices of manufactured goods etc. All of which became responsible to establish the industrial sector on a firm footing.
vi] Negative Effects- The negative effects of the War are discussed below.

As was mentioned earlier, there was seen no tendency among the capitalists to reinvest their profits in the new enterprises. On the contrary, they used the profits for the unproductive uses such as money lending, trading etc. Moreover, the colonial rule forced them to invest in the War bonds and in the shares of British companies, which obviously did not have a positive effect on Indian industries.

Thus, it could be said that the First World War created both the positive and negative effects on the industrial sector of the region.

III] B- Impact of the Second World War-

Initially, it was observed that the rise in prices, full utilization of the industrial capacity, rise in profits and widening income inequalities were the common features of both the War periods. However, all was not the same during the Second World War period.

i ] Government Policy –

The process of de-colonization was started in the economy during the War period as the British empire had existed only because of the economic and political advantageous position which started to weaken due to the War. However, it was observed that the hostile attitude towards the development of industries was observed to remain unchanged during and after the War.

Some of the examples of the hostile government policy could be given as that Indian capitalists were not permitted to form joint stock companies and to invest in the heavy industries as it could have proved harmful for the British industries after the War. Moreover, under the false plea of lack of shipping space, the government saw to it that no capital goods were allowed into India during the War. Moreover, through the series of laws,
monopolies and the drain of wealth from India, the productive resources of the country were doomed by the government.

At the same time, it was witnessed that a slight change was forced in the government attitude due to the conflicts faced by the British capitalists. Some British monopolists saw no future for themselves in India in the changing circumstances and withdrew their investments and perhaps it was realized that a safe market for British goods in India could only be maintained through a compromise with the Indian bourgeoisie.

**ii ] Influence on the Economic Sector -**

After 1941, India became the main base of War against Japan and the American and British forces had to be fed and clothed at the cost of India. The payment was met by printing more currency notes by the Reserve Bank of India.

As it could be usually seen during the wars, the exploitation of productive sources towards defense was experienced to such an extent that the production of the horse shoes, steel tips for the army boots and rail switch gear was done in a ship-repair plant at Bombay, at the background of more than 100 ships waiting in the harbour for the repairs.

However, it was not possible for Britain to put the entire burden of the War on India and it no longer could prevent industrial growth during the War.

**iii ] Stagflation-** The increased paper currency led to high prices and drop in the standard of living. The exploitation of the working people was reflected by the rapid growth of India’s national debt.

This led to the stagflation wherein the wages and prices rose without the rise in the production. Moreover, the rise in the regressive tax reduced the standard of living and demand. In addition, the War finance mopped up the available industrial capital.
This could have been responsible for sustaining the backward agriculture and the shortage of food. The speculators both, the Indian and British availed themselves of this opportunity and it could not be expected from the government to control their activity.

**iv] No Basic Industries** - The above situation could give the reasons for India not having her own engineering industry, nor the machine-tool industry, nor the aircraft industry etc. which could be equally important as the textiles and consumer goods industry. [68]

Thus, the Second World War in spite of the weakening colonial rule did not encourage industrial sector in a considerable manner. However, there was a positive side of the War.

**v] Growth in Industrialization** - It would be surprising to know that despite all the difficulties, the rate of industrial development continued to climb sharply during the War.

In the absence of the reliable information on the contribution of the industries in the region during the War, it could be assumed substantial on the basis of the high status of the industrial development in the region.

Some of the causes for the growth in the domestic industries could be understood from the following facts.

The end of the competition from the Japanese goods, the reduction in British textile exports which led further an end to the policy of ‘Buy-British’ and opening of the British markets for the Indian goods during the War could have played the major role in booming the industrial sector.

It was witnessed that the textile exports of India rose sharply due to the supply of the uniforms for the soldiers. The scarcity of consumer goods became severe in contrast to the increase in the purchasing power of the urban consumers, thus leading to further rise in the prices and production.
The capitalists of Western Maharashtra were observed to make the full use of the sterling reserves for imports of the investment goods. There was also witnessed a change in the outlook towards the labour which was considered as the fixed capital in the industries.

This further led to the emergence of the neglected industries of the chemicals, cement and other consumer goods. Moreover, as was stated in Chapter four, the ambitious plans for the motor cars with foreign collaboration were led by the established industrialists like Seth Walchand and Sir Cooper.

In short, the industrial sector of the region started experiencing a ‘take-off’.

