The Merchant Firm in Modern Indian History

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Paper for Economic History Seminar, University of Tokyo, 25 November 2013. This is a modified version of a paper appearing in the *Business History Review*, Spring 2014. For citation, please check with author.

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Abstract

The aim of the paper is to develop a general narrative of the firms that led the growth of trade in nineteenth century India, and thus supply a missing piece in modern Indian business history. The trading firms had several features in common with trading firms globally, especially, a high degree of mobility, institutional adaptation, and occasionally, diversification into banking and manufacturing. But certain aspects of the process were specific to India, such as, differences between the ports and the interior trading orders, between cities, and between expatriate and indigenous firms. The paper reconsiders these features.

Introduction

Colonial India (1757-1947) witnessed a dramatic growth in long-distance trade. Shipping tonnage handled at Bombay, Madras and Calcutta increased from a hundred thousand tons to over six million tons between 1798 and 1914. Between 1860 and 1914, the railways cheapened the cost of cargo movement from inland to the seaports. The carrying capacity of the bullock caravans in peninsular India, the only pre-railway mode of long-distance cargo transport in the region, has been estimated at about 10,000 tons c. 1800.[2] A century later, goods carried by the main South Indian railway companies amounted to over five million tons. If we add the Great Indian Peninsular railway, which connected Bombay with the western part of the Deccan plateau, the figure would rise to eight million tons.

Such scale of commercialization could hardly be achieved without a reorganization of trade, a process that S.D. Chapman calls in the British context, 'diversification and redeployment of merchant capital'.[3] Business historians

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[1] I wish to thank two readers of the *Review* and Walter Friedman for comments and suggestions that led to many improvements on an earlier draft. In collecting material used in a section of the paper I have received much help and good advice from Rudra Chatterjee, Edward Oakley, and Ashok Batra.

[2] Tirthankar Roy, *India in the World Economy from Antiquity to the Present*, Cambridge: Cambridge Unievrsity Press, 2012, p. 9.

[3] 'British-Based Investment Groups before 1914', *Economic History Review*, 38(2), 1985, pp. 230-47.

underscore several aspects of the process. One of these was the emergence of multinational trading houses.[4] Another was the adoption of formal legal identity by trading firms, allowing them to make fuller use of the commercial laws that held sway over the wide geographical space ruled over by the European Empires. The combination of family proprietorship and corporate identity also enabled some of the trading houses to use flexible strategies, conserve limited managerial resources, and mitigate the transaction costs that remote management entailed. By sharing business and personal ties, and briefly, a liberal economic ideology, the mid-nineteenth-century multinational merchant firms resembled an emergent social class.[5] Yet another dimension of the story was industrialization, especially in Asia, where a subset of the trading firms moved into manufacturing.

The narrative has been told from the vantage point of British, American or Japanese capitalism.[6] In the context of India, the usual examples are the expatriate businesses that were big in scale, lasted long, and were foresighted enough to preserve their papers. On the other hand, the role of indigenous capitalists, who were already established in the commerce of the region, remains insufficiently studied, among other reasons because most did not leave archival data. Furthermore, business history scholarship on India does not supply an account of merchant capital distinct from that of industrialization. Major works and anthologies recognize the importance of the Indian merchant in precolonial India, but fall short of an interpretive history of the merchant in colonial India.[7] There are only two exceptions. Rajat Ray makes the useful point that indigenous trading-cum-banking firms (the 'bazaar') occupied an 'intermediate space' between European capital serving overseas

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[4] Geofrrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries*, Oxford: Oxford University Press, 2000. Geofrrey Jones and Judith Wale, 'Merchants as Business Groups: British Trading Companies in Asia before 1945', *Business History Review*, 72(3), 1998, pp. 367-408.

[5] Charles A. Jones, *International Business in the Nineteenth Century: The Rise and Fall of a Cosmopolitan Bourgeoisie*, New York: New York University Press, 1987.

[6] On Japan, Kozo Yamamura, 'General Trading Companies in Japan: Their Origin and Growth', in Hugh Patrick and Larry Meissner, *Japanese Industrialization and Its Social Consequences*, Berkeley and Los Angeles: University of California Press, 1976, pp. 161-200.

[7] D.R. Gadgil, *Origins of the Modern Indian Business Class*, Poona: Gokhale Institute of Politics and Economics, mimeo, 1959; Dwijendra Tripathi, *The Oxford History of Indian Business*, Delhi: Oxford University Press, 2004; Medha M. Kudaisya, ed., *The Oxford India Anthology of Business History*, Delhi: Oxford University Press, 2011. A new series in business history published by Penguin India since 2012 has produced a few useful works on merchant communities and regions, but it is yet to address the colonial period fully.

trade and the Indian peasant.[8] However, this formulation reduces the Indian traders to no more than middlemen and makes the cleavage between overseas trade and overland trade a product of 'European domination' – these are questionable premises. Another exception is Claude Markovits, whose work on mobile Indian groups underscores 'the ability of South Asian merchants to maintain significant areas of independent international operations throughout the period of European economic and political domination'.[9] But Markovits is mainly concerned with aspects of mobility, and neither author offers a narrative that integrates domestic and foreign trades.

How does the story of diversification of trading capital change if we bring the indigenous actors in? One of the two aims of the paper is to answer this question. I suggest that the raw material allows us to infer that the Indian merchants who joined in the new trades shared three characteristics with the global firms, mobility, institutional adaptation, and a willingness to make a cautious entry into manufacturing. Much of the internal and overland trades feeding into the seaports were controlled by Indian firms, some of whom had relocated themselves from points of river-borne and caravan trades to the railway termini. The larger among these moved from family control towards partnership or corporate form, especially in the case of the mills established by them. More radical forms of relocation can be found among groups of capitalists who went from their bases in Sind, Gujarat (especially Cutch), or Chettinad (South India), towards Russia, Africa, Holland, Burma and Japan to form diaspora networks doing export and export-finance.[10]

But inside India, there remained a difference between the two domains of commercial enterprise, indigenous and expatriate. A second aim of the paper is to explain the difference. If Indian traders dominated the movement of goods over land, expatriate enterprise was more or less confined to the ports. Further, specialization was associated with an institutional difference. The 'firm' as a legal entity registered as partnership or the joint stock company was more common among European

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[8] 'Asian Capital in the Age of European Domination: The Rise of the Bazaar, 1800-1914', *Modern Asian Studies*, 29(3), 1995, pp. 449-554; and 'The Bazaar: Changing Structural Characteristics of the Indigenous Section of the Indian Economy before and after the Great Depression', *Indian Economic and Social History Review*, 25(3), 1988.

[9] 'Structure and Agency in the World of Asian Commerce during the Era of European Colonial Domination (c. 1750-1950)', *Journal of the Economic and Social History of the Orient*, 50(2/3), 2007, pp. 106-23; *The Global World of Indian Merchants, 1750-1947: Traders of Sind from Bukhara to Panama*, Cambridge: Cambridge University Press, 2008.

[10] Markovits, *Global World of Indian Merchants*.

merchants, and frequently involved participation of non-kin professionals, whereas among 'the old-established merchants in India, partnership has been strictly limited to members of the same family'.[11] Yet another difference emerged between the principal port cities in the pattern of enterprise, Bombay having relatively more Indian enterprise in commerce and industry, whereas Calcutta remained mainly European.

Historians recognize that this split in the Indian business world between the bazaar firms and the expatriate firms merits attention. There are several reasons for this. In an older view, the split signified a hierarchy between trading orders; the expatriates represented the 'ascendancy' or dominance of foreign capital upon Indian trade.[12] But this view overstates their control and overlooks the constrained nature of their business in India.[13] Another reason is the divergence that occurred in the mid-twentieth century. In the late-interwar period, the Indian firms supported the nationalist movement and the expatriates did not. Through this turmoil, the Indian firms gained in economic and political power and the expatriate firms declined and changed ownership.[14]

Even if its significance is understood, the origins of the dualism have not been sufficiently explained. That Indians and Europeans moved in different spheres has been explained alternatively as an effect of information asymmetry or of racialist and restrictive strategies adopted by the Europeans. The original statement of the information asymmetry thesis emphasized the comparative advantage of the Indians in knowing the countryside and of the Europeans in knowing the world market, to conclude that 'where knowledge is imperfect and is distributed differently among groups, the reactions to any economic situation will be varied'.[15] A different view

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[11] Somerset Playne, *Southern India: Its History, People, Commerce, and Industrial Resources*, London: Foreign and Colonial Compiling and Publishing Co., 1914-5, p. 661.

