India went through her first experience of factory production in the modern sense in a colonial situation. So 'colonialism' provides the main context in the light of which contemporary scholars are trying to understand India's experience of industrialization. In recent years a debate is going on as to the characterization of Indian capitalists in colonial India. One view is to characterize them as "compradors" who served the British Raj throughout the colonial rule. The other view is that the Indian capitalists established themselves as the dominant class in India before the dawn of independence and gave birth to an "independent bourgeois order". This ideological debate has its political significance. But it does not help us to understand the attitudes of entrepreneurs, which is crucial for our understanding of capital-labour relations in colonial India. The study of attitudes will also help us to locate whether the Indian entrepreneurs represented outlooks different from their European counterparts. In this chapter an attempt will be made to trace the character, composition and attitude of the entrepreneurial class in the light of their pre-industrial backgrounds (with particular reference to sources of primary accumulation of capital and the business methods). Since the industries in which we are interested - jute, coal and cotton - were mainly started in and around mid - 19th century, an examination of the social background and nature of industrial commitment of early entrepreneurs is needed to understand the later-day history of entrepreneurs. This is because of the fact that many of the 19th century

1 See Suniti Kumar Ghosh, The Indian Big Bourgeoisie, (Calcutta, 1985).
entrepreneurs acted as the dominant ones during the inter-war years.

The Jute Industry Experience:

The first entrepreneur in the jute industry was an Englishman, George Ackland. After beginning his career in the Navy, 'he took to coffee planting in Ceylon' and finally came to Calcutta to try his fortune. With the financial assistance of a native banian, and the technical assistance of a Dundee mill overseer, he started the first jute spinning mill in 1855. But within a decade the family of Ackland withdrew from the jute industry to try their fortune in tea plantation.\(^3\)

There are many other such instances. The most glaring instance of speculative entrepreneurship was symbolized by Richard Macallister, an American entrepreneur, who at one time earned his livelihood as 'a bus conductor in Philadelphia'. He promoted a number of mills in the 1870s and the official historian designated him as 'a bit of a mechanical genius in his own way'.\(^4\) But he actually turned out to be the most corrupt entrepreneur in the history of the industry in the 19th century. He earned enormous profits by selling the mills. In 1878, he disappeared from Calcutta by misappropriating the funds of one jute mill managed by his own firm, R. Macallister and Company.\(^5\)

It was the Scotsmen who, as entrepreneurs, dominated the Bengal

\(^4\) Ibid., pp. 31-33.
\(^5\) See Dipesh Chakrabarty, Rethinking Working-Class History : Bengal 1890-1940 (Oxford University Press, Delhi, 1989), pp. 21-22.
jute industry during the inter-war years. A classic example of 19th century Scottish entrepreneurship is the birth of the Thomas Duff and Co. Ltd.

In the late 1850s, George Henderson of the firm of Messrs. George Henderson and Company, after his visit to Calcutta, persuaded the Borneo Company, for whom his Calcutta firm were agents, to invest their 'idle capital' in the erection of a jute mill. Thus, the second jute mill in Calcutta came into being under the managing agency of Messrs. George Henderson & Co. Thomas Duff, a Scotsman, was in charge of the agent's Calcutta office for a number of years. By 1872, we find that the mill company 'made good their capital twice over, besides returning good dividends'. On the other hand, Thomas Duff had earned a large fortune in India during his 8 years' career and built a large jute mill at Barking in Essex.

But one who got the taste of quick money in the jute industry of Bengal could not be away from the field for a long time. After disposing of the Barking Mills near London, Thomas Duff floated a mill company in Dundee, his home town, in the 1870s along with three other 'hard-headed practical men' for operating in the Calcutta jute industry. Being propelled by good returns, a second mill company was floated in 1883. The firm Thomas Duff & Co. Ltd. came into existence in 1883 and took over the agency of the mills.

The business career of Thomas Duff & Co. is unique in respect of

6 ibid., p. 27; Wallace, op. cit., pp. 15-16, 18.
7 Wallace, ibid., pp. 36-37.
the early entrepreneurs in the industry. While many 19th century entrepreneurs left the industry after pocketing huge speculative profits, Thomas Duff and Company came to stay and enjoyed the status of one of the four biggest managing agencies in the jute industry during our period of study. In 1910, out of the total number of 32,711 looms in the jute industry, Bird & Co. controlled 4,707, Thomas Duff & Co. 3,724, Andrew Yule & Co. 3,302 and Jardine, Skinner & Co. controlled 2,177 looms. Thus, only four business firms controlled 42.5 per cent of the looms in the industry. The degree of control of the big firms over the industry increased over the years. In 1917, the Heilger group of companies became a part of the Bird Group. The number of looms controlled by the business giants in the jute industry in 1939 were as follows:

<table>
<thead>
<tr>
<th>Name of the Business Group</th>
<th>Number of looms controlled in 1939</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bird and Heilgers</td>
<td>8,924</td>
</tr>
<tr>
<td>Andrew Yule</td>
<td>8,032</td>
</tr>
<tr>
<td>Jardine, Skinner</td>
<td>6,541</td>
</tr>
<tr>
<td>Thomas Duff</td>
<td>5,138</td>
</tr>
<tr>
<td>Total Number of Looms (in the industry)</td>
<td>60,028</td>
</tr>
</tbody>
</table>

Source: Capital, June 1, 1939, p.831

Thus, only four business groups came to control about 47.7 per cent of the total number of looms in the jute mills of Bengal by the end of

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Since jute was mainly an export-based industry and the world market for jute fluctuated in different years, the Indian Jute Mills Association (I.J.M.A.) was founded in 1884 to bridge the gulf between demand and production. It should be noted here that Thomas Duff & Co. was 'one of the anxious architects' of the short-term working agreement which the I.J.M.A. imposed on the member mills the very next year. To restrict output by various means became a permanent policy of the Association in later years, and Thomas Duff & Co. emerged as one of the leaders of the Association. The influence of this particular firm in the policy making of the I.J.M.A. can be gauged from the fact that 10 chairmen of the Association came from the members of this firm during the period 1884-1927. While the 'short-time working agreement' was in vogue in the industry, in varying degrees, in almost every year throughout our period of study, in times of crisis it was supplemented by a policy of closure of mills for seven days per month. The other important device of output-restriction adopted by the I.J.M.A. was loom sealing, which was first resorted to in 1890 and then in the 1930s. Another device, which became a permanent policy of the industry by the mid-1920s, was to prevent the member mills from installing new machineries during the tenure of any working time agreement.

9 Chakrabarty (1989), op. cit., p. 29.
10 See Wallace, op. cit., p. 107.
But making policy is one thing; putting it into practice is completely different. In his study of labour conditions in the Calcutta jute industry, B. Foley noted as early as 1906 that since the profits of the entrepreneurial firms depended on the output of the mills, any output-restriction scheme would not be acceptable to them. An offshoot of the policy of output-maximization followed by the mill companies was growth of excess capacity in the industry over time. In one estimate we find that the "unutilized capacity" in the industry as a percentage of "total capacity" increased from 12 per cent during the period 1906-10 to 31 per cent during 1926-30. But this excess capacity did not pose any major problem to the industry because of enormous profits earned by the mills during and after the First World War till 1930. D.H. Buchannan, writing in the mid-1930s, looked back at the profit-earning records of the Bengal jute mills and noted:

There is no denying that the jute mill owners did very well for many years prior to the present depression. It is doubtful if any other group of factories in the world paid such handsome profits between 1915 and 1929.

The important difference of Thomas Duff & Co. from the other three big agencies in the industry, as we find in the list of companies managed by the agencies at the end of the 1920s, was that while the other groups had diversified business interests in jute, coal, tea and other companies, Thomas Duff & Co. restricted its operations to the jute industry. In 1939, the Bird Group controlled 61 companies, Andrew Yule

13 See Goswami (1982), op. cit., p. 151.
controlled 67 companies and Jardine, Skinner controlled 17 companies. But the growth of business empires on the part of big agency houses was not accompanied by a sense of business morality. In the beginning of the 1930s, when the jute industry was facing a crisis, the lack of business morality of the three business giants came to light in an I.J.M.A.- sponsored survey. The findings of the survey, as summarised by Omkar Goswami, are stated below:

The result was staggering but predictable. Against an IJMA figure of 52,929 looms the survey counted 58,639 looms i.e. almost 10 per cent of the actual capacity consisted solely of unreported looms. Andrew Yule...headed the list with 24 per cent unreported looms; Jardines could not explain 10 per cent of their capacity and Bird 7 per cent.