As a result, Indian industrialists started thinking independently for the economic development of India. This thought led to the preparation of Bombay Plan in 1944 by the leading eight industrialists of the country, the reference of which has come in Chapter Four and also in the role of big industries in the present chapter.

vi] After the War- By the end of the War, it was observed that the industrial machinery, especially in the textile industries was out of date and needed replacement which was not done satisfactorily even after Independence. Thus, the War resulted in both, the expansion and also deterioration of the existing plants. This could be said as one more manifestation of the parasitism of the last stage of the imperial rule in India. [69]

On the whole, it could be stated that the influence of the two Wars on the economy was of a complex nature.

IV] Concluding Remarks and Rating-

It could not be denied that the Wars on the whole resulted to create a substantial positive change in the industrial sector in the region. Hence, the ranking of the factor would be made in the most positive category.
5.4.3- 4.

I] Title –Business and National Politics-

It would be made clear in the first place that the factor reflects the mixture of the economic and political aspects in the region in British rule.

II] Period- This factor refers to the period between 1885 to 1947, i.e. from the foundation year of the National Congress Party as the representative of the national politics, to Independence. The period would be divided into different phases for the convenience of the analysis.

1] 1885-1900- This was the early phase from the establishment of the National Congress Party till the end of the 19th century.

2] 1900-1920- This period covers the first two decades of the 20th century which could be considered as the pre-Gandhian period.

3] 1920-1947- This is the third and the last phase of the period which was influenced by the Gandhian philosophy .

III] Impact on Entrepreneurial Development-

It would be made clear in the first place that the analysis of the influence of national politics on business on the basis of the first and second phases as per given above has been presented in the earlier part of the study.

The analysis of the first phase would be found in the discussion of the role of the social change [5.4.1-2] and the analysis of the second phase would be found in the explanation of the role of Swadeshi movement [5.4.2-6].

3] 1920-1947 - As is agreed, the period could be known as the Gandhian period due to the immense influence of the leader on national politics. Hence, the relationship between Gandhiji and the business sector of the region is presented.
A] Gandhi and Business - It was noticed that Mahatma Gandhi did not write much on the economic matters and unlike the economic nationalism injected in the second half of the 19th century in the region by the nationalist leaders like Dadabhai Naorojee, Justice Ranade etc. never had any intellectual debates for the industrial sector.

In spite of his neglect, it was observed that the big businessmen of those times such as G. D. Birla, Purushottamdas Thakurdas, Jamnalal Bajaj etc. were attracted to him and wore ‘khadi’ – the hand-woven clothes. They also supported the National Congress Party financially.

Gandhiji’s eleven point programme was welcomed by the businessmen and they took active part in the civil disobedience movement as an anti-British agitation. The qualities of Gandhiji of being a great fund-raiser and a good financial accountant were respected by the businessmen. This trust made him their representative for pleading their side in the government.

Thus, indirectly Gandhiji helped to build a strong lobby of the Indian businessmen in British rule.

B] Establishment of the FICCI- The increased contacts between the Congress and businessmen eventually led to the formation of the Federation of Indian Chamber of Commerce and Industry [FICCI] in 1927, the reference of which has come earlier in the analysis of big industries [5.4.3-9]. This could be taken as a remarkable achievement on the part of the domestic industrial sector as it was found an answer to the British dominated Associated Chamber of commerce [70].

C] Non-Cooperation and Businessmen - The Dandi March in 1930 against the salt tax launched by Gandhiji as a part of his non-cooperation movement, though proved ineffective on the levy of the tax, the March did popularize the image of the leader and the Congress as the well wisher of the rural masses.
However, Indian businessmen in the burden of the Great Depression requested Gandhiji to suspend his campaign of non-cooperation which was accepted by him. This obviously shows the close relation between the businessmen and Gandhiji.

**D] Ottawa Agreement of 1932** - The Agreement established the regime of the imperial preferences in Britain. With this Agreement, ten raw material products were preferred in Britain, whereas 162 British products were preferred in Indian market. All the protective tariff were reduced by British.

Thus, the agreement turned as mere eyewash for Indian industries. Seth Walchand Hirachand who was the President of the FICCI then commented on the agreement as a ‘tragical farce’ [71]

The discussion shows that the national politics and the businessmen of the country were inseparable in the pre-Independence period and the influence of each on the other was tremendous.

**IV] Concluding Remarks and Rating** -

The analysis clearly reflects the close relationship between the national politics and business sector of the region. The factor could be ranked in the most positive category.