[12] Rajat Ray, ed., *Entrepreneurship and Industry in India, 1800-1947*, Delhi: Oxford University Press, 1992, pp. 13-30; also G. Balachandran, ed., *India in the World Economy 1850-1950*, Delhi: Oxford University Press, pp. 10, 35.

[13] B.R. Tomlinson, 'British Business in India 1860-1970', in R.P.T. Davenport-Hines and Geoffrey Jones, eds., *British Business in Asia since 1860*, Cambridge: Cambridge niversity Press, 2003, pp. 92-116.

[14] B.R. Tomlinson, 'The Political Economy of the Raj: The Decline of Colonialism', *Journal of Economic History*, 42(1), 1982, pp. 133-7; Omkar Goswami, 'Then Came the Marwaris: Some Aspects of the Changes in the Pattern of Industrial Control in Eastern India', *Indian Economic and Social History Review*, 22(2), 1985, pp. 225-249, Maria Misra, *Business, Race and Politics in British India*, Oxford: Clarendon Press, 1998.

[15] M.D. Morris, 'South Asian Entrepreneurship and the Rashomon Effect, 1800- 1947', *Explorations in Economic History*, 16(4), 1979, pp. 341-61. For another version of the view,

emphasizes barriers to entry into the European spheres of business, maintained by means of clannish control over joint stock banking in Calcutta.[16] Neither information distribution nor clan sympathy supplies a sufficient account of the dualism, however. Information asymmetry begs the question why the Indians or the expatriates failed to overcome the information barrier in as long as a century. Segregation was hardly the result of a one-sided prejudice. Calcutta's Marwaris were just as determined to shut out the Scots from their inner circles as were the Scots with respect to the Marwaris. There were two guilds at work here. But why these guilds emerged in the first place remains unanswered.

The survey on which this paper is based suggests a different explanation of diversity among trading firms, one that emphasizes the conditions of the rural and the urban money markets. Inland trade and export trade imposed different kinds of demand upon credit transactions, in turn leading to hard, but not fixed, segmentation between the two spheres of trade. A realistic model of differentiation needs to distinguish indigenous and expatriate firms, because they enjoyed different types of comparative advantage, as well as rural-agricultural and port-based export trades, because conditions of the money market differed between these spheres. The hypothesis is developed more fully in the concluding section of the paper. The next three sections deal with Indian and European commercial enterprise in that order.

Indian merchants

From ancient times until early in the Second Millennium CE, two very different capitalist traditions had evolved in India. One of these formed along the coasts, lived on overseas trade, and usually operated from small coastal states. The other one formed in the land-locked interior, served overland trade, supplied luxury consumption articles to the urban elite, and took part in moving the taxes that sustained vast empires. The empires emerged in the fertile plains of the Ganges and the Indus, and lived on land taxes. These states understood the value of the seaboard, but could not easily take control of that zone. Roads there were few, and road-building was costly because of the uplands, the forests, and numerous rivers.

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see Bishnupriya Gupta, 'Discrimination or Social Networks? Industrial Investment in Colonial India', Competitive Advantage in the Global Economy (CAGE) Working Paper No. 110, 2013.

[16] A.K. Bagchi, *The Evolution of the State Bank of India: The Era of the Presidency Banks 1876-1920*, New Delhi: Sage Publications, 1997.

The rise of the Indo-Islamic empires and the spread of their power from the Indus-Ganges plains to the south (the Deccan Plateau), the east (Bengal), and the west (Gujarat) between 1400 and 1600 led to a limited convergence between these worlds. The land-based states established a foothold on the coast, notably, in Surat in Gujarat, Masulipatnam in the southeastern coast, and Hooghly in Bengal. As these points became business hubs protected by powerful states, they attracted the European East India Companies. All of them pursued their primary aim by means of diplomacy, but the English (later British) East India Company changed the rules of the game by acquiring three port cities of its own.

These three cities were strategic enough to attract trade and mercantile capital away from Surat, Masulipatnam, and Hooghly from the late eighteenth century, when the inland states became engaged in debilitating warfare. The major inland trading points such as Delhi, Agra, Lahore, and Multan lost more than a million people between 1800 and 1850, whereas the gain of Bombay, Calcutta and Madras was of the same order of magnitude. Some of the richer agricultural zones, such as Awadh or Rohilkhand, suffered attrition and loss of control over trade routes. The commercial classes resident in the cities of the Indus-Ganges plains did not all disappear, and made their presence felt after the opening of the railways, but temporarily political and economic power had shifted from the land to the sea.

The Indian merchants who lived through this transformation remain an enigmatic group. The merchant is a prominent figure in the narratives of Mughal India. Historians recognize that merchants and bankers were important actors in the Mughal imperial economic system, that their support sustained the Empire, and that shifting mercantile loyalties delivered political power in one region to the British.[17] And yet, for firms so important to the economy and polity of interior India, we know hardy any names of prominent merchants. The few names that are familiar to the historian are names of bankers rather than traders, and these names are familiar because these individuals did business with the Company.[18] In the 1600s, the agent was often recruited from political or military classes, but later, they were recruited from groups already established as merchants in the regions of operation so that the

[17] Discussions in Tirthankar Roy, *An Economic History of Early Modern India*, London: Routledge, 2013; Lakshmi Subramanian, *History of India 1707-1857*, Hyderabad: Orient Black Swan, 2012.

[18] See Tripathi, *Oxford History*, for a useful discussion. Most names of firms appearing in this account belonged to bankers.

accounts left about them also provide glimpses of the mercantile society along the coast. But these are no more than snapshots.

Perhaps we hear so little about individuals and firms because individuals and firms were embedded in families and communities. Assets tended to be jointly held in large patrilineal extended families and several such families were connected through transactions in assets, information, apprentices and managers, and not least, marriage ties. The identity of the firm was submerged in that of the community, and the head of the enterprise was less an entrepreneur or an owner than a trustee of jointly held wealth. Exceptions to this rule did exist. One example occurred in Surat, the most cosmopolitan and global trading city on the Indian shores. Here, associational ties did form, and were no less visible than personal ties. But even in Surat, political crisis and disputes could push merchants to rally behind their communities.[19] The practice of incorporation of joint stock firm was unknown. Commercial law surely existed, but was so enmeshed with personal conduct and relationships that it was invisible to outsiders. There was no known court of law where merchants belonging to different ethnic groups could routinely settle their disputes.

The situation changed in the late eighteenth century. Change came from three sides. First, the Company's own trading monopoly had been a target of criticism from almost the start of the enterprise; as the criticism reached a peak and the Company established itself as a military-political force in India, its commercial interests went in retreat, and ground had to be yielded to the free merchants and country merchants. Second, migration of Indians into Bombay and Calcutta led the way to unorthodox partnerships cutting across ethnic and communal boundaries. By 1800, therefore, conditions were ripe for Indo-European partnership firms to grow in the port cities. And third, with the decline of the Company's main business in Indian cotton textiles, the commodity composition changed, and a slow penetration of the agricultural interior by coastal capitalists began. In the first half of the nineteenth century, Indo-European firms based in Bombay, Calcutta and Madras exported cotton, wheat, indigo, rice and opium that came from the interior plains and the uplands. After 1860, the integration of land with the sea became more firmly established upon the railways, steam ships, electric telegraph, the Suez Canal, and

[19] Ashin Dasgupta, *Indian Merchants and the Decline of Surat c.1700-1750*, Wiesbaden: Steiner, 1979.

new laws. From then onward, we begin to hear about individual enterprise more systematically.