This mentality of money-making by any means had its root in the 19th century. The Jardine Matheson and Co. (the agent of Jardine, Skinner in China), in order to earn money from opium trade in China, played a key role in the 1830s to convince the king of England to send British warships to China. The firm itself made an abortive attempt to enter the interior of the Chinese territory with its war-vessel named Jardine. The Jardine, Skinner & Co. had acted as agents in Calcutta for a regular service of ships to China since 1869. Apart from the shipping business, the firm had developed other international business interests before the end of the First World War. It held the agencies of a number of foreign

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16 Goswami (1982), op. cit., p. 159.
It was business that mattered to the big European agency houses in Bengal, even though the 19th century trading firms came to manage a large number of industrial companies in the 20th century. Andrew Yule arrived in Calcutta with the purpose of trading. By 1866, his firm, Andrew Yule and Co., was 'sufficiently well established' in the field of commerce in Bengal. In those first years the Company's main interests were the agencies for Horrock's longcloth and for three insurance companies. By 1902, when Andrew Yule died and his nephew, David Yule, became the sole owner of the business, the firm had acquired substantial industrial interests. But when David Yule died in 1928, he was honoured by a leading English daily not for his industrial pursuits, but as 'one of the greatest......representatives of British business enterprise in India'. The praise-showering obituary ended as follows:

He had of course a genius for business, and his concentration on it earned him sometimes amongst the thoughtless a reputation for covetousness. Yet the truth is that he was interested in money only as the means of creating further real wealth.

But, as noted earlier, the behaviour of the firm in the jute industry substantiated the view of "the thoughtless". It should be noted


In this context that David Yule was often called "the white bania" in the business circle.\(^{20}\)

The most peculiar business mentality was noticed in the history of Bird & Co. The Bird & Co. was established in 1864 when Captain Sam Bird secured a 'Coolie' contract at Allahabad from the East Indian Railway Company\(^{21}\). In its evidence to the Royal Commission on Labour, the firm declared with pride:

Messrs. Bird and Co. have been contractors for the supply of labour for the handling of goods and coal since 1864. Their experience in this business, therefore, extends over sixty-five years.\(^{22}\)

The jute industry was totally under the control of European firms before the termination of the First World War. But after the war a number of Indian entrepreneurs, mostly belonging to the Marwari business community, started jute mills in the 1920s and 1930s.\(^{23}\) The Indian entrepreneurs, however, accounted for less than 15 per cent of the loom capacity of the industry as late as 1939.\(^{24}\)


\(^{23}\) For the list of Indian mills, see Chakrabarty (1989), op. cit., p. 55.

\(^{24}\) Morris David Morris, 'Indian Industry and Business In the Age of Laissez-faire' in Dwijendra Tripathi (ed), State and Business in India: A Historical Perspective (Manohar, New Delhi, 1987), p. 137.
The above statistical figure for the share of Indians in the looms of the jute industry at the end of the 1930s is not a true index of the power that the Marwari entrepreneurs came to acquire in the industry over time through their 'innovative' business methods. One such method was to acquire shares in the mills managed by the Europeans. This was made possible because of the speculative mentality of European shareholders and the financial policy pursued by the European firms. Many European shareholders, in the hope of earning speculative profits, unloaded their shares at appreciated values during the prosperous years of the First World War. These shares went into the hands of the Marwaris. Moreover, many European-managed jute mills expanded their production capacity in the prosperous 1920s with funds borrowed from the Marwaris. The Marwari families who offered such finances were the banias of leading European firms including Andrew Yule, Jardine, Skinner and Bird and Heilgers. Though the loans were offered at interest rates lower than the prevailing rate of interest offered for company debentures, the Marwari banias took blocks of jute mill shares as collateral. This business tactic enabled the Marwaris to enter the boards of directors of European-managed jute mills in a big way by 1930.

The Marwaris who started jute mills in the post-war years did not have enlightened genealogies. Sir Sarupchand Hukumchand, a Marwari banker of Indore, and G.D. Birla, the well-known Marwari entrepreneur of the 20th century, started two large jute mills immediately after the

termination of the First World War. Both Sir Hukumchand and J.K. Birla, a founder of the Birla firm, were leading opium speculators. This speculation in opium reached its crescendo during 1909-1913, the period in which the shift in British policy in favour of curtailing opium export to China and the Chinese Revolution (1911) led to enormous increase in the price of opium. And the two Marwari families of would-be entrepreneurs along with Harduttrai Chamaria, another king speculator, earned huge profits from such opium trade. Moreover, Sir Hukumchand and the Birla family earned huge fortunes in different speculative ventures during the First World War. In one estimate, the total Birla worth rose from Rs.20 lakhs to Rs.80 lakhs over the war years. Sir Hukumchand made rupees one crore in the accounting year 1914-15 and 75 lakhs in 1918-1919 on the basis of speculations in cotton. Though Harduttrai Chamaria died in 1916, his heirs built two jute mills in the 1930s. Thus, the money earned in speculation found entry into the jute mills.

The Indian entrepreneurs in the jute industry did follow different business strategies during the inter-war period. While Birla and Hukumchand entered the field earlier and joined the Indian Jute Mills Association (IJMA), the later entrants opted either to work outside or quit the IJMA, and became a source of tension to the Association by the early 1930s. Moreover, a number of mills promoted in the 1930s started production with secondhand machinery. Having failed to establish its authority over the non-association mills, the IJMA stopped "loom sealing" and withdrew restriction on the working hours of the association mills in 1936. This resulted in a severe crisis in the industry and closure of

many mills. Ultimately, the Bengal Government intervened and forced the outside mills to join the IJMA by promulgating an Ordinance in 1938\textsuperscript{29}.

The intervention of the Bengal Government helped the IJMA to impose fixed working hours on the jute mills. The most significant aspect of the Ordinance was the creation of an Advisory Committee to act as a liaison between the Government and the industry. This Government-appointed committee included some Indian entrepreneurs, among whom was present B.M. Birla\textsuperscript{30}. Thus, the exclusive power of the European-controlled IJMA in the policy making of the industry was formally challenged in the late 1930s. It should be noted here that the European entrepreneurs considered their Indian counterparts to be racially inferior. The IJMA refused to admit the Marwari mills in the early years of their entry in the industry\textsuperscript{31}.

About the Indian entrepreneurs in the jute industry, Sir Edward Benthall of Bird & Co. wrote in 1929: "These people......are hopeless gamblers, it will be to the good of India if they retire from the scene"\textsuperscript{32}. But there was no qualitative difference between the business methods followed by the European and Indian entrepreneurs. Benthall himself confessed this fact in a lecture addressed to the Bengalis in the late 1930s:

In business one never ceases to learn, and you can learn from studying the means and methods of other communities such as the Marwaris or Europeans\textsuperscript{33}.

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\textsuperscript{29} Awwal (1982), op. cit., pp. 183-184.
\textsuperscript{30} Capital, September 15, 1938, p. 397.
\textsuperscript{31} Timberg (1978), op. cit., p. 65.
\textsuperscript{32} Quoted in Chakrabarty (1989), op. cit., p. 55.
The Case of Coal Industry:

The entrepreneurship in the coal industry was linked with landed interest in the 19th century. The man who played a key role in the development of the coal industry in India was a Bengali entrepreneur, Dwarkanath Tagore. He was a well-known landlord and merchant in his own time. Dwarkanath started taking interest in land tenure law and Zamindary accounting as early as 1812 when he assumed personal supervision of estates inherited from Ramlochan, his uncle who adopted him in 1799. In later years, his Zamindary interest merged with his commercial interest.

In the aftermath of the financial crisis of the early 1830s Dwarkanath formed the Carr, Tagore & Co. in 1834 and purchased the Raniganj colliery estate of Alenxander & Co., a bankrupt European firm, in 1836. The colliery business went under the management of Carr, Tagore & Co., which was for all practical purposes Dwarkanath's concern. Dwarkanath's business mentality was reflected in the modus operandi of his business firm. With the outbreak of the Opium War in China in 1839 a new possibility opened for the marketing of coal. And the Carr, Tagore & Co., by using Dwarkanath's connections with the Raj, made enormous profits by supplying coal to the Government for the war-vessels sent to the China seas during the war years. It should be noted here that in addition to Indian coal Dwarkanath's firm sold large quantities of English coal to the Government.


A bitter and often violent struggle took place between the Carr, Tagore & Co. and the English owners of nearby Naraincoory mine in the late 1830s and the early 1840s for the domination of the emergent coalfield in Raniganj. Realising the fact that this fight was prejudicial to his business, Dwarkanath gave a proposal for the merger of the collieries under the two firms. In 1843, the largest coal company in India during our period of study, the Bengal Coal Company, came into being as a joint stock company under the leadership of Dwarkanath Tagore. The agreement was so framed that Carr, Tagore & Co. won the right of management of the new company in perpetuity. But Dwarkanath's firm collapsed in the financial crash of 1847. By 1858, the majority of the ownership (and management) of the Bengal Coal Company went into British hands.

The Raniganj coalfield was the earliest coalfield in India. The opening of the East Indian Railway as far as Raniganj in 1855 led to a rapid development of this coalfield in later years. In 1871, the East Indian Railway acquired extensive coal-bearing areas at Giridih and opened mines there to meet their coal requirements. The extension of railway lines to the Jharia field in 1894-95 made it an important coal-producing zone in India very soon. By 1906, coal production in the Jharia coalfield exceeded that of the Raniganj coalfield.