**5.4.3.a] Summary Chart of Political Factors** - At the end of the analysis of the four political factors chosen for the study, a summary chart of the main features would be presented in table 5.8.
Table No. 5.8
Summary Chart of the Political Factors

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Factor</th>
<th>Main Features</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Princely States</td>
<td>Encouraged industries, no organized efforts.</td>
<td>Moderately positive</td>
</tr>
<tr>
<td>2</td>
<td>British Government</td>
<td>Infrastructure and education development, Laissez Faire and exploitative policy.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>3</td>
<td>Two World Wars</td>
<td>New industries and employment, structural change in Bombay, no productive re-investment.</td>
<td>Most Positive</td>
</tr>
<tr>
<td>4</td>
<td>Politics and Business</td>
<td>Influence of the nationalists, Swadeshi and Gandhiji, cooperation between Congress and businessmen.</td>
<td>Most Positive</td>
</tr>
</tbody>
</table>

5.4.4 Other Factors-

As is mentioned earlier, the factors which could not fit into the three categories were arranged in the category of the ‘Other Factors’. The four factors in this category are analyzed below.

5.4.4-1.

I] Title –Role of State of Technology-

II] Period– The factor could be studied with the rise of modern industries which took place since 1850s to the Independence in 1947.
III] Impact on Entrepreneurial Development-

The positive role of the state of technology for the industrial development could not be denied. To begin with, the analysis of the state of technology in the cotton textile industry - the pioneering and dominating industry in the region would be presented.

A] Technology and Cotton Textile Industry-

i) Imitative and Static Technology- Unlike its own style of organization, the technology of the Indian textile mills was found imitations of British technology. The following example would throw light on this.

A mule spindle developed in 1779 in Britain was the most favored technology throughout the world by the time India launched her industry in the 1850s. Obviously, Indian mills could be excused to use the same in the initial period. However, Indian technology did not change after the invention and popular use of the American ring spindles by 1870s in spite of its quality of adapting to the coarser yarn and less labour efficiency, both of which could be suitable to Indian conditions. Though, the new spindles were slightly expensive than the old ones, they were found capable of spinning more yarn at lower running cost, and thus could have been cheaper in the long run.

Another surprising feature of the industry was seen that almost all the mills in Bombay and elsewhere had an identical premise and the physical layout. This further shows the imitative habits of the industrialists.

It was observed that the static technology was a natural tendency of the industry. It was commented that had they started with the ring spindles, they would have found the ring spindles easier than the mule spindles. He irony of all the mills set up under the influence of Swadeshi movement was observed that they were based on the imported technology.
Thus, it could be stated that the static methods used in Indian agriculture had their counterpart in the form of the static technology in the industry.

**ii] Tata’s Initiative**- It was perhaps only J.N. Tata who used the American technology in the Empress Mill at Nagpur in 1883. His leading action helped to popularize the ring spindles in the industry and it was found that by 1930, India had about 90% rings in total number of spindles installed in the industry.

This again would stress on the imitative behaviour of the industrialists who followed the successful technology.

**iii] Competition by Japan**- The coincidence between the Japanese and Indian textile industry was that their beginning and shifting to the ring spindles technology occurred around the same time. But, the proportion of the ring spindles in Japan increased fast and by 1890, it was found that the 90% mills were using the ring spindles in Japan, which was attained by India only in 1930, as mentioned earlier.

The reason for the low spread of new technology perhaps, could be found in the mixing of the superior and inferior varieties of cotton by the Indian producers since the Civil War which might have made the use of ring spindles out of question for them.

It could be commented that the price of the static technology was paid in the form of growing competition from Japan since 1890s.

**iv] Automatic Power Looms**- Another proof of the static technology in the Indian industries could be seen with the automatic power looms, invented in 1894 and patented with the name of Northrop power loom after the English inventor’s name. The use of the new looms became common except in England and it was observed that in spite of its labour saving quality, Indian industrialists did not adopt it as late as 1934 and
continued with the ordinary looms which constituted 97.6% of total looms in the country.

Thus, it could be seen that the industry established and developed against the heavy odds such as hostile government, unskilled labour, lack of experience etc. faced one more obstacle in the form of static technology.

It was the proud achievement of Indian entrepreneurs that the industry overcame against all the odds to become almost an exclusive, preserve of Manchester in England.

B] Technology in Other Industries- The case of sugar industry was found similar which continued with its traditional methods till it received protection in 1931.

The glass, matches, aluminum, light engineering, paper etc. industries developed during the early 20th century were limited in their presence and obviously showed no innovative approach and were dependent on the imported technology. [72]

C] Technology and Electricity- The electric power began in use in the industries in 1880s through their own generating sets due to which the quantity of the energy generated from these sources could not be known.

It was in 1910 when the Tata Hydroelectric Power Supply Company started to generate and sell energy to Bombay enterprises, funding for which was largely met by the foreign sources till the Governor of Bombay threw his support to the scheme, did the local finances and the Princely States started funding for it. [73] This reflects the safe behaviour of the investors in the new fields.