The pattern of mercantile enterprise differed between Bombay and Calcutta, and in both cities, between the period 1800-1860 and 1860-1940. In the first phase, trade was composed of a few goods procured from regions within easy ccess from the port city – Malwa opium and Khandesh cotton in Bombay, and Bihar opium and Bengal indigo in Calcutta. The big firms of this era were dependent on one of these commodities. By contrast, in the second stage, the range of commodities had diversified, and commodities (such as wheat or cotton) were procured from greater distances. The big merchant firms of this era dealt in a more diversified basket of goods. While this was a feature common to both cities, Bombay and Calcutta had a divergent history in the first phase. Indigenous merchants in Bombay tended to be bigger firms than their counterparts in Calcutta, more capable and prominent in Asian maritime trade. The difference stemmed from the particular trajectory that Parsi entrepreneurs had charted in the former city. The key to their success was shipping.

The hub of indigenous commercial tradition was first Surat, then Bombay. On the Gujarat littoral a number of communities, especially traders from Cutch, had been prominent, and remained prominent in the Arabian Sea trade in the nineteenth century.[20] Studies of early modern India, however, concentrate on Surat, especially the 'ship-owning merchants' and the brokers or agents of the Company operating from there.[21] Some of the ship-owners did not survive the simultaneous decline of the Persian, Ottoman, and Mughal empires. But shipping as a business carried on, largely under the leadership of the Parsi merchants. The Parsis who had migrated from Surat and were originally carpenters by profession, took over ship-repair and shipbuilding in partnership with the Company, took a controlling stake in the important coastal trade in Malabar teak, moved into coastal shipping, and eventually joined the Indo-Chinese trade in Malwa opium. [22]

[20] Chhaya Goswami, *The Call of the Sea. Kachchhi Traders in Muscat and Zanzibar, c. 1800-1880*, Hyderabad: Orient Black Swan, 2011.
[21] Ashin Dasgupta, 'The Maritime Merchant and Indian History', *South Asia*, 7(1), 1984, 27-33; Om Prakash, 'The Indian Maritime Merchant, 1500-1800', *Journal of the Economic and Social History of the Orient*, 47(3), 2004, 435-457.
[22] Ashok Desai, 'The Origins of Parsi Enterprise', *Indian Economic and Social History Review*, 5(4), 1968, 307-17.

The Parsis had other resources that suited them to urban trade in particular. Being literate and multilingual (a number of Parsi merchants could speak Portuguese and French) they were prominent in government service, as clerks in European business firms, and in Attorney offices as assistants. As a community they thus had fingers in a number of skilled services connected with commerce. Another distinctiveness of the community was a more individualistic succession law than the ones that prevailed among Hindu and Muslim merchant groups. A joint outcome of these qualities was that the neo-rich Parsi families became owners of large chunks of urban property by 1850.[23]

The first Parsi residents of Bombay were probably grocers for the town, also engaged in the very useful side business of procuring safe and good quality liquor for the city. In the eighteenth century one set of families, Wadia, developed shipping, and three others, engaged in commerce, reached Burma, China, Mauritius, and Aden. They set out a pattern that was to become the hallmark of Parsi enterprise in the nineteenth century. The names were Banaji, Modi, and Readymoney. Among the leading Parsi merchants of the nineteenth century, Jamsetjee Jejeebhoy started as assistant in a firm selling opium in China, and when himself established in the trade, gave business contracts to a number of relations and friends. He also formed partnership with a Gujarati Hindu and a Muslim merchant. These inter-ethnic partnerships did not always work well, but a trend had been set.[24] For example, Dinshaw Manockjee Petit was first an assistant and later partner to a European. His father was a broker of a European firm. Jamsetji Tata had his apprenticeship as merchant in China opium.

In Calcutta, by contrast, shipping was less developed. There was no known Bengali enterprise in shipping, even long distance trade. In the nineteenth century, indigenous merchants worked as procurers of goods and sometimes as agents in credit contracts in firms set up by the free merchants. Three significant partnership firms emerged from the collaborations that were at work, Carr Tagore, Oswald Seal and Rustomji Turner. Others such as Ramdulal Dey acquired wealth as a broker, in this case of American merchants. The commercial crises of the 1830s and 1840s (see the next section) either ended these firms or made them irrelevant. Possibly the only

[23] H.G. Briggs, *The Parsis or Modern Zerdusthians*, Edinburgh: Oliver and Boyd, 1852.
[24] Asiya Siddiqi, 'The Business World of Jamsetjee Jejeebhoy', *Indian Economic Social History Review*, 19(3-4), 1982, pp. 301-24.

example of an indigenous trading firm from the indigo-opium phase which survived into the twentieth century was Prawnkissen Law.

Bengali regional historiography sometimes frets over the fact that the Bengali merchants did not do as well in Calcutta as their counterpart in Bombay, and blames British presence in Calcutta for this. In fact, if the European element is taken out, the northern part of Bay of Bengal had never been as large a trading zone as the northern Konkan was. The Arabian Sea trade connected powerful and wealthy empires, the Bay of Bengal trade did not. The Parsis partly inherited and partly intruded in this stronger wealthier maritime tradition, and ended up connecting Aden with Canton in their own ships, a sweep that would not have been conceivable for a Bengali of the time. Because of Parsi advance in coastal shipping, Indian merchants from Bombay and Surat retained control over the Arabian Sea. The Parsi diaspora of Aden, and Gujarati merchants in Mozambique, Musquat and East Africa signify this wider reach of the western littoral. Thanks to the Arabian Sea and shipping, Bombay emerged from the Company era as an Indian city.

This lead, however, was shot-lived. The steamship and redirection of India trade from Asia to Britain after 1860 ended it. In the next stage in Bombay's history, finance and the Gujarati merchant were to play a bigger role than indigenous shipping and the Parsi merchant. The entry into the second phase was a dramatic event, in which stock-broking and the name of one Jain trader figures prominently.

It appears that by 1850, the joint stock principle was becoming popular. This we can guess from the presence of six stock-brokers in the city who had credit with the Bank of Bombay. The stock-broking business was dominated by Gujarati Hindu and Jain individuals. The cotton famine (1861-5) helped the cotton trade expand, of course, but its major and lasting effect fell on financial transactions. In 1860 there were 60 share brokers in the city, and their leader was a suave thirty year old Jain named Premchand Roychand. Before the boom, Roychand was a cotton shipper with interests in opium and gold, and partner of Messrs Ritchie Steuart and Co. His role as a broker to the Liverpool merchant Steuart meant that he was to 'guarantee the firm against any losses which it may incur in its advances on cotton and other shipments to a variety of dealers.' And this he could do because of his intimate knowledge of 'the financial position of almost all the large wealthy traders in cotton and opium.'[25] At the height of the cotton famine, this resourceful trader acquired another role, to procure advance information on Liverpool prices. This he did by sending out small boats into the coastal waters when a Liverpool ship was due in the harbour. The British partner would often supply privileged information to the ship captain which would, by this means, reach the warehouse of the cotton trading firm a day before it reached everyone else.[26] The stock-broking business was related to another, connected, trend. Following the pattern of many emerging market boom, Premchand Roychand and a large number of other traders employed their profits to sponsor banks and real estate projects. At the peak of the cotton famine, there were 200 individuals recognized as brokers, and Roychand ruled the financial market like a king. A word from Roychand was a guarantee of quality in the new enterprise. When the price of cotton started falling, the financial and real estate crash led the trading and broking world to bankruptcy.