During the period 1860-1875 four European-controlled public

37 ibid., p. 116; C.P. Simmons, 'Indigenous Enterprise in the Indian Coal Mining Industry C. 1835-1939' in The Indian Economic and Social History Review, Vol.XIII, No.2 (1976), p. 190. [hereafter will be cited as Simmons (1976)].
companies came into being with the purpose of raising coal in the Raniganj coalfield. They were the New Beerbhum Coal Company, the Equitable Coal Company, the Raneegunge Coal Association and the Burrakar Coal Co. In 1877, the accumulated paid up capital of these four companies equalled that of the Bengal Coal Company. These five pioneer companies raised about 80 per cent of the private sector's coal production by 1890. All these companies established their own Zamindari departments and acquired Zamindari rights over large tracts of surface land in the neighbouring villages of the coalfield in order to force the tenants to either work partly in the mines or to leave their homes and land 39.

But this Zamindari coercion did not always work well to solve the problem of labour shortage. B. Foley noted the failure of this strategy as early as 1906. He visited three big collieries being operated by an European company in the Raniganj field. His observation was as follows:

Considering the high rates paid, the houses, land and other things granted to the workers, the standing and age of the Company and the large Zamindaries owned, it seems extraordinary that these collieries should be so much worse off for labour than any other, when exactly the contrary would have been expected. The conclusion seems inevitable that the Company has in some way or other acquired a bad name with the local labour 40.

This "bad name" was so pervasive that Foley expressed the doubt: "...it is possible that this Company, if recruiting in new areas, may not only prove unsuccessful, but may spoil other Companies' chances of

40 B. Foley (1906), op. cit., p. 34.
success in those areas."  

Old values die hard. All the big coal companies who operated in the Raniganj field and the railway company at Giridih were found to follow the zamindari tradition of coercion during our period of study. Such landlordism could not develop in the Jharia coalfield because of scarcity of surface land. The zamindari rights possessed by the coal companies gave them the power to exert pressure on the local villagers to do some mining work. Moreover, these zamindari possessions enabled the coal concerns to settle migrant labour from distant places in the neighbourhood of the collieries by offering them cultivable land. In many cases, under the nokaran or service tenancy arrangement, the miners were granted rent-free or nominally rented paddy land in return for working a certain number of days in the year in the company colliery. The Bengal Coal Company had substantially extended its zamindari property by the end of the First World War. In 1953, when the Company's Zamindari was surrendered to the Government of West Bengal, it contained over half a million separate tenancy agreements (covering 400 square miles). This sort of landlordism was rampant in the Giridih coalfield. The original occupants of the colliery villages in Giridih were entirely replaced by nokaran tenants by 1917. Moreover, the East Indian Railway violated the Chota Nagpur Tenancy Act by continuing to charge nominal rents from the nokaran tenants. This nokaran system was very much in vogue in the Giridih coalfield until the late 1930s.

41 ibid.
The landlordism of the coal companies was not restricted to surface land. It extended to the coalbearing lands which the entrepreneurs took on long-term lease from the local zamindars. By 1920, the Bengal Coal Company leased out a part of its coal land to other entrepreneurs and earned the title "landlord" in relation to coal land. In his evidence before the Coalfields Committee, the Chief Mining Engineer to the Company gave the following information:

I know of no landlord, except the Bengal Coal Company, who inspects his properties......Landlords have powers of inspection, but I do not know of any cases where even the Bengal Coal Company has interfered with the lessees......Salami as salami is justified, but it is often abused. This abuse is largely due to competition among the lessees. I do not blame the landlord, I blame the system.

Thus, the Bengal Coal Company earned Salami from the lessees as an additional income which had no relation with the operation of the collieries. The fact that substantial sub-leasing of coal-land took place in the estate of the Burdwan Raj was testified to by its representative in 1920:

About 70 per cent is worked by mine-owners who obtained their leases directly from the estate, and about 30 per cent is worked by mine-owners who are sub-lessees.

Though an Indian entrepreneur played a pioneering role in the

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45 Written evidence, B.P. Mukherjee, Report of the Coalfields Committee (1920), op. cit., p. 139.
development of the coal industry up to the mid-19th century, the big European business firms established their control over the industry in later years. In 1911, only five firms - Andrew Yule and Co., Bird & Co., F.W. Heilgerd and Co., Shaw Wallace and Co. and Macneill and Co. - controlled 45 out of a total of 87 joint-stock coal companies registered in India. The two biggest companies, the Bengal Coal Company and the Burrakar Coal Company, were controlled by Andrew Yule and Bird respectively.

The European dominance was also reflected in the control of output in the industry. In 1924, big European companies producing above 50,000 tons of coal produced 12.4 million tons out of the total Indian output of 21.1 million tons. Four big European business groups - Andrew Yule, Bird-Heilgers, Shaw Wallace, and Inchcape (with included among others Macneill & Co.) were found to control 25 per cent of total coal output in India in 1939.

In spite of the dominance of the Europeans in the coal industry, Indian entrepreneurs as a group contributed a significant portion of the output of the industry. Just after the termination of the First World War, the representative body of the Indian entrepreneurs, the Indian Mining Federation, had 250 members on its roll, who owned 331 collieries in the Bengal and Bihar coalfields and controlled one-third of the coal output in India. At the end of the 1930s about 40 per cent of the total

46 Bagchi (1980), op. cit., p. 177.
output of coal in the coalfields of Bihar and Bengal came from the Indian collieries.\(^5^0\)

The dominant Indian entrepreneurs in the coal industry were Bengalis in the first two and a half decades of the present century. Of the four dozen or so Bengali proprietors, the most successful was N.C. Sircar. At the end of the war, his firm, N.C. Sircar & Sons, controlled eight public coal companies. Apart from N.C. Sircar, the Maharajah of Kasimbazar's was the largest Bengali enterprise in the early 1920s. By the end of the 1920s, N.C. Sircar and Sons ceased functioning, and Sircar himself ended his days in Benares as a mendicant. The Bengalis started losing their dominant position in the industry to the non-Bengalis from the mid-1920s. Among the few Bengali entrepreneurs who were found to survive in the late 1930s were present two landlords, the Maharajah of Kasimbazar and W.C. Banerjee, whose colliery interests merged with their landholding interests\(^5^1\). By 1920, the Zamindari estate of the Maharajah leased out about 55,000 bighas of coal-bearing land in the Raniganj coalfield.\(^5^2\)

The business career of W.C. Banerjee is very interesting. He began his career as a government clerk. Then he found employment in a branch of the East Indian Railway dealing with transport of coal and established contact with colliery owners and coal dealers. In course of time he became a coal broker and merchant in his own right and earned huge money


\(^{51}\) For details about the Bengali entrepreneurs during the inter-war period, see Simmons (1976), op. cit., pp. 194-96.

\(^{52}\) Report of the Coalfields Committee (1920), op. cit., p. 146.
by financing several European companies during the coal boom of 1907. In 1920, his firm, Messrs. Banerjee & Co. owned a dozen collieries and acted as managing and selling agents for several other collieries. By the beginning of the 1920s, Banerjee established himself as a landlord by taking long-term lease of coal land from a number of Zamindars and subletting these properties. This dual identity enabled him to give evidence before the Coalfields Committee (1920) separately as a colliery owner and landlord53.

Some prominent Marwari entrepreneurs in the coal industry started their careers in the colliery regions as merchants. Fulchand Goenka started his career as a cloth merchant in Jharia in the 1880s. By the end of the 1930s his business firm came to possess a number of mines. Similarly, Mangalchand Jhunjhunwala arrived in Raniganj in 1854 as a munim to a leading Calcutta banian in the cloth trade. By 1920, his firm was found to own three of the ten collieries in Marwari hands in Bengal54. Like his two 19th century predecessors, Ramjash Agarwala opened a cloth merchandise shop in the bazar after his arrival in Jharia in the early 1900s. He purchased some colliery property just before the First World War. This Marwari family emerged as one of the leading coal entrepreneurs in the Jharia field with the withdrawal of British capital from the coal industry during and just after the Second World War55.

Along with the Marwaris, entrepreneurs from other non-Bengali trading communities like the Punjabis, Gujaratis and Sindis displaced the Bengalis as dominant Indian entrepreneurs in the coal industry. Two

54 Timberg (1978), op. cit., pp. 203, 205.
55 Simmons (1976), op. cit., pp. 197-98.
eminent entrepreneurs of the Gujarati-Kutchi community, Amritlal Ojha and N.H. Ojha, who had entered the industry just prior to the First World War; established joint-stock coal companies in the depression years of the early 1930s. The rise of the Punjabi entrepreneur, K.C. Thapar, was more rapid. He got interested in the coal industry in the early 1930s and promoted a public joint-stock company in 1935. Though the non-Marwari business communities contributed some prominent entrepreneurs, the Marwaris as a community emerged as the dominant entrepreneurial group among the Indians by the end of the 1930s. Of the eleven joint-stock coal companies (20 per cent of the total) owned exclusively by the Indians in 1939, eight were under the possession of Marwari firms.

The promotion of a large number of collieries in the boom period and the closure of many collieries during the depression years partly indicate the quick-profit mentality of the entrepreneurs. During the boom period of the industry, 1914-23, the number of coal mines in India increased by about 50 per cent. This boom, when coal prices 'were abnormally high', came to an end in 1923. A drastic fall in the number of collieries was noticed during the inter-war period. In 1919, the number of collieries raising coal in the Raniganj and Jharia coalfields were 261 and 326 respectively. By 1935, the respective figures for the two fields came down to 183 and 202.