D] Technology and Big Businessmen- The analysis of the technology used by a few big businessmen from chapter four would throw light on the state of technology in general.
1] **Kirloskars**- The significant contribution of the founder Lakshmanrao Kirloskar in developing the agricultural inputs by the innovations could not be denied. As the business developed into a House, it started producing sophisticated goods like the centrifugal pumps, oil engines, machine tools, electric motors, etc. all of which required a modern technology. Kirloskars were observed to go for the foreign collaborations for technical expertise even though, the three sons of the founder were highly trained engineers. This shows their reliance on the imported technology than in promoting indigenous know-how.

2] **Walchand Hirachand**– It was observed that unlike Kirloskars Seth Walchand had no technical background and neither his shipping venture nor Ravalgaon Sugar Factory gave any evidence of the technical innovations. It was observed that the ventures ‘Walchand was interested such as air craft, cars etc. required sophisticated technology however he lacked the key requirements.

The critics pointed out that a person of his vision did not innovate the indigenous technology for producing sugar. Like Kirloskars, Seth Walchand too went for foreign collaboration. [74] Thus, a conclusion could be drawn that the vision of the big entrepreneurs could not see beyond the imported technology.

E] **Low Research and Development** – If the patents could be considered as the major indicator of the research and development in the industries, it was noticed that out of the total 1099 applications filed in Indian patent offices, only 212 were from Indians and the rest were from the Europeans in 1930s. This clearly indicates the neglect of the R and D which is the essential part of the industrial development.

F] **Causes of Low State of Technology**- The above analysis reflects the backward state of technology in the industries in the region in British rule for which the major causes could be found as below.
i] Colonial Syndrome - The overall attitude of Indian textile producers was found as in tune with their counterparts in Britain. The colonial administration with the laissez faire policy in India would be the reason for the blind imitations.

Moreover, the undeveloped institutional environment in the country and shortsighted mind set of the producers might have resulted in the imitative technology.

ii] Internal Suspicion- A positive change was witnessed in the technology in the industries during the First World War. Indian technician experts in Bombay began to replace British experts leading to reduce the foreign staff to less than 50%. Had this continued, the share on the imported technology would have been declined and domestic technology could have been promoted.

Unfortunately, an internal obstacle in the expected results was witnessed from the mill owners who suspected the skills of Indian technicians and insisted on the foreign experts. This obstacle grew bigger in the post-War period due to the easy access to the imported technology.

iii] Technical Inertia- The technology adverse approach was found common among the industrialists. Perhaps, the conservative social environment in the region unlike in Japan and other industrially developed economies was the reason for their technological myopia, which resulted into the limited technical choice of the industrialists. [75]

G] Justification- The undeveloped state of technology in the industrially most advanced region in the country could be justified on the following grounds.

i] Technical Adjustments- Though, they largely depended on the expensive imported machinery, Indian businessmen had to redesign the equipment to balance between the expensive capital and cheap and crude labour.
Moreover, the entrepreneurs had to spend a large amount for their own repair shops and power sources. Besides, the high cost of training to the unskilled labour with high rate of turnover were the major factors to influence the state of technology. Thus, the technological backwardness could be partly justified.

ii] No Facility of Technical Education- It was observed that there were only two engineering colleges in India at the time of birth of the textile industry and little attention was paid by the government towards technical education till 1880s.

The Victoria Jubilee Technical Institute [VJTI] was not established in Bombay until 1880s and there were no other institutions for the technical training.

Moreover, it was observed that there were no associations for transmitting technical knowledge and its applications. Hence, the gap between the science and industry could have resulted in low state of technology.

iii] Social Background- Low level of literacy even in vernacular in the society resulted in the monopoly of the high caste educated class from which the managers and technicians had to be drawn. Thus, it was observed that the traditional social gap was transformed into an occupational barrier. [76]

IV] Concluding Remarks and Rating-

Finally, it could be concluded that a discouraging role was played by the state of technology in the industrial development of the region. Hence, the factor could be ranked in the most negative category.
5.4.4 -2.

I] Title – Role of Bombay and Pune-

The analysis would be made with the reference of the two important cities in the region, Bombay and Pune as the representatives of the urban area in the region.

II] Period - The analysis could be made on the basis of the economic history of the region from the 17th to the first half of the 20th century discussed in Chapter Two of the present study.

III] Impact on Entrepreneurial Development -

The analysis of the factor would be split in two sub-sections for the discussion on the role of the two cities of Pune and Bombay presented in the section A and section B respectively.

A] Role of Pune city in Developing Modern Industries -

i] Background of the Economic History of Pune in the 17th and 18th Century -

This would be the analysis presented in Chapter two [2.10] and would not be repeated to avoid the overlapping.

ii] Modern Industrial Sector in Pune - In comparison to Bombay, Pune seemed industrially less developed, but its contribution could be worth mentioning. Though, there were no big industries, many small industries were existing successfully in the city in the 19th and first half of the 20th century.