The bounce back in Bombay was quick. It was evident that the financial system had acquired certain strengths through the speculative episodes. When the business picked up again, the brokers had a new instrument to transact in, mill shares. In the 1870s there were more than 300 share-brokers who met at a fixed place, where the stock exchange stands now.[27] Thanks in part to this mediation, the connection with Liverpool which supplied machines and foremen and the connection with China where cotton yarn was sold, capital moved from cotton trade into mills on a large scale. Some of the firms doing this had been merchants who survived the crisis. Others were engaged in the China trade in a different capacity from the pre-1850 generations. The first mill of Cowasji Davar was built on profits from cotton export, and so were nearly every mill in the 1860s and the 1870s. The Bohra firm of Currimbhai Ebrahim, on the other hand, had started as cotton yarn exporters to China. Continued participation in Asian trade renewed Bombay's links with West Asian and East African ports. This is illustrated in the example of the Parsi firm known as Adenwalla, of which the most famous member was Hormusji Dinshaw. The firm traded in the Arab peninsula and East Africa, 'besides being bankers, naval agents, shipowners, managing agents for mills and steamship companies such as the

[25] D. E. Wacha, *Premchund Roychund: His Early Life And Career*, Bombay: Times Press, 1913, p. 41.
[26] Ibid., pp. 44-5.
[27] *Report of the Bombay Stock Exchange Enquiry Committee*, Bombay: Government Press, 1924, p. 3.

Bombay Persia Steam Navigation Co., British India Steam Navigation Co. and other British, Italian, Dutch and Norwegian Shipping Companies'[28]

From the last quarter of the nineteenth century and until the Great Depression, exports from India consisted of primary commodities (wheat, rice, cotton, jute, oilseeds, semi-processed hides and skins) and the largest import cotton textiles. In both cases, the overseas operations were dominated by European firms. But the Europeans did not dominate the channels that brought these goods from the interior to the ports, despite having branches in the interior of India. In the twentieth century two new trends emerged that reduced the importance of the European trading firm further. First, the range of consumer goods imported from Britain expanded to include such new articles as sewing machines, processed food, and bicycles.[29] The local agent was sometimes recruited from the established Indian mercantile groups – the most famous agent of Singer sewing machine was a Bombay Parsi merchant – but the agent performed a more entrepreneurial, more advertising-centred, service than in the other trades. The growing interest of the Indian consumer in machines and cosmetics induced an unprecedented form of foreign investment in the region from the 1930s, the multinational manufacturer, such as Unilever or the Imperial Chemical Industries. These enterprises too strengthened retail marketing networks in the cities.

The second factor was increasing Japanese presence in Bombay and Calcutta. The first Japanese trading firms, like the Mitsui-affiliated cotton trader Toyo Menka, entered in the 1890s. Recent scholarship on Japanese trade in South Asia has underscored several factors behind the very rapid growth in its scale in the next thirty years.[30] These were competitive shipping, efficient information exchange between Bombay and Osaka, partnership with Indian businesses (Tata in Bombay and Andrew Yule in Calcutta were among the partners), and the role of Indian merchants in Kobe, Singapore and Hong Kong in conducting the import trade from

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[28] A.N. Joshi, *Life and Times of Sir Hormusjee C. Dinshaw*, Bombay: Taraporevala, 1939, p. 71.

[29] David Arnold, 'Global Goods and Local Usages: The Small World of the Indian Sewing Machine, 1875–1952', *Journal of Global History*, 6(3), 2011, pp. 407-29. Also Andrew Godley, 'Selling the Sewing Machine around the World', *Enterprise & Society*, 7(3), 2006, pp. 266-314.

[30] Between 1883 and 1928, total trade of India with Asia increased much faster than trade of India with the West. See Kaoru Sugihara, 'Japan as an Engine of the Asian International Economy, c. 1880–1936', *Japan Forum*, 2(1), 1990, pp. 127-45.

Japan.[31] The Indo-Japan trade story, therefore, shows how trade with regions in Asia and Africa made Indian merchants readier to settle overseas. A spill-over effect of the collaborations between trading firms was collaborative industrial ventures, such as Toyo Podar in cotton and a cluster of match manufacturing factories.[32] The India-Japan trading networks were sufficiently large and yet sufficiently distant from the Europe-India ones to suggest the hypothesis that they represented an emergent Asian economic alignment.[33]

Grain trade was the largest and oldest of these segments, and should be described more fully. How was grain procured for export? We must consider how commodities were traded in the domestic market circuits, for the two inland systems, one feeding Indian towns and another feeding the ports were not distinct. Unfortunately, little information is available on inland trading systems until the very end of the 1920s. But some of the 1920s documentation reflects back on history, and is still useful as a means to reconstruct patterns of change. My descriptive data come from Punjab, United Provinces, Central India and Bihar, practically the entire northern India. No matter where we look, there were two major players in local grain trade, the commission agent and the buyer's agent, and a third minor player, the local landlord-cum-moneylender. The commission agent rented a space in a market or had a warehouse, and sold in bulk to the buyer at the best possible rate for the farmer. The company agent went into the village to contract purchases with the farmer. At the third level, landlords, shopkeepers, and professional retail bankers lent money to the cultivator, accepted repayment in grain that they sold to the grain merchant. In the remote cotton areas of Khandesh or western Deccan, for example, neither the big commission agency nor the buyer agency had much penetration, and both actors waited for the crop to come to the more accessible bazaars, brought there by small-scale itinerant traders.[34] Such itinerant traders were present in the other

[31] Naoto Kagotani, 'Up-country Purchase Activities of Indian Raw Cotton by Toyo Menka's Bombay Branch, 1896–1935', in S. Sugiyama and L. Grove, eds, *Commercial Networks in Modern Asia*, Richmond: Curzon Press, 2001. William D. Wray, 'Nodes in the Global Webs of Japanese Shipping', *Business History*, 47(1), 2005, pp. 1-22; Hiroshi Shimizu, 'The Indian Merchants of Kobe And Japan's Trade Expansion into Southeast Asia before the Asian-Pacific War', *Japan Forum*, 17(1), 2010, pp. 25-48.
[32] Takashi Oishi, 'Indo-Japan Cooperative Ventures in Match Manufacturing in India: Muslim Merchant Networks in and beyond the Bengal Bay Region 1900–1930', International Journal of Asian Studies, 1(1), 2004, pp. 49-85.
[33] Sugihara, 'Japan as an Engine'.
[34] M.L. Dantwala, *Marketing of' Raw Cotton In India*, Calcutta: Longmans Green, 1937, p. 31-2.

crops as well, and sometimes included the peasants themselves.The first two groups operated from towns that had railway stations and banks. These two assets made it possible for merchants to transport grain by rail, use the railway receipt or invoice to draw bills of exchange known as *hundi* from an indigenous banker based in Bombay, Calcutta or Madras, and cash that bill in the bank. The merchants and their agents owned carts, grain pits, and warehouses, and sometimes successfully persuaded the bank to open cash credit accounts for them on the security of the crop. Europeans were absent from the local transaction sphere completely, but they did occasionally figured in the railway town, both as company agents and as commission agents. Several examples could be found in Punjab and the Krishna-Godavari delta, where long-distance grain trade had grown very large, and in the jute markets of the Bengal delta.[35]

There was little evidence of forward trade in grain until independence. A merchant settled in the country had very limited access to export price information. Local production centres did not have telegraph offices until the mid-twentieth century. Trade publications were of no use to the local growers who did not read English. Therefore, commission agency or an auction type of sale prevailed, as it had done from a long time before European ascendancy in the export business. The difference was that much of the bulk business now took place near the railway station, which suggests how critical a role the railway played not only in reducing transportation cost but also enabling the local actors gain access to capital as well as to information.[36] Three institutional features of the inland commodity trade I wish to stress particularly. First, the buyer's agent, despite being sponsored by wealthy European firms, did not carry much weight in the countryside. Second, we know of these merchants by their community names rather than the names of firms. The Marwaris dominated the jute trade, Muslim and Eurasian merchants the leather trade, Hindu Bania groups the grain trade, even though commission agency with major European firms sometimes enabled a few individuals or families to acquire a reputation distinct from that attaching to the community. Some of the future

[35] For example, Owen Roberts of Lahore, interviewed by *The Punjab Provincial Banking Enquiry Committee 1929-30*, vol. 2, Calcutta: Government Press, pp. 994-6; and Innes and Co of Kakinada, a partnership between an Indian and a European, started c. 1870 as exporter of jute, rice, oilseeds and jaggery, rice mill owner. India, *Minutes Of Evidence taken before the Indian Industrial Commission 1916-18*, vol. 3 of 5, London: HMSO, 1918, p. 88.
[36] W. Roberts and O.T. Faulkner, *A Textbook of Punjab Agriculture*, Lahore: Civil and Military Gazette Press, 1921.