The Indian Industrial Commission, in its report, held the Indian...

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56 ibid., 198-99.
57 Omkar Goswami, 'Then came the Marwaris : Some aspects of the changes in the pattern of industrial control in Eastern India' in The Indian Economic and Social History Review, Vol.22, No.3 (July-September, 1985), p. 241.
entrepreneurs responsible for operating their collieries with short-term interests:

The majority of Indian enterprises consist of small pits or inclines...... Such concerns are readily closed down if prices fall too low, and are as readily started again when the market improves. 59

But the Indians alone were not guided by this quick-profit mentality. While discussing the change in ownership of collieries that took place in India by the mid-1930s, D.H. Buchannan noted:

Recent years have brought a number of changes in ownership and, while there are no adequate statistics, Indians are in possession of a larger number of leases than formerly, mainly because the depression caused many leases taken during the boom to be thrown on the market. 60

A lack of business morality was noticed in the business methods followed by the entrepreneurs. The Government of India imposed restrictions on export of coal in 1920. Though the restrictions were gradually removed in 1922 and 1923, Indian coal did not succeed in regaining all its former export markets. One of the main reasons for losing foreign buyers was that "inferior coal" was sold to them under "misleading names".61. This mentality of making money by any means also found expression in the production strategies of the entrepreneurs. While looking back to the history of the industry in the mid-1940s, the Indian Coalfields Committee noted:

60 Buchannan (1934), op. cit., p. 267.
But the history of the coal industry during the depression period reveals a number of unsound features as for instance, over-production persisting through a period of very low prices. There is also no defensible evidence supporting the case for slaughter exploitation of the better class of seams which took place during this period. For both Managing Agents must take their appropriate share of blame.62

The safety of the mines was not the concern of the entrepreneurs. They did not miss any chance of making money. Being aware of the possibility that the Government might introduce compulsory 'sand stowing' (filling the spaces from which coal had been removed with sand) for ensuring the safety of the mines, the Bhulanbararee Coal Company managed by the Bird group took 999 years' lease of the sand rights in the whole bed of the Damodar river in the Jharia Raj estate in 1935. The Coal Mining Committee (1937) expressed the doubt that the lease of the sand rights acquired by the Company, if not taken over by the Government, would be used for the purpose of "profiteering".63

Another significant feature of the industry was lack of unity among the entrepreneurs. The earliest association of the entrepreneurs dominated by the Europeans, the Indian Mining Association (IMA), was formed in 1892. The Labour Enquiry Commission of 1896 recommended the establishment of a central agency for the recruitment of labour in the Bengal coal mines in order to solve the problem of labour shortage. No action was taken by the IMA to give effect to such a proposal. By 1906, 'it was found impossible that the various [coal] companies should combine to support one central recruiting agency'.64

64 Foley (1906), op. cit., p. 29.
The animosity between the European and Indian entrepreneurs came to light just prior to the First World War. It was to serve their common commercial interests and to fight against the discriminatory purchase policy of the railway authorities in favour of the Europeans that the Indian Mining Federation (IMF) was formed in 1913 at the initiative of some prominent Bengali entrepreneurs. The Marwari and Gujarati colliery owners also extended their support to the new association. But this unity did not last long. The fall of the Bengali entrepreneurs and the rise of non-Bengalis in the coal industry was symbolized by the birth of another association, the Indian Colliery Owners' Association (ICOA) in the mid-1930s. In March 1934, about forty non-Bengali colliery proprietors convened the inaugural meeting of the association. The formation of this new association antagonized the Indian Mining Federation. In order to fight depression in the industry, the IMA and IMF had been jointly preparing an output-restriction scheme since 1933. But with the birth of the ICOA a new equation emerged. The IMA made an opportunistic alliance with the ICOA and decided to submit the scheme to the Government without taking consent of the Indian Mining Federation. The IMF reacted sharply by writing a letter to the Government opposing the scheme. The drama came to an end when the Government rejected the scheme in 1935. One of the reasons given by the Government for this decision was disunity in the trade. By the late 1930s the relation between the IMF and ICOA improved due to their common business interests, but "little co-operation" was noticed between them and the Indian Mining Association.

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The opportunistic alliances made by the entrepreneurs belonging to different communities at the association level thus ended in disunity within a short span of time. The same thing happened in the case of temporary alliances made by the individual entrepreneurs. Some firms in the industry kept themselves aloof from minimum price agreements or only joined them on conditions favourable to themselves. The other firms who entered into such agreements were found to violate the terms 'by tendering at prices lower than the agreed-on minimum'.

A common business mentality guided the behaviour of all the entrepreneurs coming from various business communities. The 'subordinate position of the coal industry relatively to the coal trade' was noticed in their business methods in the late 1930s. This mercantile mentality bordered on landlordism. None of the three associations of the entrepreneurs in the industry responded to the general questionnaire sent to them by the Coal Mining Committee (1937). Moreover, they did not nominate representatives to the Committee for oral examination. It was a unique phenomenon in colonial India that the representative entrepreneurial associations in an industry refused to cooperate with a committee appointed by the Government of India.

Context: Cotton Textiles

The Bombay Scenario:

The early entrepreneurs in the Bombay cotton textile industry came from the Parsi business community. Before entering into the industry the merchants of this community were active in opium trade with China. The

68 Report of the Coal Mining Committee (1937), op.cit., p. 103.
69 ibid., pp. 4, 7.
king of this opium trade was the leading Parsi merchant in Bombay, Jamsetjee Jejeebhoy, through whom other merchants used to send their consignments to China. In fact, many entrepreneurs in the textile industry came from the Parsi families whose representatives were imprisoned by the Chinese Government during the Opium War. Three prominent Parsi families who were most active in the textile industry in the 19th century are the Tatas, the Petits and the Wadias.

After building his "amazing commercial career", Maneckjee Petit floated the first composite (spinning and weaving) mill in Bombay in 1855, which started production in 1858. Maneckjee was one of the richest merchants in Bombay when he died in 1859. After Maneckjee's death, his son, Dinshaw Petit, represented the family in the textile industry and the China trade.

In the first half of the 1860s, the Bombay merchants earned enormous easy money during the American Civil War from speculation in cotton. Even the millowners, rather than operating their mills, opted for earning speculative money. The termination of the war in 1865 brought about a financial crisis in Bombay. And many a merchant prince of Bombay had been turned into 'a mere beggar on the roadside' within this short span of time. Dinshaw Petit was one of those who lost vast fortunes.

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because of "speculative madness". The Petit family lost over thirty lakh rupees in speculation. But within a few years the family recovered from the crisis. By the early 1890s eight or nine cotton mills in Bombay went under the management of the Petits. It should be noted here that, apart from cotton mills, Dinshaw Petit owned considerable real estate in the city of Bombay.

The man who represented the Tata family in the second half of the 19th century was Jamsetji Tata. His father was a China trader in opium and cotton. After finishing his education at Elphinstone college in Bombay Jamsetji went to Hongkong and Shanghai in the early 1860s to open branches for the family firm with the purpose of developing the China trade. The Tata family also was badly affected for their speculative transactions during the American Civil War. But the family very soon strengthened their financial position by supplying goods at considerable profit to the army as a contractor when the British Government declared war against the ruler of Abyssinia in 1867.

The way Jamsetji operated the first cotton mill promoted by him in Bombay reflects his get-rich-quick mentality. In 1869, he purchased an old oil mill and converted it into a cotton mill. Though the mill worked satisfactorily, Jamsetji sold it to a Jain merchant, Kesowji Naik, in

75 S.D. Mehta (1954), op. cit., p. 50.
77 See F.R. Harris, Jamsetji Nusserwanji Tata: A Chronicle of his life (Bombay, 1958), pp. 5-11.
1872 "on favourable terms". Jamsetjee, however, retained his connection with the Bombay industry. He financed cotton mills in Bombay in the 1880s and 1890s. But he invested most of his capital in land till 1894.

The names of the mills promoted by Jamsetji in the 19th century are very significant. When he started his first mill in Bombay in 1869, he named it the Alexandra Mill in honour of the Princess of Wales. In 1877, he opened his mills in Nagpur on the very day Queen Victoria was formally proclaimed as Empress of India and the mills were named the Empress Mills. But the mill company promoted in 1886 with the purpose of starting a mill at Kurla, situated nine miles outside Bombay, was named the 'Swadeshi Mills Company, Limited'. It should be noted in this context that there was a significant change in the political scenario of India by the mid-1880s. The Indian National Congress came into being in 1885. Jamsetji was present at the birth of the Congress and contributed 'generously to its funds'. So we get a nationalist flavour in the name of the mill company promoted by him immediately after the birth of the Congress. The above episodes speak well about Jamsetji's shrewd business tactic.