1] Industries in the 19th Century -

A] Cottage Industries - It was observed that since 1885, the copper and brass vessel industry was running successfully with a reported number of 70 producers and approximately 2,320 workers working in it. The Gazetteer of the same year reported that there were 180 families engaged in making gold and silver jewelry which could be known as an artistic
occupation. [77] This shows that the traditional sector was existing substantially in the city.

**B] Modern Industries-**

1] **Deccan Paper Mills**- In the year 1857, the Pune Municipal Corporation was established and Mr. Khanbahadur Sardar Dorabjee Pudumjee remained the president of the Corporation for 16 years after the establishment. His brother Seth Ferdunjee Padumjee started the Deccan Paper Mills in 1886 in Kondhawa at the outskirts which could be taken as the beginning of the modern factory in the city. The name of the entrepreneur could be found in the universe list in chapter four and the analysis of Mr. Parkhe and also in the analysis of blue entrepreneurship in discussing the role of big industries.

2] **First Textile Mill** - In 1893, Seth Hindumal Balmukund, a big merchant in the city set up the Rajabahadur Motilal Poona Mills, a weaving mill which was appreciated by Lokmanya Tilak in his newspaper ‘Kesari’ as ‘the first chimney in Pune’ as was mentioned earlier in the study.

3] **Other Industries**– In 1888, One Mr. Anand Bhau Godambe established the Poona Metal Works, which could be regarded as the first mechanized industry in the city.

Thus, it could be seen that though in a limited number, the industries in Pune in the second half of the 19th century were unique in their importance.

2] **Industries in the 20th Century**- The detailed picture of the modern industrial sector in the city in the first half of the 20th century has been given below in a chronological order.

1] **Paisa Fund Glass Factory** - The first major industry set up in the 20th century around the city was the Paisa Fund Glass Factory at Talegaon, the detailed analysis of which was given in Chapter Four. In spite of its
location out of the city, it could be considered in the industries of Pune as its establishment and management was Pune based by the leaders like Lokmanya Tilak.

The factory not only was innovative in its organization, but also was keen on the use of latest technology in manufacturing glass and glass products.

2] Film Industry – An interesting modern industry, the entertainment industry started in the city with the establishment of Bharat Cinema in 1920. Below are given a few more examples of the film companies in the city.

In 1924, United Pictures Syndicate was set up by one Mr. Pandurang Talgere. In 1927, Iron Film Company was started by Mr. Nanasaheb Sarpotdar which produced 24 silent movies. In 1933, the climax of the film industry in Pune was witnessed with the shifting of Prabhat Film Company from Kolhapur to Pune. The Company produced many classics in the history of Indian movies and could be taken as the proud possession of the city.

Many other film studios such as Navyug, Deccan, Shalimar, Arun to name a few were established in the city which contributed substantially to the film industry of the country.

3] Cases from Chapter Four - Sathe Biscuit Factory- the pioneering industry established in 1920, and Bharat Envelops established in 1830 could be regarded as the feathers in the cap of the city. Chapter Four analyses the unique entrepreneurial qualities of these entrepreneurs.

4] Financial Sector– Apart from the diverse industrial units started in the city, the complementary sector was also observed to play a positive role.

During 1920-1936, many banks and insurance companies were started in the private sector. This certainly would have created financial ease among the willing and established entrepreneurs in the city.
The insurance companies like Trust of India, Sahyadri Insurance Company, Commonwealth Insurance Company, Central Company, Continental and Mutual Insurance Company were some of the names which contributed to the development and spread of the insurance sector in Pune.

The important name among the banks established in Pune was the Bank of Maharashtra established in 1934. Among the others were, Presidency Industrial Bank, Bharat Industrial Bank of Poona, New Citizen Bank etc.

6] Other Industries-

Some of the examples of the industries in Pune started in the first half of the 20th century are mentioned below— the sector to which the industry belonged is given in the bracket.


The list leads to discuss the main features of the city industry.

C] Main Features of the Industries -

1] Diversification- As could be seen, the industries in Pune showed no specialization and remained diversified with a variety of modern industries.

2] Transformation - It was observed that the conservative and quiet city during the Peshwa rule in the 18th century, transformed itself gradually to the second industrialized place in the region after Bombay due to its industries.

3] Frequent Failures- Though the rate of establishment was more, all the industries in the city could not succeed in the long run. There were witnessed frequent failures due to lack of proper planning and resources.
5] No Government Support- Unlike Bombay, the government did not pay proper attention for developing Pune’s infrastructure. The role of the government was almost absent in the industrial development of Pune. [78]

In conclusion, it could be stated that Pune played a significant role in developing the modern industries during British rule.