Marwari industrialists of Calcutta had acquired such reputation in the late nineteenth century.[37] And third, a study of local trade cannot separate itself from a study of local credit. In fact, the exceptional cases where a local merchant firm was mentioned by name, the mention happened because it was a banker as well.

The buying agencies of firms like Ralli, Volkart, or Toyo Menka had the backing of foreign firms and joint stock banks. But their agents could not go very far without the help of the commission agents. In the nineteenth century, the Ralli Brothers tried to buy wheat and oilseeds direct from cultivators and bullock caravan runners in the western Gangetic plains, but switched to commission agents in the interwar period.[38] Their limited access to the production site reflected two advantages the local commodity traders possessed over them. One was transportation. The latter owned carts or knew where carts could be hired from. But more than that, they were better tuned to the credit needs of farmers.

Unlike in the ports, the inland order did a business that was highly seasonal in nature. During the sowing and harvest seasons of the main crop, interest rates rose to very high levels. In the slack season, there was money to spare and put to credit. There were no big firms in the interior and very few bank branches. The inland grain merchant, therefore, was also a banker.[39] The Provincial Banking Enquiry Committee (1929-30) evidences contain hundreds of references to the link between grain trade and moneylending. The banking side of the business ran on an intricate network of personal connections. The big merchants did not lend to the peasants directly. Instead they supplied money to a group of commission agents who travelled between the countryside and the town. These merchants in turn gave money to traders settled in the cultivating area. They, in turn, lent to the peasants. These concentric circles of credit relations reduced the risks of lending for the big merchant, for while no-one lent on security no-one lent without intimate knowledge of the client.[40]

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[37] Thomas A. Timberg, 'Three Types of the Marwari Firm', *Indian Economic Social History Review*, 10(1), 1973, pp. 3-36.

[38] *Report of the United Provinces Provincial Banking Enquiry Committee 1929-30*, vol. II, Evidence, Calcutta: Government Press, p. 3.

[39] 'Very many firms add banking to their main business, mainly for employing their funds in the slack season.' H. Sinha, *Early European Banking in India with Some Reflections on Present Conditions*, London: Macmillan, 1927, p. 244.

[40] Messrs Khialiram Kedarnath, grain and oil merchants, Lachman Sahu Gopal Sahu, grain dealers, Gopi Sahu Munshi Sahu, grain merchant, and Seth Jhunjhunwala, banker, grain

Informal credit ruled this world not because formal credit was scarce. Rather, information problems restricted both the supply and the demand for bank credit for commodity trade. Even when the biggest bank of the time, the Imperial Bank, had a branch operating in the town, the big merchants did not borrow from the bank. In a town in eastern Bihar, they did not do so because they did not like secured credit. The Bank's practice of advancing against produce 'gives too much publicity' to the transaction. The security of grain stocks did not satisfy the banks either for 'in bulk storage there is great danger of fraud as regards quantity and quality'.[41] There were no licensed warehouses. The Bank would not accept the handwritten notes offered in evidence of grain stock available for hypothecation, nor would they lend in the absence of audited balance sheets. The information asymmetry in this case led the banks to introduce a tiered structure of trade credit (first class, second class, etc.), but this system did not work too well outside Calcutta. It was impossible for the manager transferred from Calcutta to be sure who was second class and who was first class in Bhagalpur bazaar.

In the cotton trade in western India, the first buyers of the crop were often small-time travelling merchants or commission agents rather than salaried agents of the mills or the exporting firms. This cotton assembled in the larger market connected by rail to Bombay, and were picked up by Bombay agents. In jute trade too we see the same features – European exporters and mills had local agents but these agents or brokers bought goods from local trading firms rather than from the cultivators. Banks did not lend to the business directly because they were unable or unwilling to accept raw jute for hypothecation.[42]

Despite the autonomy of the grain trade system in the inland town, there was a tendency for the formal and the informal to converge in the interwar period. The fields of convergence were processing of commodities and finance. Tired of dealing with 'frauds', some Bombay firms set up cotton gins in the countryside. In tanned hides, a similar flow of capital from outside was present on a small scale. Another bigger field was joint stock banking which experienced a boom in the interior towns. In the evidence just cited, one Marwari mercantile firm and part-time banker, the

merchant and cloth dealer, *The Bihar and Orissa Provincial Banking Enquiry Committee 1929-30*, vol. I, Report, Patna: Government Press, 1930, p. 21.

[41] Ibid. 89. The practice of bank advances against grain stores varied between regions.

[42] India, *Report on the Marketing & Transport of Jute in India*, Calcutta: Indian Central Jute Committee, 1940, p. 117.

firm of Debi Prashad (started in banking 1840) was full-fledged banker in 1920. The business drew in deposit accounts not only of the rich Indian residents, but also the European community of the town. It still retained its separate identity from the European banks, being financed mainly out of the capital of the joint family.[43] In western Gangetic, local merchant-bankers contributed capital to newly set up indigenous joint stock banks.[44] These bottom-up banks more readily accepted the mortgage of produce, which partly replaced the business of unsecured loans, also known as 'the hand-note system' of money-lending.[45]

A far-reaching instance of convergence between export and inland trades occurred in Calcutta shortly after World War I, which revealed the power that liquid wealth carried. Early in the twentieth century, the Marwaris, who had originally migrated from Rajputana and had been engaged in the raw jute trade for some time, entered the gunny export business. They did not do so as regular export firms, but as speculative sellers. That is, they would buy small lots from the mills and hold stocks or sell forward to the shippers. The significant feature of the business was their willingness 'to furnish ample cash security for any business contracted; consequently, the mills had no hesitation in dealing with them.'[46] The business might have remained an opportunistic one but for the World War I when huge profits were to be had from the existing stocks. The rise of forward market rates encouraged some export firms to join in the forward trade, and fears rose of the Marwari firms being able to corner the entire jute trade. Although the trade stabilized after the War, the balance of financial power had shifted. During the Depression, some Indian mills started in jute, and some European mills borrowed money from Marwari merchant-bankers. In one view, the new relationship opened doors of Marwari merchants into jute mill management, and eventually, ownership.[47]

A different kind of convergence occurred in hides and skins. By contrast with the other commodities, hides and skins were necessarily processed in the locality, and therefore built strong ties between the local merchants and the tannery owner. Indeed, the two classes were often indistinct. From the last quarter of the nineteenth century, hides and skins emerged as a major exportable commodity. At the peak of the trade,

[43] Ibid. 158.
[44] *Report of the United Provinces Provincial Banking Enquiry Committee 1929-30*, vol. II, Evidence, Calcutta: Government Press, p. 83.
[45] Sinha, *Early European Banking*, p. 244.
[46] India, *Report on the Marketing & Transport of Jute*, p. 89.
[47] Goswami, 'Then Came the Marwaris'.

just before World War I, 100,000 tons of hides and skins left India. Thereafter, the trade was redirected to the domestic market. Tanned and cured hides formed a rather curious product. Like grain, it came from the countryside. But unlike grain, the export trade was dominated by Indian or naturalized Indian firms. The managing agencies of Calcutta had marginal interest in the trade, possibly because hides were re-exported and not destined for the British market alone. Apparently, the Hindu trader too had an aversion to hides. Tanning trade, therefore, came to be dominated by Muslims, Parsis, Eurasians and the Chinese.