The Wadias made fortunes in shipping, trade and finance. Of them, Nowrosjee Nusserwanji Wadia played a pioneering role in the development of the Bombay textile industry in the late 19th century. Before his death in 1899, he controlled the Textile Mills, Bombay Dyeing, and Century

80 Harris (1958), op. cit., p. 60.
82 Makers of Modern India (Indian Council of Historical Research, New Delhi, 1974), p. 124.
Mills and built over ten other mills\(^{83}\). He was an engineer, and started his firm, Nowrosjee Wadia & Sons, in 1878. This firm imported textile machinery and mill stores in Bombay as an agent of British firms. Along with mill management, this old business of the firm continued in later years. As late as 1954, his firm advertised that it was 'one of the oldest [firms] dealing in machinery and millstores'\(^{84}\). In one estimate we find that the price of machinery for an average size cotton mill in Bombay in the late 19th century was between rupees seven to eight lakhs. And the commission of the machinery agent at the rate of 5 per cent on cost (including other accessories) was roughly about 50,000 rupees\(^{85}\). We can infer from this estimate that Nowrosjee Wadia & Sons earned large amount of money as machinery agents. Since, as an engineer, Nowrosjee himself built a large number of mills, it is quite possible that the orders for machinery for these mills went to his firm.

Along with the Parsis, the merchants from the Gujarati Bhatia community ventured extensively on mill building during the first 30 years of the mill industry in Bombay\(^{86}\). The Gujaratis became eminent in Bombay in the 1840s by taking a leading part in the marketing of cotton. A number of Gujarati merchants started speculation in cotton crops and amassed huge fortunes\(^{87}\).

Three prominent Gujarati Bhatia millowners in Bombay in the 19th century were: 

\(^{83}\) Desai (1968), op. cit., p. 312.
\(^{84}\) J.S. Rutnagur (ed.), The Indian Textile Journal, Special Souvenir Number to mark the Centenary of the Cotton Textile Industry of India (Bombay, 1954), p. 469. [hereafter will be cited as Souvenir (ITJ)].
\(^{85}\) Rutnagur (1927), op. cit., p. 47.
\(^{86}\) Ibid., p. 57.
\(^{87}\) Nirmal Chandra Sinha, Studies in Indo-British Economy Hundred Years Ago (Calcutta, 1946), p. 50.
century were Morarji Goculdas, Damodhar Thackersey Mulji and Khatau Makanji. Goculdas started a mill in 1870. His father was a dealer in cotton and silk piecegoods. He emerged as one of the city's leading millowners before his death in 1880. Damodhar Thackersey had been a cotton-piecegoods merchant before entering into the mill industry. He promoted three mills in the 1870s and 1880s. By the early 1890s his firm became the managing agents of four leading mills in Bombay. Khatau Makanji started his business career as an apprentice in his maternal uncle's firm in Bombay. In the 1850s he was counted among the prominent Bhatia merchants dealing in cotton and textile goods. He floated a cotton mill in 1874. By the early 1890s the Khatau family was found to control two large mills in Bombay.

Though the Parsis and the Bhatias played a leading role in the first three decades of the development of the industry, the composition of the entrepreneurs took a cosmopolitan character in later years. This is evident in the following table:

Table 2.2

Comparative Position of Mill Agencies and Mills in Bombay Controlled by the Different Communities (1895-1925)

<table>
<thead>
<tr>
<th>Communities</th>
<th>1895</th>
<th>1915</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agencies</td>
<td>Mills</td>
<td>Agencies</td>
</tr>
<tr>
<td>Parsis</td>
<td>15</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>Hindus</td>
<td>27</td>
<td>30</td>
<td>11</td>
</tr>
<tr>
<td>Muslims</td>
<td>4</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Jews</td>
<td>1</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Europeans</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>70</td>
<td>40</td>
</tr>
</tbody>
</table>


The two families, one Jewish and the other Muslim, who entered the industry in the late 19th century and acted as the giant entrepreneurs in the 20th century are the Sassoons and the Currimbhoyys. The Sassoons represented all the Jewish mill agencies in the industry.

The Sassoon family lived in Baghdad before being settled in Bombay. The most prominent merchant of this family was David Sassoon, who established himself in the China trade, particularly opium, by the 1850s. The family had 'arrived at great wealth' by 1859. The family firm, the David Sassoon & Sons, had earned large fortunes during the cotton boom in the 1860s and steadily expanded their trade in textiles until its turnover was second only to opium. Under the leadership of David Sassoon
the business empire extended from 'Manchester to Manchuria'. After David's retirement, his son, Elias Sassoon, played a key role in the development of the family business. He had the 'widest mercantile experience' and was a China trade specialist. By the 1880s the Baghdadi Jews had taken over practically all the remaining trade between India and China. Through their Elphinstone Land and Press Company, the Sassoons made large investments in land property in Bombay and earned enormous returns on such investments in later years. The first cotton mill of the family was promoted by David Sassoon himself in 1874. Elias Sassoon promoted another mill in 1883. The Sassoons started some other mills in Bombay before the turn of the century.

Mahomedbhoy Currimbhoy Ebrahim was born in 1840 and earned huge profits from the yarn trade with China. He started the Currimbhoy Mills in 1888. Very soon two other mills were promoted by him. In 1900, the agency of another mill was transferred to his firm.

While reviewing the growth of the cotton mill industry in Bombay in the 19th century the Indian Industrial Commission noted in 1918:

Much of the capital invested was derived from the profits made in the opium trade with China, and, of course, from the money which the cotton boom [of the early 1860s] brought into Bombay. The cloth trade with Africa and Arabia and the yarn trade with China had become important by 1882.

91 Lokanathan (1935), op. cit., p. 44.
In fact, the Bombay mills exported 65 per cent of their total production of yarn in the first decade of the 20th century, of which 90 per cent went to China. But a crisis started developing in the industry in the second decade because of Japanese competition in the Chinese market and the growth of the cotton spinning industry in China. This loss of the yarn market in China led to the withdrawal of a dominant European firm, the Greaves Cotton & Co., from the industry. By 1904, eight spinning mills in Bombay with over 300,000 spindles came under the management and control of this firm. But a severe crisis gripped the firm during the First World War due to the loss of the China yarn market where the bulk of the firm's mill yarn was sold. All the mills under its management went into liquidation in 1916. Though two of these mills were bought back subsequently, they were sold after the termination of the war. The firm's career in the management of cotton mills in Bombay came to an end by 1922.

After the departure of the Greaves Cotton & Co., the two European firms - W.H. Brady & Co. and James Finlay & Co. - stayed as the dominant European entrepreneurial firms in the Bombay mill industry. W.H. Brady, the founder of his firm, started his business in Bombay in 1895 in partnership with J.F. Bradbury as Machinery Agents and Importers. On the other hand, James Finlay & Co. opened a branch in Calcutta in 1870 which initially traded in cotton textiles and acted as agents for insurance companies. In the 1890s the Finlay group floated four large tea planting

94 Lokanathan (1935), op. cit., p. 44; Souvenir (ITJ), op. cit., p. 264.
companies in India. Alongwith the management of cotton mills in Bombay, the respective principal business interests of Brady and Finlay during the inter-war period were the import of textile machinery and the management of tea plantations.

The pre-industrial business interests of the dominant 19th century entrepreneurial families continued in the 20th century. At the end of the first decade of the present century, just before the opium trade in China formally came to an end, the drug importers at Shanghai included the Sassoons, the Tatas and the Petits. By that time many Bombay firms consolidated their trading prospect in China by sending their own agents and relatives. On the other hand, the Bhatia millowners continued to be involved in the marketing activities which led to their economic success. In fact, many prominent Bhatia firms owned cotton mills as a side business to trading activities in cotton, oilseeds, grain and pearl.

The business history of the Khatau Makanji & Co. substantiates the above general observation. The business of pearl exports started by Makanji remained a most lucrative business of his firm almost up to the onset of the First World War. The agency of a textile mill acquired by the firm in the 1880s was taken over by the Tatas' Swadeshi Mills in the early 1920s.