III ] B- Impact on Entrepreneurial Development-

Similar to the above analysis, the role of Bombay in the industrial development of the region could be analyzed.

i] Background of the Economic History of Bombay-

This could be seen in Chapter Two [2.6, 2.9.2 and 2.12.3]. Hence, it would not be presented here to avoid the repetition.

ii] Process of Urbanization in Bombay-

Unlike in Pune, the government officials took keen efforts for the development of Bombay which are listed below.

The Governor General of Bombay Mr. Bartle Frere launched a scheme to improve the defense of the harbour in cooperation with the Bombay Chamber of Commerce. The government destroyed obsolete fortification and built wider roads and public buildings of libraries, hospitals, training institutions etc. for which the merchants were made to donate a part of their wealth.

Besides, the modern banking sector was developed to support the new industries. By 1865, Bombay had countless financial institutions, which earned tremendous profits.

The reclamation of land from the sea was launched in 1864 by the Reclamation Company in public-private partnership and within 15 years from the establishment of the modern industry, Bombay was witnessed to wear a new look.
iii] Bombay and Modern Industries- The main points of the contribution of Bombay in the industrial development of the region are discussed below.

Since its inception in the mid 1850s, the modern industrial sector showed a continuous and almost steady performance dominated by the cotton textile mills in Bombay. It would not be possible to mention all the industries established and developed in the city during the period due to the lack of proper information. Hence, the major trends in the growth are given –

1] The 19th Century-

A] 1850s- The First Mill- It was in 1852-54 that the first modern textile mill was launched by Mr.Cavasji Davar resulting in a series of the textile mills established by many willing entrepreneurs including Jamshedji Tata during the next couple of decades.

B] 1860-1873- As against the proud beginning of the modern textiles, the next decade witnessed a little static trend as the number of mills remained stationery. The reason for this could be the end of the American Civil War.

C] 1873-74- The year could be the dividing year from the earlier period as in one year the industry boomed back to its glory and it was observed that 20 new mills were added in the city.

D] 1875-1890 - There was witnessed a temporary slump during 1877 in which many mills were liquidated and the year 1883 was recognized as the worst year since the 1850s due to the glut in the market. However, this setback was short lived and was compensated by the conquest of China cotton market.

By 1890, it was reported that there were 28 mills, 445,462 spindles and 4217 looms working in the city. [79]
Thus, the late 19th century formed the foundation of the modern industries.

2] The 20th Century-
By the dawn of the 20th century, the culture of private enterprise was established. It would be difficult to analyze the industrial development in the city during the period due to its substantial spread and lack of sufficient data. The city enjoyed the position of the economic capital of the country with the proud status of being most industrialized region.

The established firms like that of the Tatas and Godrej etc. were continuing successfully and also the new ventures of medium and small scale were coming up on a large scale. Chapter four has presented the cases of the entrepreneurs such as the Dandekars and Bedekars who made their entry in period.

iv] Main Features of Modern Industries in Bombay- The dominance of the cotton textile sector developed by the daring Indian entrepreneurs, the negligible role of the European businessmen, favourable atmosphere for the allied sectors such as banking, transport system etc. were the main features of the modern industrial sector in Bombay which made the city the number one industrialized place in the country till Independence. [80]

IV] Concluding Remarks and Rating -
It could be doubtlessly agreed that Pune and Bombay have contributed substantially in the industrial development of the region during British rule. Hence, the ranking would be in the category of most positive influence.

5.4.4-3.
I] Title –Role of Trade Unions –
II] Period– The period could be taken from the third quarter of the 19th century, i.e. 1875s onwards till Independence.
III] Impact on Entrepreneurial Development-

A] History- The trade union movement in the world was a by-product of industrial revolution and obviously Britain was the first country to witness it. It was natural that like the modern industries, the labour movement would also be followed by India.

The beginning of modern industries resulted into a drastic change in the labour relations. Earlier in the cottage industry, either the employer himself was a worker with the other workers or the industry was run in one family. The system was carried on the personal aspects than the professional ones. With the rise of modern factory system, the personal link between the employer and employee was lost and this gap was to be filled up by the collective medium provided by the trade unions. [81] Thus, the rise of labour movement seemed to be of the socio-economic and political nature.

It was observed that the trade union movement in India and of course in Western Maharashtra grew along with the freedom movement. It was not the case that the factory system led to the emergence of trade unions immediately. On the other hand, it was a gradual process and took a couple of decades after the rise of modern industries in the 1850s.

B] Trends in Development- The major trends in the development of the trade unions in the region are discussed below.

The year 1875 should be marked in the history of the modern industries in the region as the Bombay Millowners’ Association, a union of the textile producers in the city was established to safeguard the common interests of the industrialists. This was expected to work as a pressure group against the hostile attitude of the government towards the rise of modern industries in the country.