As in every other trade, all merchants needed to advance money on a large scale. In the 1890s, the Khoja or Muslim merchant was 'to the Mochi [leather-worker] what the Bania [rural merchant-moneylender in this case] is to the agriculturist'.[48] That is, they were mainly financiers. Sometimes they lent money to tanneries. When debts were left unpaid, the Khoja trader turned manufacturer. On the other hand, a certain number of the tanneries, and especially the European and Eurasian ones, originated in demand for leather from large local users, such as the army, the mill, or the transport industry. A young man in his twenties, G.A. Chambers was an assistant in one of the Madras tanneries, when in 1903 he began trading on his own account. Shortly after, he rented a tannery at Pallavaram to start chrome tanning. The largest Madras firm, the Chrome Leather Co. evolved from this venture, its growth owing to a partnership with the great Madras house and coach-makers Simpsons, who needed chrome leather for upholstery. As in Bombay, the firm also supplied cotton mill spare parts.[49]

In Kanpur, Europeans owned big saddle and harness factories, whereas Muslim traders supplied them with hides, in a pattern reminiscent of jute.[50] One of the-best-known and early private tanneries in the city was set up by A.H. Creet, an Armenian born in Persia. Creet migrated to India in 1874, and was first a jeweller in Lucknow, then a dealer in leather, and finally proprietor of the Cawnpore Tannery in 1896. A decade later, the factory was sold to a partnership between one William Stork and two Muslim hide merchants of Delhi and Kanpur. Some of the most successful Muslim

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[48] A 1906 government report cited in Roy, *Traditional Industry*, where a fuller range of source citations on the hide merchant can be found.

[49] Based on Somerset Playne, *Southern India: Its History, People, Commerce, and Industrial Resources* (London, 1914-5), pp. 145-6, 213, 688, 701-3; and *Indian Leather Trades and Industries Year-book*, Madras, 1967.

[50] Somerset Playne, *The Bombay Presidency, the United Provinces, the Punjab, etc.: Their History, People, Commerce and Natural Resources* (London, 1917-20).

tanners in Kanpur, the firms of H.M. Halim, of Abdul Gafoor, or of M.A. Wasay and H. Nabi Baksh, accumulated capital through agency of the European tanneries, or as agents of the many German trading firms (Schroeder Smidt, Cohen and Fuchs, Wuttow Guttman) prominent in the trade through Calcutta. The exit of the Germans during World War I led the Muslim merchants to consolidate in trade and enter manufacture. In Bombay in the late nineteenth century, Bohras and Memons, the Muslim trading castes owned tanneries and controlled a considerable part of the export trade.

When moving from Indian enterprise to European enterprise the cities change position.

European merchants: trade to manufacturing

If we look only at the legally registered firms, Calcutta was a European city. An approximate measure of the relative share of the two communities in the formal businesses of Calcutta would be the shareholding in the Bank of Bengal. In 1904, the proportions were 84 and 16 per cent respectively.[51] Like Bombay, in the history of organized trading of Calcutta an early mono-commodity period and a later general-merchandise period can be distinguished, the point of transition was 1860. The diversification of the second era was accompanied with a larger and steadier inflow of British capital.

Private European trading firms in Calcutta started with the 'agency houses'.[52] They either occupied spaces vacated by the East India Company or engaged in businesses sponsored by the Company. Some of them were branches or representatives of trading firms established in Britain, and some were set up by former Company employees who had completed indenture. From out of this pool, which drew in Scottish, Welsh, English, German and French capitalists, some moved inland and set up indigo processing factories. Others remained in Calcutta and conducted three major functions connected with indigo: shipping, financing, and insurance. The majority of these free merchants and their offshoots went out of business during the indigo speculations of the 1830s and the 1840s. The most famous case of boom and bust was Paxton, Cockerell, Trail, later Palmer and Co. The

[51] G. P. Symes Scutt, *The History of the Bank Of Bengal. An Epitome of a Hundred Years of Banking in India*, Calcutta: Bank of Bengal Press, 1904, p. 104.
[52] A. Tripathi, *Trade and Finance in the Bengal Presidency*, Second Edition, Calcutta : Oxford University Press, 1979.

firm was established by a son of William Palmer, a Company officer and a contemporary of the first Governor General Warren Hastings. Palmer was a partnership between the brothers George and John Horsley Palmer, and had their main business in indigo trade.[53]

Analysis of the causes of contagious bankruptcy between 1833 and 1846 must distinguish between two independent factors – volatility in indigo price, and management of the banking and financial interests of the trading firms. The market for indigo was in Manchester, the big movements in price there were caught late in Calcutta, sometimes with disastrous results. When the intercontinental telegraph was established, the problem was removed, and subsequently trading firms engaged in indigo were not known to suffer as much as before. But it was really the diversification of these traders into banks, and consequent upon this, insider lending and the overreliance of the banks on the indigo trade itself, which caused the crisis to spread. Calcutta trading firms invariably turned into banking, the bigger the firm, the closer the relationship. Two episodes of crash, 1833 and 1846-7, both illustrate how dangerous the integration of trade and finance was. In the first phase, Palmer and Co was brought down by a loss of its financial business. In the second phase, the failure of the Union Bank (1829-47), an Indo-European partnership, was especially damaging.[54]

The indigo crisis was a watershed. It killed two models of expatriate enterprise that had gained acceptability in the 1830s and 1840s at once. In one model, the trader had a partner, who was the European owner of a factory located deep in the countryside and processing an agricultural commodity for export. The model became acceptable partly because it simplified agency issues between the trader and the producer, and partly because, in cotton especially, it was believed to be an answer to quality and productivity problems. The rural manufacturer was not necessarily a planter in the American style, but was expected to contract with peasants who had established property right on land. The so-called 'blue mutiny' (1859-60) revealed that the manufacturer did not have adequate legal means to enforce these contracts,

[53] Anthony Webster, 'An Early Global Business in a Colonial Context: The Strategies, Management, and Failure of John Palmer and Company, 1780-1830', *Enterprise and Society*, 6(1), 2005, pp. 98-133.

[54] Blair B. Kling, *Partner in Empire: Dwarkanath Tagore and the Age of Enterprise in Eastern India*, Calcutta, 1981.

whereas their use of political power to do so embarrassed the state.[55] The second model that died with the end of indigo was the merchant-owned-bank with an undiversified base.

From long before this crisis, doing business in the countryside was strongly discouraged by business directories and guides meant to inform the European entrepreneur. The blue mutiny was only a reminder. The risk of losing money advanced to local producers and sellers was a serious problem. The boatmen 'abscond soon after the receipt of the money in advance'; 'the villainy' of the peasant 'may occasion a total loss to the manufacturer'. There was more. 'One of the most embarrassing circumstances to commerce in the upper provinces is the want of a common standard of Weights and Measures'.[56] The chaos continued long into the ascendance of official metrology. Documents of the Company courts working in the three ports in the mid-to-late eighteenth century hint at another potential problem of doing business in the country. These courts were crucial in overseeing succession and inheritance of mercantile property, which is evident from the fact that a considerable number of mercantile disputes concerned succession. It is easy to imagine that a business in the interior would not receive a similar order of, if any, legal redress because the courts and the scope of English law was restricted to the ports.[57] Long after British rule had extended into north India, an inconclusive debate occurred in the Law Commission (c. 1840) over whether commercial disputes in the interior should be settled with reference to the 'Law Merchant', which would demand of Indian judges a thorough training in English common law, or to local custom, which was neither coded nor known to anybody in the judicial system.[58] In effect, there were no commercial *lex loci* outside the port city. The message was clear, leave inland trade to Indians.

After the Indian mutiny ended and Crown rule began (1858), a different kind of foreign firms started to enter Calcutta. These are best described as born-industrial, or ones that became industrial after a relatively short career in trade. In several senses these enterprises were spawned by the British Empire. Unlike in the first half

[55] Tirthankar Roy, 'Indigo and Law in Colonial India', *Economic History Review*, 64(S1), 2011, pp. 60-75.
[56] J. Purves, *The East India Merchant; or, a Guide to the Commerce and Manufactures of Bengal and the Upper Provinces*, Calcutta: Times Press, 1819, pp. 4, 17, 21.
[57] *Mayor's Court Minutes 1745-46*, Madras: Government Press, 1937, pp. 102, 124, 227.
[58] British Parliamentary Papers, 1847 (14) East India. (Indian Law Commission) Copies of the special reports of the Indian Law Commissioners, 1847, pp. 702, 662.

of the nineteenth century, in the second half, the possibilities of movements of capital and labour had expanded, thanks to faster transportation, uniform legal framework, and the use of one official language within the British Empire. The Empire thus encouraged factor-market integration. It also increased the scope of public-private partnership, and indirectly led to greater associational activity. One of the effects of this transformation was the separation of banking from trading, and trading from manufacturing. This diversification of risk was a key impetus to the industrialization drive.