95 For a fuller account of the business careers of these two European firms, see Roger Jeffery, 'Merchant Capital and the End of Empire : James Finlay, Merchant Adventurers' in Economic and Political Weekly, Vol.XVII, No.7 (February 13, 1982), pp. 241-48; Souvenir (ITJ), Ibid., pp. 176-78.
98 Tripathi and Mehta (1990), op. cit., pp. 79-80.
The following two tables show the nature of control exercised by the different communities and the dominant entrepreneurial firms over the mill industry in Bombay in the mid-1920s:

**Table - 2.3**

Control of the Different Communities over the Bombay Cotton Textile Industry in 1924-25

<table>
<thead>
<tr>
<th>Communities</th>
<th>Percentages of</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spindles</td>
<td>Looms</td>
</tr>
<tr>
<td>Parsis</td>
<td>28.2</td>
<td>35.0</td>
</tr>
<tr>
<td>Hindus</td>
<td>24.0</td>
<td>20.7</td>
</tr>
<tr>
<td>Muslims</td>
<td>16.9</td>
<td>14.8</td>
</tr>
<tr>
<td>Jews</td>
<td>18.8</td>
<td>18.4</td>
</tr>
<tr>
<td>Europeans</td>
<td>12.1</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>


**Table - 2.4**

Control of Top Nine Business Groups over the Bombay Cotton Textile Industry in 1924-25

<table>
<thead>
<tr>
<th>Business Groups</th>
<th>Number of Mills</th>
<th>Percentages of</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Spindles</td>
<td>Looms</td>
</tr>
<tr>
<td>E.D. Sassoon</td>
<td>11</td>
<td>14.8</td>
<td>15.6</td>
</tr>
<tr>
<td>Currimbhoy</td>
<td>12</td>
<td>14.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Tata</td>
<td>4</td>
<td>6.1</td>
<td>7.8</td>
</tr>
<tr>
<td>D.M. Petit</td>
<td>4</td>
<td>5.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Nowrosjee Wadia</td>
<td>3</td>
<td>5.2</td>
<td>6.6</td>
</tr>
<tr>
<td>W.H. Brady</td>
<td>5</td>
<td>4.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Thackersey</td>
<td>3</td>
<td>3.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Finlay</td>
<td>3</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>C.N. Wadia</td>
<td>2</td>
<td>3.0</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47</strong></td>
<td><strong>61.1</strong></td>
<td><strong>66.2</strong></td>
</tr>
</tbody>
</table>

The picture that emerges from the above statistical tables is that only a few business houses monopolized the mill industry in Bombay by the mid-1920s. Though the Parsis and Hindus controlled more than 50 per cent of the spindles and looms in the industry, the two most powerful entrepreneurial firms, E.D. Sassoon & Co. and Currimbhoy Ebrahim & Sons, belonged to the Jew and Muslim communities respectively. In 1927, these two giant firms were found to control about 50 per cent of the paid-up capital in the industry.\textsuperscript{99}

The process through which most of the mills in Bombay went under the control of a few firms over time testifies to the quick-profit mentality of the Bombay mill entrepreneurs. In fact, out of 97 mills erected in Bombay during 1855-1925 only 24 mills were found to be working under the same managing agencies in 1925. The business of earning quick money by transferring agencies was resorted to by Bombay mill agents rapidly during the boom years, 1917-22, of the industry, when the profits of the mills reached record levels, and 30 out of about 80 mills in Bombay had their managing agencies changed or legal status altered.\textsuperscript{100}

The Tata group took the agencies of a number of mills in the boom years and discontinued them in later years. The agency of the David Mills Company taken from the Sassoon family in 1917 was retained by the Tatas till 1923 and then was transferred to E.D. Sassoon & Co. The Standard Mills Company taken from the same family in the same year

\textsuperscript{100} Rutnagur (1927), op. cit., p. 37; S.D. Mehta (1954), op. cit., pp. 155-56.
remained under their management till 1927. Then it was taken into voluntary liquidation and Seth Mafatlal Gagalbhai was appointed liquidator of the company. In 1931, the voluntary liquidation was withdrawn and the mill went under the management of Mafatlal Gagalbhai & Sons. It should be noted here that the mill went into liquidation because of financial instability from which it recovered under the new management. The mill acquired from the Khatau family in the early 1920s stopped functioning in 1928. The serviceable machinery of this mill situated in Bombay, known as Swadeshi Mill (No.2), was transferred to the original Swadeshi Mill at Kurla and the remaining machinery scrapped. The above incidents amply bear out both the mercantile mentality and the inefficient mill management of the Tatas. Very recently, J.R.D. Tata, who headed the Tata group for over 50 years, has confessed: "Don't forget that at one time Tatas were only in textiles. We lost because we were not very good textile managers." 

The most significant development in the textile industry of Bombay in the 1930s was the dissolution of the Currimbhoy and Petit groups. Several of the Bombay cotton mills managed by them were taken over by the Marwaris. The Petit family had lost interest in mill management by the 1920s and had invested their energies in becoming one of Bombay's largest property owners. Sir Dinshaw Petit, the most important member of the family, was

103 Timberg (1978), op. cit., p. 64.
found to lead the faction of large landlords in the Bombay Corporation in the 1920s.\footnote{49}

The fall of the firm of Currimbhoy was related to the political development in Bombay in the 1930s. A nationalist movement started in Bombay in 1930 under the leadership of the Congress Party. One of the purposes of the movement was to stop sale of foreign goods through the picketing of shops of foreign goods' dealers and the closure of non-Swadeshi firms. The Congress-sponsored Boycott Committee prepared a list of non-Swadeshi mills in Bombay in 1930. Initially, the mills controlled by the Sassoon family and the European-managed mills found place in the list. This posed a major problem to the Sassoons, who had foreign piecegoods import interest. But this situation did not last long. By the end of 1930, a revision of criteria on the part of the Boycott Committee for identifying a Swadeshi mill helped the mills managed by the Sassoons and big European firms excepting the Finlay mills to come out of the boycott list.\footnote{105} Still, the three mills controlled by the Finlay group continued to be managed by them even in the mid-1950s.\footnote{106} Thus, the big non-Indian firms in Bombay escaped unhurt in the nationalist movement of the early 1930s. The Marwari merchants in Bombay rallied behind Gandhi in the movement and Jamnalal Bajaj, a Marwari businessman, played a key role in determining the Congress policy. The wealthy Muslims in the city were

\footnote{49} Gordon (1978), op. cit., p. 66.
\footnote{106} Souvenir (ITJ), op. cit., pp. 248, 256, 412.
not a party to this movement. In April 1932, one prominent Muslim leader, Shaukat Ali, warned the local Congress leaders that the picketing of Muslim commercial houses would lead to a serious breach between the two communities. A serious communal riot broke out in Bombay on 14th May 1932 which led to the withdrawal of the movement led by Gandhi. The famous Muslim commercial firm in Bombay, Currimbhoy Ebrahim & Sons, did not recover from the crisis. It collapsed in 1933. It should be noted here that one important member of the Currimbhoy house, Sir Currimbhoy Ebrahim, was an active organizer of the Muslim League in the 1930s.

The Bombay Millowners' Association, founded as early as 1875, did not have the authority to direct its members to follow a common policy. Many Bombay mills increased their looms and spindles rapidly during the boom period (1918-23) to earn quick profits. The number of spindles and looms installed in 12 mills in Bombay increased by about 37 per cent and 62 per cent respectively during this period. This created a crisis in the industry in later years. By the end of 1932 about 33 per cent of the spindles and 25 per cent of the looms installed in the Bombay mill industry became idle. The Bombay Millowners' Association made an appeal in 1934 for an industry-wide control on output. This appeal did not find unanimous response from the millowners, and failed to solve the problem of excess capacity.

108 The Indian Yearbook, 1947, p. 1086.
In the 1920s a number of textile strikes took place in Bombay. So labour became an increasing concern of the Association. Moreover, the Association fought for Government protection of the textile industry since the mid-1920s. The Indian Tariff Board (1927) noted in this context:

The Corporate action of the Association has hitherto been confined in the main to action in regard to labour questions and representations such as that submitted to us.\(^{111}\)

In fact, the Bombay Millowners' Association (BMA) appealed for the support of labour while urging the Government in 1925 for the abolition of cotton excise duty: "Labour suffers as much, if not more, than capital, and should be just as much, if not more, concerned in pressing for the abolition of this duty which at times endangers their very employment."\(^{112}\) After the abolition of the excise duty in 1926, the Association fought a successful battle with the Government for tariff protection of the industry. Initially the Government did not accept the recommendations made by the Tariff Board in 1927 to grant protection to the industry. The BMA convened an all-India conference of millowners to put pressure on the Government. The Government of India imposed protective duties in 1930. The industry was "de-protected" as late as 1947.\(^{113}\) Thus, the Bombay Millowners' Association played a key role in winning concessions for the textile industry during the inter-war period.

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At the initiative of the Bombay Millowners' Association, an exclusive organization of Indian employers, the Employers' Federation of India, came into being in 1933. Two leading figures in the formation of the Federation were Homi Modi, Chairman of the Bombay Millowners' Association and Edward Benthall of Bird & Co. The Federation had its headquarters in Bombay and was housed with the Bombay Millowners' Association for many years. The stated aims of the Federation were to play an active part in bringing about cooperation among employers, to coordinate views on labour matters, undertake surveys of labour practices and so on. But the organized attention of the Federation did not go far beyond the question of selection of the employers' delegate to the International Labour Organization (ILO) before the Second World War.\footnote{See K.C. Alexander, 'Employers' Organisations in India' in Economic and Political Weekly, Review of Management (February 1972), pp. M-40-41.}

Affairs in Ahmedabad:

The city of Ahmedabad had a long heritage of merchants and indigenous bankers who carried on their business operations by organizing themselves into different guilds. Each particular type of trade had its own guild, which was locally known as mahajan. The various mahajans in the city regulated trade matters in their respective spheres. The two prominent business groups in the city were Jains and Vaishnava banias. Though one prominent Jain merchant, Shantidas Jhaveri, by virtue of patronage of Mughal emperors, gave informal leadership to the business community till his death in 1660, no formal title of leadership was conferred on any merchant till that date. After his death the title nagarsheth came in vogue in Ahmedabad to signify the business
leadership of the city. The British did not disturb this system. The two successive *nagarsheths* of Ahmedabad in the 19th century, Hemabhai Yakatchand (1785-1858) and Premabhai (1815-1887), were descendants of Shantidas.\(^{115}\)

The Jain merchants in Ahmedabad dominated the city's business life in the early decades of the 19th century. They traded in Malwa opium with China. One prominent Jain merchant, Hathising Kesrising, regularly sent large consignments of opium to China.\(^{116}\) After discussing the business careers of Hathising and Jamsetji Jejeebhoy in opium trade in the first half of the 19th century, one Soviet scholar, V.I. Pavlov, noted:

*Many other merchants of Gujarat - the grandfathers of the future millowners of Bombay and Ahmedabad - made their fortune by trading in opium.*\(^{117}\)

It should be noted here that three leading Jain merchants of Ahmedabad who were shipping opium through Jamsetji Jejeebhoy to China included Karamchand Premchand, the great grandfather of Ambalal Sarabhai, who was the most modern millowner of Ahmedabad during the inter-war period.