In the same year, the movement emerged as a protest against the bad conditions of the workers, which resulted in the Indian Factories Act
In 1890, the movement began in real terms with the formation of the Bombay Mill Hands association, led by Mr. Narayan Meghaji Lokhande. Mr. Lokhande was himself a worker and devoted his life to the worker’s cause. He left the job and started the first labour-journal named, ‘Deenbandu’. His sad demise at the end of the century however, did not give a set back to the movement.

In 1905-07, many sporadic strikes were carried against the increase in the working hours due to the introduction of electric power in the factories in Bombay. In 1907, Bombay Postal Union was established. In 1909, the Kamgar Hitvardhak Sabha as a general union was formed on the philanthropic basis in Bombay.

D) Features of Trade Union Movement- the major feature of the movement could be stated as the slow growth.

There could be found many causes for the slow growth of trade unions in the region. The slow proletarization and weakness of the labour class and the emergence of the movement on the philanthropic base rather than the workers’ movement for which the motive was sympathy rather than justice might have resulted in the slow progress of the movement. Hence the movement in the region before Independence could be called as the forerunner of the actual trade union movement that took place in future. [82] Apart from the slow growth, the features of the movement could be summarized below.

The development of entrepreneurship could not be traced from the progress of the trade union movement. The period since its emergence till Independence perhaps was a short period for any direct influence on the industrial development.
A unique reference of the correlation between the movement and the industries stated in the analysis of the role of the Princely States earlier in the Chapter [5.4.3-1.] could be repeated here. The non-existence of the trade unions led to the shifting of some industries to the Princely States from British India which contradicts with the assumed correlation between the both.

On the whole, the movement during British rule was symbolic of the low industrial development in the region. It was more akin to the welfare associations or the mediaeval guilds than the fighting unions of the West.

IV] Concluding Remarks and Rating -

It could be concluded that the trade unions, which later grew as a pressure group, could not show any significant correlation in the development of entrepreneurship in Western Maharashtra in British rule.

The ranking of the factor would be made in the least positive category.

5.4.4 –4.

I] Title –Role of the Cooperative Sector –

II] Period – The beginning of the cooperative sector was found in 1904. Hence, the period of the factor would be the first half of the 20th century.

III] Impact on Entrepreneurial Development-

A] History - The movement was started in India by the devoted band of social workers who were concerned for improving the economic conditions of the masses without offending or depending upon the British government. The movement was inspired by the success of the cooperatives in England and Scandinavian countries in the late 19th century.

The movement was based on the principles of ‘all for each and each for all’ and ‘individually weak become collectively strong if they come together’.
### B] Phases of Growth-

The development of the movement till Independence could be seen in the following phases.

1] First phase [1904-11] – This was the foundation of the sector from its birth to the implementation of the Cooperative Credit Societies Act.

2] Second phase [1912-18]– It was perhaps natural that after a firm foundation, the sector witnessed a tendency of hurried expansion in this phase.

3] Third Phase-[1919-29] –There was witnessed an unplanned expansion in the sector during this period.

4] Fourth Phase [1929-39]- The phase was of consolidation and reorganization of the sector.

5] Last phase [1939-46] - This was the period of recovery in which the principle was spread into the other sectors apart from the agricultural credit. This is discussed separately as below.

### C] Spread in Other Sectors-

The urban cooperative banking came into existence on the lines of the rural cooperatives in 1940s. Moreover, the scarcity of the consumer goods during the Second World War, led to form the distribution centers on the cooperative basis in the urban areas.

The industrial cooperatives though were initiated in 1935 and the great impetus was seen during the Second World War. In the post-War period, the cooperative handloom industry witnessed depression due to the rise of the availability of the imported mill cloth. The cooperative sugar factory was launched in 1933, however there were no worth mentioning examples till the Pravaranagar Sugar Factory was established in 1949.

The weavers’ cooperatives were also formed in some parts of the region. However, the proportion of the labour cooperatives was negligible till Independence. [83]
As would be seen while analyzing the banking sector of the region, 
[5.4.2 –3.] that the cooperatives did not play any active role in financing  
the industrial sector of the region till Independence and strictly remained  
restricted for the agricultural finance.

It was noticed that only after Independence, the movement acquired its  
momentum and spread in the sectors such as manufacturing, marketing,  
processing, storage, credit and distribution of consumer goods. The  
dominated sectors of the movement were observed as the dairy, fishery,  
ginning of cotton, sugar, textiles, housing etc.

The major features of the movement before Independence could be  
mentioned below.

D] Features of the Cooperative Movement before Independence-

1] As a Government Policy- The movement was created by the  
resolutions of the government as a remedy for the exploitative practices  
of the rural money lenders and was not emerged by the urge from the  
people. Hence, the movement was introduced for the people and not by  
the people which made it a cooperative policy rather than a movement.