The born-industrial and the short-trading-career firms require no more than a quick mention. Andrew Yule in tea, jute and coal, McLeod or McLeod Russell in tea, Balmer Lawrie in engineering and coal, Octaviaus Steel in tea, coal, railways, limestone, Williamson Magor in tea and inland navigation, Macneill and Barry (except a partner Kilburn, and his predecessor C.E. Schoen, who had been engaged in trade for a length of time) in tea and jute, were examples of post-mutiny entrants into the business world of Calcutta, who did not originate in Asian trade. These were large firms. Much attention of business historians has fallen on this end of the size distribution. Such a bias can be justified on three grounds. First, big business is believed to have played a role in sustaining the Empire itself. Second, manufacturing firms left more archival resources behind. And third, industrialization has often been seen, questionably, as the apogee of commercialization.

Of the short-career traders turning industrial, the most famous example is the Bird Brothers. The early history of Bird illustrates how important the government had become to some of the trading firms of the Empire era. Samuel Bird, who started one of the largest managing agency firms of nineteenth century Calcutta, supplied indentured labour to government construction projects.[59] Among the early side businesses of the firm were railway contracts for loading and unloading goods between boats and trains, the operation of a bullock caravan train between Darjeeling, a European settlement, and Sahibganj, a railway junction, and a government contract to unload grain from ships in Calcutta. Some of its original businesses, such as the railway contract, the bullock caravans, and labour contract were in decline in the 1870s, and Bird needed to reinvent itself. In two major steps taken in 1874 and 1875, the Birds acquired Oriental Jute Company's assets and took

[59] Godfrey Harrison, *Bird and Company of Calcutta*, no place, 1964.

over the managing agency from one McAllister, and also took over a coal mine, coincidentally from the same McAllister.

The entry of Bird happened during a time when banking was still limited, capital market non-existent, and laws not clearly set out. They were not the only firm that made the move from commerce to industry by taking over the assets of an earlier generation entrepreneur. But even that did not save them from financial trouble. Though a great deal of the background to these moves remains unknown, it would seem that the Birds were helped in these projects by their few friends in Calcutta, which included the family of Ernest Cable, later head of the firm, and the Dignams of Orr, Dignam, the leading business solicitors of Calcutta. In a little over ten years, Bird had changed from a trading firm to a manufacturing firm, but the changeover was not a complete one. The contract labour business continued, with the result that a number of large government construction projects came their way.

Indigo agency was the source of prosperity for a Calcutta concern that turned industrial, Kilburn. The first partners, C.E. Schoen and E.D. Kilburn, set up a commission agency in silk in 1842, and switched to indigo soon after. Its survival through the worst years of indigo probably owed to an early diversification into cloth, rice, and jute. Cloth came from Liverpool, rice was sent to Australia and jute went from Bengal to Dundee. By 1900, Kilburn was a managing agent for a number of tea estates. McLeod and Company was another partnership engaged in jute agency with Dundee before they established a string of jute mills (1907-12). Shaw Wallace was an importer of Manchester piecegoods, cement, metals, paper, and exporter of hides and skins and raw cotton. Walter Duncan, who started the partnership that was to become Duncan Brothers, a name in tea plantation and jute mills, was originally a tea and jute exporter (after a short stint as an employee of the Bank of Bengal). Robert Mackenzie, partner of William Mackinnon after 1847, was a piecegoods trader in Ghazipur in the 1830s. Between 1847 and 1856, the partnership between them (Mackenzie died in a shipwreck in 1852) was still engaged in merchandising, when Mackinnon started the British India Steam Navigation.[60] Among offbeat cases of traders turning industrial, we should include T.A. Martin of Messrs. Walsh, Lovett & Co, a Birmingham firm that dealt in metals and construction material in South America, opened a branch in Calcutta (1874). Later in the nineteenth century, Martin

[60] J. Forbes Munro, *Maritime Enterprise and Empire: Sir William Mackinnon and His Business Network, 1823-1893*, Woodbridge: Boydell, 2003.

formed a partnership with R.N. Mukherjee to set up the largest engineering firm in Eastern India.

Outside Calcutta, we are more likely to meet industrial firms with a long career in trade, because the Bombay and Madras free merchants escaped the indigo crisis. In Bombay, the country merchant firm started by the Forbes c. 1800 was a long survivor. Charles Forbes began in China trade and shipping, and developed a wide range of partnerships with Parsi shippers and merchants. Forbes also contributed to a singular development, lending money to the government. The first major loan made out by Forbes and Co and Bruce, Fawcett and Co in 1813 is believed to have started a public debt market in western India. The Company had taken loans before from Indian bankers, the Trawadi Arjunji Nathji of Surat being famous among the Company's creditors. Arjunji Nathji financed the Arabian Sea trade in the late eighteenth century when he shrewdly switched to being the Company's banker. In a period of warfare, such moves had political implications. By contrast, the loans made out by a group of merchants were less political in intent. Some of the largest European firms in Bombay in the second half of the century, Greaves, Brady, and Killick, did not originate in trade or industry, but the enterprise of skilled mechanics. They were more akin to the Martin of Calcutta. Around 1880, an American trading firm Stearns Hobart and Co became a part of Bombay's history by being the first company to propose a mass urban transit system (horst-drawn tram). This proposal was the foundation on which the Bombay Electric Supply and Transport Company came up later, who now runs Bombay's buses.[61]

In South India, the famous long survivals were Parry, Finlay, and Binny. Thomas Parry was a general merchant with significant interest in indigo and leather, shipping and banking. He was as famous for business acumen as for his stormy relationship with the Company establishment.[62] Later generations of the firm moved into sugar and coffee production and trade. The eighteenth century Scottish textile merchant James Finlay's son Kirkman developed an export market for his goods in Africa, Europe, the Levant, and eventually America. Late in his life, the firm opened a branch in Bombay to sell Manchester cotton yarn in India, and in the 1830s started

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[61] On the subsequent history of the firm, see William J. Hausman, Peter Hertner, Mira Wilkins, *Global Electrification: Multinational Enterprise and International Finance in the History of Light and Power, 1878–2007*, Cambridge: Cambridge University Press, 2008, p. 108.

[62] G.H. Hodgson, *Thomas Parry: Free Merchant Madras 1768-1824*, Madras: Higginbothams, 1938.

buying cotton from India. In the 1870s, Finlays set up jute mills in Calcutta, and moved into the export of Indian tea to Europe. By 1900, they owned the major part of the area under tea in the Anaimalai and the Nilgiri mountains, which were consolidated under four companies listed in London.[63]

John Binny was a private merchant at the end of the eighteenth century, who changed occupation from seafaring to trading in Madras. The maritime connection was maintained by the firm, and later in the nineteenth century took the form of a handling-agency on behalf of the British India Steam Navigation and the Madras Port Trust. Binny and Co owned boats and barges, took part in coast-to-coast trade, and expanded into caravan trade like Bird had done in north Bihar. However, by 1900, their main businesses were the managing agency of textile mills and banking. McDowell, a former servant of the East India Company, on completing his indenture, set up a wine merchant business in Madras in 1825. Later partners moved into blending spirits, then to blending tobacco, and processing and manufacturing of these two products. McDowell is now the most famous brand among indigenous whiskies in India.

Among the traders who did not join industry at all, there was considerable diversity. Three main types should be distinguished: commodity exporters, produce brokers, and manufactured goods exporters.