After 1849, the trade in opium came to an end in Ahmedabad. In


\(^{117}\) Ibid., p. 329.

1879, the leading banking firms in Ahmedabad were found to be involved in buying and selling of bills of exchange, in insurance, and in gambling. They also acted as agents in the purchase of cotton for firms in Bombay and sometimes speculated in that article. The chief business transaction of the majority of such firms at that time was to give loans to second-class bankers in the towns and many of the larger villages.119

The early entrepreneurs in the Ahmedabad textile industry came from two non-business castes. The man who promoted the first textile mill in Ahmedabad was Ranchhodlal Chhotalal. He belonged to the Nagar Brahmin community, a community which had a long history of intellectual and political achievement in Gujarat. He promoted the first mill in Ahmedabad in 1859. A second mill started by him in 1877 went under the management of his son. Ranchhodlal received financial support from the leading merchants in Ahmedabad in his mill ventures. Bechardas Lashkari, who came from the Kadva Patidar community, an agricultural caste in Gujarat, promoted the second mill in the city in 1864. His father was an indigenous banker and contractor and had dealings with the officers of the Peshwa, the Gaikwad, and the military department of the East India Company. Bechardas himself served in the Company's army for some time and helped the British during the Sepoy revolt of 1857.120

Three prominent Jain entrepreneurs in the Ahmedabad textile


120 Kenneth L. Gillion, Ahmedabad: A Study in Indian Urban History (University of California Press, 1968), pp. 81-86.
industry in the 19th century came from the well-known banking firms. The families of these entrepreneurs were represented by Bhagubhai Premchand, Maganbhai Karamchand and Dalpatbhai Bhagubhai, when they earned large fortunes in speculation during the American Civil War. Bhagubhai Premchand promoted a banking and insurance company with a large capital during the period of speculation and made substantial profits. His son, Mansukhbhai Bhagubhai, emerged as the first textile entrepreneur from the business community in Ahmedabad by floating a mill in 1877. Mansukhbhai and his family later founded three other mills. The banking firm of Karamchand Premchand bought a printing concern in 1880 and converted it into a spinning and weaving mill. By the time of the death of Sarabhai (the adopted son of the family) in 1895, this mill consolidated its position. In the 1920s the 'Calico Mills' played a pioneering role in the manufacture of fine cloth in India under the leadership of Ambalal Sarabhai.\textsuperscript{121}

Dalpatbhai Bhagubhai established a banking firm after earning considerable fortunes during the speculation mania of 1861-65. His son, Lalbhai Dalpatbhai, promoted a mill company in 1897.\textsuperscript{122} Lalbhai's son, Kasturbhai Lalbhai, emerged as the most dominant textile entrepreneur in Ahmedabad during our period of study.

The Vaishnava banias did not enter the Ahmedabad mill industry before the late 1880s. In 1888, a mill was started by five members of


\textsuperscript{122} Mehta (1982), ibid., p. 99.
this community under a partnership agreement. Three families of this business community were most influential in the industry in the 19th century - the family of Motilal Hirabhai (1848-1938), the Shodhan family and the Parekh family. Motilal's father was a dealer in silk cloth. Motilal promoted a mill in 1889 with his caste fellow, Amritlal Damodardas of the Shodhan family. He established another mill company with Amritlal in 1896 and thereafter nine more mills in Ahmedabad and elsewhere. Damodardas Mohanlal of the Shodhan family earned his fortune in cotton speculation during the American Civil War. The family came to be known as Shodhan for their discovery of a method of obtaining quick information on the cotton rates in England. Damodardas's one son, Balabhai Damodardas, started his career as a clerk in Ranchhodlal's mill. The Parekh family started a modest grocery shop in Ahmedabad in the early 1850s. Very soon Girdharlal, the head of the family, started purchasing yarn from Bombay and selling to Ahmedabad weavers. The contact with Bombay helped him to start export of yarn to foreign countries. His son, Mangaldas Girdhardas Parekh (1862-1930), joined Ranchhodlal's mill as a store clerk in the early 1880s and became a close friend of Balabhai Damodardas. After leaving this job, Mangaldas started a mill store business in Ahmedabad in 1886. Mangaldas promoted a mill in 1892 with his friend Balabhai. Amritlal Damodardas and his brother Balabhai promoted another mill in 1894. Mangaldas Girdhardas Parekh, in conjunction with others, later promoted nineteen companies. 123.

The Jains and Vaishnava Banias, in spite of their late entry, 123 ibid., pp. 90-97; Gillion (1968), op. cit., p. 87.
established their control over the Ahmedabad mill industry by the turn of the 19th century. But the Nagar Brahmin entrepreneur, Ranchhodlal Chhotalal, remained as one of the two most dominant entrepreneurs in the industry. This is evident from the following table:

Table - 2.5

Control of Two Dominant Business Communities and Groups over the Ahmedabad Textile Industry in 1898 and 1916

<table>
<thead>
<tr>
<th>Business Communities/Groups</th>
<th>1898</th>
<th>1916</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spindles</td>
<td>Looms</td>
</tr>
<tr>
<td>Jains</td>
<td>28.5</td>
<td>35.6</td>
</tr>
<tr>
<td>Vaishnava Banias</td>
<td>48.6</td>
<td>30.3</td>
</tr>
<tr>
<td>Ranchhodlal Chhotalal</td>
<td>19.2</td>
<td>26.6</td>
</tr>
<tr>
<td>(Nagar Brahmin)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mansukhbhai Bhagubhai (Jain)</td>
<td>13.9</td>
<td>28.8</td>
</tr>
</tbody>
</table>


In the beginning of the present century the Tata group earned large profits in the course of their promotion of a mill company in Ahmedabad. In the late 19th century Jamsetji Tata invested Rs.3 lakhs on short-term mortgage in a mill company in Ahmedabad. By 1898, the mill was found to be on the verge of bankruptcy. After a prolonged dispute with the mill agents, which lasted until 1900, Jamsetji purchased the mill for Rs.2,03,515. He sold it to the Ahmedabad Advance Mills Ltd., a new mill company formed in 1903, for Rs.7,12,000.
The Company made rapid progress under the management of the Tatas and paid very high rates of dividend in the early 1920s. When the mill promoted by the Tatas started production in Ahmedabad, the nationalist movement took a powerful shape in Bengal. The movement emphasized the boycott of foreign goods and promotion of domestically produced goods. It lasted during the period 1903-1908 and was known as the Swadeshi movement. The Ahmedabad textile industry witnessed a spectacular growth in the Swadeshi era. After noting the rapid growth of the industry during this short-span of time, Howard Spodek commented:

While Bengalis tended to emphasize the political importance of the campaigns, the Gujaratis saw Swadeshi as economically profitable.

Mafatlal Gagalbhai, belonging to the Kadva Patidar community, entered the Ahmedabad mill industry in the Swadeshi period and emerged as one of the leading industrialists in Western India by the 1930s. His father had a small shop in Ahmedabad city and was engaged in retail sale of textile goods. In his youth Mafatlal often accompanied his father to the neighbouring Kaira district with bundles of textile goods on his shoulders. With the financial assistance of a number of wealthy persons, contacts with whom were established in course of pedlary, Mafatlal promoted a mill in Ahmedabad in 1905. The mill made good

125 For details, see Sumit Sarkar, The Swadeshi Movement in Bengal, 1903-1908 (People's Publishing House, New Delhi, 1973).
profits right from the start. In later years, Mafatlal came to control a number of textile mills in Bombay, Nadiad, Surat and Baroda, and opened a series of retail shops in major Indian cities for selling the products of his mills as well as for doing business with the products of other textile mills. The business empire of this Patidar entrepreneur was not restricted to India. With the help of his clansmen in Uganda, Mafatlal set up a number of ginneries in that African country in partnership with other Indians 127.

Among the old textile entrepreneurs, Mangaldas Girdhardas Parekh developed several business interests along with mill interests by the end of the Swadeshi movement. In 1909, one of the shareholders of a company publicly criticized him by saying that only an angel could manage so many concerns managed by Mangaldas 128. By 1920, Mangaldas controlled seven mills in Ahmedabad and emerged as one of the leading entrepreneurs. The Parekh family gave leadership to the Ahmedabad millowners during the inter-war period. Mangaldas was the President of the Ahmedabad Millowners' Association during 1920-24. After his retirement, his brother, Chamanlal Girdhardas Parekh, became the President and occupied the chair during the decade 1924-1934 129.