2] Confined to Credit- Due to the major thrust on the agricultural  
credit, some critics called the movement as the ‘credit movement’.

3] No Aid of State- Though, the movement was initiated by the  
government force, the government did not help it further due to the  
laissez faire policy and it was left on its own to develop.

4] Haphazard Growth -Due to the lack of support and planning of the  
authority, it was natural that the sector experienced an uneven growth in  
different parts of the region. Moreover, the general illiteracy of the  
masses, fickle monsoons and lack of spontaneity could be the obstacles in  
the success of the movement. [84]
IV] Concluding Remarks and Rating-

Thus it could be seen that the cooperative movement did not show any considerable influence on the industrial development of the region in British rule. Hence, the ranking of the factor would be in the category of least positive.

5.4.4-a] Summary Chart of Other Factors- At the end of the analysis of the Other Factors, the summary chart would be presented in Table 5.9

Table 5.9

Summary Chart of the Other Factors

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Factor</th>
<th>Main Features</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State of Technology</td>
<td>Imitative, static, technical inertia, colonial syndrome, low technical education.</td>
<td>Most Negative</td>
</tr>
<tr>
<td>2</td>
<td>Role of Bombay and Pune</td>
<td>Pune- diverse industries, no government support, second status in industrial growth. Bombay- pioneering, top industrialized center, dominance of Indian textiles.</td>
<td>Most Positive</td>
</tr>
<tr>
<td>3</td>
<td>Emergence of Trade Unions</td>
<td>Beginning in 1875s, sporadic nature, no correlation between industrial development.</td>
<td>Least Positive</td>
</tr>
<tr>
<td>4</td>
<td>Role of Cooperative Sector</td>
<td>Beginning in 1904 as a policy of the government, haphazard growth, concentrated in credit.</td>
<td>Least Positive</td>
</tr>
</tbody>
</table>
5.5 The Summary Chart of the All Factors –

On the basis of the analysis presented above, a summary chart of all the factors chosen in the general list could be presented.

Table 5.10
Aggregate Summary Chart At a Glance

<table>
<thead>
<tr>
<th>Category</th>
<th>Title of the Factor</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>1] Social Environment</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>2] Social Change</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>3] Parsi and Marwari class</td>
<td>Most Positive</td>
</tr>
<tr>
<td>Economic</td>
<td>1] Role of Managing Agencies</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>2] Role of Railways</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>3] Role of Banking Development</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>4] Role of Foreign Investment</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>5] Role of Economic Conditions</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>6] Impact of \textit{Swadeshi} Movement</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>7] Role of Agricultural Sector</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>8] Role of Big Industries</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>9] Effect of Great Depression</td>
<td>Moderately Negative</td>
</tr>
<tr>
<td></td>
<td>10] Role of Small Industries</td>
<td>Moderately Positive</td>
</tr>
<tr>
<td>Political</td>
<td>1] Role of Princely States</td>
<td>Moderately Positive</td>
</tr>
<tr>
<td></td>
<td>2] Role of British Government</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>3] Impact of the two World Wars</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>4] Business and National Politics</td>
<td>Most Positive</td>
</tr>
<tr>
<td>Other</td>
<td>1] State of Technology</td>
<td>Most Negative</td>
</tr>
<tr>
<td></td>
<td>2] Role of Bombay and Pune</td>
<td>Most Positive</td>
</tr>
<tr>
<td></td>
<td>3] Emergence of Trade Unions</td>
<td>Least Positive</td>
</tr>
<tr>
<td></td>
<td>4] Role of Cooperative Sector</td>
<td>Least Positive</td>
</tr>
</tbody>
</table>
5.5-A Final Analysis and Conclusion-

The table clearly shows that in the category of Social Factors, there are two factors with the most positive influence and a single factor in the category of the most negative influence on the entrepreneurial development in Western Maharashtra in British rule.

Among the total ten Economic Factors, there are four factors each with the most positive and most negative influence and one each in the category of the moderately positive and moderately negative category.

The four Political Factors show their classification as two of them in the most positive category and one each in the most negative and moderately positive category.

The four factors in the Other Factors category are analyzed as two in the least positive and one each in the most positive and the most negative categories.

The final conclusion could be drawn as that among the 21 total factors, there are nine factors in the category of the most positive influence, seven factors in the most negative category, two each in the moderately and least positive category and one in the category of the moderately negative in influencing the entrepreneurial development in the region during British rule.

In short, there are 16 factors which influence the entrepreneurial development in the ‘most’ category, three factors are in the ‘moderate’ category and two factors fall in the ‘least ‘influencing category.

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