The Tariff Board (1927) could not visualize the nature of concentration of mills that took place in the Ahmedabad industry in the hands of a few families over time. It noted in this context: "In

127 For Mafatlal's business career till the end of the 1930s, see Tripathi and Mehta (1990), op. cit., pp. 105-10.
Ahmedabad, there are very few agents with more than one or two mills to look after.\textsuperscript{130}

In fact, only a few families controlled the mill industry of Ahmedabad through a number of mill agencies. This is evident in the table below:

Table - 2.6

Concentration of Mills in Ahmedabad (1931-32)

<table>
<thead>
<tr>
<th>No. of Mill(s) Managed/Controlled by Each Family Group</th>
<th>No. of Family Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mill</td>
<td>10 Groups</td>
</tr>
<tr>
<td>2 Mills</td>
<td>6 &quot;</td>
</tr>
<tr>
<td>3 &quot;</td>
<td>4 &quot;</td>
</tr>
<tr>
<td>4 &quot;</td>
<td>1 Group</td>
</tr>
<tr>
<td>5 &quot;</td>
<td>1 &quot;</td>
</tr>
<tr>
<td>6 &quot;</td>
<td>3 Groups</td>
</tr>
<tr>
<td>7 &quot;</td>
<td>2 &quot;</td>
</tr>
</tbody>
</table>

Total 75 Mills 27 Groups


The above table reveals that only six families of Ahmedabad controlled about 50 per cent of the total number of mills in the city in the early 1930s. It should be noted in this context that one

European family emerged as a textile entrepreneur in Ahmedabad in the 1920s. Charles Marsden and Ben Marsden, the two brothers who started their career in India as weaving masters, opened a mill in Ahmedabad in 1921 called the Marsden Mills. The success of this mill induced them to start another mill in 1924. Now, they joined hands with a local merchant, Manilal Mulchand, and formed a partnership under the name of Manilal, Marsden & Co., Ltd.\textsuperscript{131}

The two most significant events in the entrepreneurial composition of the Ahmedabad textile industry during the inter-war years were the rise of Kasturbhai Lalbhai and the fall of the Ranchhodlal family. The business house of Ranchhodlal Chhotalal, which had always stood first in the Ahmedabad mill industry before the founder's death (1898), was relegated to the third place by 1916. The Ranchhodlal family decided to liquidate the mills in 1934 and the machinery and equipment was sold as scrap\textsuperscript{132}. On the other hand, Kasturbhai Lalbhai started his training in mill management in the Raipur Mills promoted by his father in 1905. The enormous profits earned by this mill during the First World War boosted Kasturbhai's confidence. By the end of the 1930s, the Kasturbhai family came to control seven mills in Ahmedabad. In 1938, these mills together constituted 12 per cent of the spindles and 24 per cent of the looms in the Ahmedabad mill industry\textsuperscript{133}.

Apart from the Jain entrepreneur, Kasturbhai Lalbhai, the business houses of the Vaishnava bania families of Mangaldas Girdhardas

\textsuperscript{131} See Lokanathan (1935), op. cit., p. 44.
\textsuperscript{132} Tripathi and Mehta (1990), op. cit., pp. 49-50.
\textsuperscript{133} See ibid., pp. 91-95.
Parekh, Motilal Hirabhai and Sakarlal Balabhai (son of Balabhai Damodardas) ensured their place among the top 25 groups in the Indian Cotton Textile Industry by 1939. The textile empire of Mafatlal Gagalbhai, who started his first mill in Ahmedabad, extended to several Indian cities. The respective shares of these business groups in the total number of spindles and looms in the cotton textile industry in India in 1939 are shown in Table 2.7.

Table - 2.7
Control of Top Five Business Groups from Ahmedabad over the Indian Textile Industry in 1939

<table>
<thead>
<tr>
<th>Business Groups</th>
<th>Spindles</th>
<th>Looms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kasturbhai Lalbhai</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Mangaldas G. Parekh</td>
<td>2.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Mafatlal Gagalbhai</td>
<td>2.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Motilal Hirabhai</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Sakarlal Balabhai</td>
<td>1.3</td>
<td>1.5</td>
</tr>
</tbody>
</table>


The age-old guild tradition of Ahmedabad got new life in the age of industrialization. Three cloth traders' guilds came into being, the first in 1897, to arbitrate disputes among merchants and between merchants and the mills. Two such guilds - the Ahmedabad Maskati Cloth Merchants Guild and Panchkura Cloth Marchants Guild - were found to
exist even in the late 1960s. By the early 1920s, close ties were established between the cloth merchants' guilds and Ahmedabad Millowners' Association. The only noticeable change that took place in the mahajan (guild) tradition in the 20th century was that the hereditary offices of Sheths (heads of mahajans) were now subject to election and the Sheths of old mahajans now began to be called presidents.

In addition to the cloth dealers, the Ahmedabad millowners had intimate relations with local bankers known as shroffs. In its enquiry, the Tariff Board (1927) found that a common practice in Ahmedabad was to invest surplus funds of mills in the firms of shroffs. In 'some instances', the Board noted, the firms of shroffs were identical with those of mill agents. In 1930, the Ahmedabad Shroff Association had 200 members. Though all of them were bankers by profession, their business interest was not restricted to pure banking. They generally acted as cotton commission agents and thus supplied raw material to the Ahmedabad mills. Quite a number of these shroffs were found to be millowners themselves.

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An interesting fact is that Kasturbhai Lalbhai, the largest mill magnate in Ahmedabad, highly praised (in 1940) the integration of mercantile and financial interests in the management of Ahmedabad mills\(^{138}\). Even Ambalal Sarabhai (1890-1967), the most modern millowner in the city, did not come out of the mercantile tradition. He had financial interests in indigo plantations, sugar mills and import-export trade\(^{139}\). It should be noted here that the Sarabhai and Parekh families had cotton trading interests in Africa\(^{140}\).

The Ahmedabad millowners established a close relationship with Gandhi by the end of the First World War. The relationship was so friendly that in the textile strike of 1918 Gandhi, while representing the mill-workers, found it difficult to fight the millowners led by Ambalal Sarabhai\(^{141}\). After the birth of the Congress-backed Federation of Indian Chambers of Commerce and Industry (FICCI) in 1927, the Ahmedabad Millowners' Association (AMA), through its representative Kasturbhai Lalbhai, started using that forum for furthering their business interests. By the end of 1930, the Ahmedabad millowners extended their political support to the Congress\(^ {142}\). But this collaboration did not last long. The Ahmedabad textile industry started facing a crisis after 1935\(^ {143}\). In March 1939, Kasturbhai Lalbhai made a scathing attack on the policies of the newly-formed Congress

\(^{138}\) See Gillion (1968), op. cit., pp. 93-94.
\(^{139}\) Sujata Patel (1987), op. cit., p. 151.
\(^{140}\) Spodek (1965), op. cit., p. 488.
\(^{143}\) S.D. Mehta (1954), op. cit., p. 186.
Governments towards the textile industry. Thus, the nationalism of the millowners in Ahmedabad was very much conditioned by their business interests.

The Ahmedabad Millowners' Association (AMA) was founded in 1891 for the protection of interests of millowners in the city. But considerable disunity was noticed among its prominent members in later years. In 1920, Ambalal Sarabhai had to resign from the post of President of the Association because of his clash with Mangaldas Girdhardas Parekh. Like the Bombay Millowners' Association, the chief activities of the AMA were restricted to labour issues and seeking concessions from the Government during our period of study. While urging for protection of the textile industry in 1926, the AMA claimed that it had improved its organization structure during the last ten years. In support of this claim, Kasturbhai Lalbhai, on behalf of the Association, stated how the millowners of Ahmedabad fought an united battle successfully on the labour front during the strikes of 1918, 1920 and 1923, and averted a 'big strike' in 1925 through united action. The paradox of history is that a serious breach developed in the AMA in the late 1930s mainly over a labour issue. One group of millowners was led by Kasturbhai Lalbhai, and the other group by Sakarlal Balabhai. Kasturbhai was in favour of consulting the Congress Government before effecting a wage cut, while the Balabhai group opted


for taking unilateral measures. Being outnumbered, Kasturbhai resigned in protest as the President of the Association in the middle of 1939.\textsuperscript{147}

In spite of differences among the prominent millowners of Ahmedabad, noticed in different points of time during the inter-war period, the mercantile mentality of Ahmedabad millowners tied them to the AMA for serving their common business interests. While reviewing its past history, the Ahmedabad Millowners' Association noted in the mid-1950s:

During the early thirties and thereafter the vicissitudes of the industry, particularly the depression period and the Second World War, brought the local mills in closer union, thereby increasing the membership to about seventy. Practically all the textile mills of this centre were members of this Association during this period.\textsuperscript{148}


\textsuperscript{148} Souvenir (ITJ), op. cit., p. 520.