European merchants: Commodity exporters, tea brokers, and craft traders

Salomon Volkart, who hailed from a business family in Zurich, was established in Italy as a commodity trader when the partnership with his younger brother started simultaneously in Winterthur and Bombay in 1851. In the same year, Pantia Ralli set up an operation in Calcutta. Turbulent times in Italy were cited as reasons for considering a diversification by Volkart. But he also understood that cotton was a promising line to enter, just as Ralli seemed to shift the axis of his wheat trade away from Odessa and the Mediterranean towards India. Through a string of buying agencies and cotton presses and gins established in the cotton growing districts, Volkart and Ralli established business empires in India.[64] We should also

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[63] See Jones and Wale, 'Merchants as Business Groups' for a study of James Finlay.
[64] George Reinhart, *Volkart Brothers*, Winterthur, 1926; Christof Dejung, 'Bridges to the East: European Merchants and Business Practices in India and China', in Robert Lee, ed.,

mention the Wallace family in this context, whose Bombay Burmah Trading Corporation supplied Burma teak to the Indian railways. They entered India trade in the 1840s, but moved in Burma after being established as a firm between 1858 and 1863.[65]

Grain for export came mainly from the Gangetic plains, and cotton from certain districts in the Deccan. In South India, the Godavari-Krishna coast had a large rice and tobacco export business. This region contained the old seaport Masulipatnam and had been acquired by the East India Company in the eighteenth century, which perhaps accounts for a larger flow of European capital into the area. In the rest of the peninsula, a range of local produce, led by coffee and hides, entered commodity trade. Although Madras was the main hub, a cluster of smaller ports, Tuticorin, Cochin, Calicut and Kakinada, also had the commodity trading system well entrenched. The three elements of the system were branch offices of European mercantile firms, shipping agency, and branches of joint stock banks, and in rare cases, backward integration into factories and plantations. The mercantile firms included Ralli Brothers and Volkart Brothers, and a string of local firms, Gordon Woodroffe, Ripley and Co, Best and Co, Peirce Leslie, and Harrisons and Crosfield.

In Kakinada, two European agents (Simson and Co and Hall, Wilson) of shipping lines owned rice mills and salt factories. Tobacco was processed near Guntur by Barry and Co for export to Burma.[66] Gordon Woodroffe was importer of piecegoods, yarn, metals, sugar and kerosene oil, exporter of coir, shipping agents and marine insurance agents. The South Indian Export Company of Madras, a partnership originally between a DeClermont and a Donner, started as importers of coal from Bengal, but diversified into hides and skins exports. Aspinwall and Co had started in Madras as exporters of groundnut kernels c. 1870, a business that Best and Co took over in 1879. The company was set up as a partnership between A.V. Best Dunlop and John McLintock. The Company was one of the largest exporters of hides and skins from Madras. Peirce Leslie (1859) and Harrisons Crosfield (1911) were prominent on the Malabar coast, in trade and manufacture of a range of local

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Commerce and Culture: NineteenthCentury Business Elites, Farnham: Ashgate, 2011, pp. 93-116.

[65] A. C. Pointon, *The Bombay Burmah Trading Corp. Ltd, 1863–1963*, Southampton: The Millbrook Press, 1964.

[66] F. R. Hemingway, *Madras District Gazetteers: Godavari*, Madras: Government Press, 1915, p. 115.

products (rubber, coffee, tea, cashew, coir, and tiles); the former was also a shipping agent.[67]

The 'produce brokers' were rather more akin to the commission agent in grain trade, except that they also advised the buyer on the quality of the goods sold. The term 'broker' in Indian business history has been used in two distinct meanings, as an agent of trading or manufacturing firm, and an auction coordinator. The tea broker in the present age was an auctioneer and a tea taster. Within a few years after the Company's China monopoly ended, tea auctions began in London and Liverpool. London's Mincing Lane was the main site of the auctions and housed a number of brokerage firms. These firms procured tea from the plantation companies as well as counterpart broker firms in Calcutta. For example, Thomas Cumberledge and Moss, later Thomas Cumberledge and Inskipp, a London broker, appears in the historical accounts of two Indian firms, J. Thomas, the premier broker of Calcutta, and Warren, tea planter group of Assam.

Robert Thomas, Welshman, was born c. 1808, and came to Calcutta in 1833.[68] He formed a series of 'produce broking partnerships' with other European traders. His major interest was indigo, but he also did business in sugar, saltpetre, Manchester cloth, silk, coal, and bullion. J. Thomas almost certainly suffered in the indigo crisis, but seemed to reorganize in the 1860s and the 1870s. By general agreement between planters and traders, the indigo trade subsequently came to be controlled by two broking firms, of which Thomas and Co was one and William Moran and Co, later Carritt-Moran, was another.

From some of the circulars issued jointly by the two firms, it is surmised that the produce broker of Calcutta was not an agent of a principal – whether buyers or the planters. They were not traders themselves. They were organizers of produce auctions on behalf of the planters and a guarantor of quality and fair packaging to the buyers. They were a chain in the wheel of commerce. The auction trade, first in indigo then in tea, continued down to the mid-twentieth century, so that we have surviving oral history account of how it worked. The indigo trading season started in November when samples were sent by planters to the Calcutta warehouse of the firm.

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[67] W.K.M. Langley, *Century in Malabar: The History of Peirce Leslie & Co., Ltd. 1862-1962*, Madras: Peirce Leslie, 1962; Geoffrey Jones and Judith Wale, 'Diversification Strategies of British Trading Companies: Harrisons & Crosfield, c.1900–c.1980', *Business History*, 41(2), 1999, pp. 69-101.

[68] Dipak Roy, *A Hundred and Twenty-Five Years: The Story of J. Thomas and Company*, Calcutta: J. Thomas, 1976(?).

Warehouses then filled up and between December and mid-January several auctions would be held every week. By February the season was over. Buyers were the agents of foreign import firms. The auction process started at 6 am (judged best for ascertaining colour) when the buyers would follow the auctioneer from one warehouse to another, stopping for breakfast with brandy on the firm's account on the way.

Robert Thomas died in 1865, leaving the company in charge of his nephew John Phillips Thomas and possibly partners recruited from the Calcutta indigo trade. During his lifetime, his son Charles had worked briefly for the company before returning to London, though Charles' son and grandson served in Calcutta. In 1866, the firm went bankrupt and restarted as J. Thomas and Company, the name it retains today. The reason for bankruptcy reveals a fundamental problem that beset commodity trade in the presence of a weak banking system. The brokers borrowed short at 3-4 per cent to lend long (commission on sale was 7 per cent), the loans they made out to the planters being tied to the cultivation cycle. A short-term problem in a bank would lead to a call in of trade credit, and to a major financial crisis for its clients. There were clear parallels here between later and earlier banking crises. This is what happened between J. Thomas and the bank Agra and Masterman's in 1866 and the crisis came from the failure of Agra's creditors the London bankers Overend and Gurney.

A few years before Robert's death, the firm had sold its first consignment of tea through the agency of Mackenzie Lyall, a Calcutta broking firm specialist in tea. The partnership suggests that agreements between specialist produce brokers might have been a means to switch between commodities, even though the historian of the firm, a former director, remarked that 'nothing .. your dedicated broker dislikes more than having to split his commission.'[69] It also suggests that for a trading firm, whose reputation built not upon the quantity of sale but the quality of the product sold, switching between commodities was conceivable. Be that as it may, the first tea auctions appear to have been cases of opportunism, for it was not before the late-1870s that tea became the main business of the firm. The diversification occurred at the time that Assam plantations had been expanding rapidly. At the turn of the twentieth century, the firm took over the business of G.W. Hope and Company, gunny brokers. Tea and jute goods sold on the same principle as indigo, by auction to

[69] Roy, *A Hundred and Twenty-Five Years*, p. 15.

agents of foreign buyers. The 15 years before World War I were years of great profits, and these profits continued during the War in both commodities. The broker firms had enough financial power to 'hypothecate' new tea companies. The broker would advance the company large sums of money on the promise of an exclusive contract to sell all their produce with the firm.[70]

The War and the few years after it ended changed the pattern of collaboration within the Calcutta trading world. Until then, J. Thomas was one among many members of the Calcutta Jute Fabric Brokers' Association. The industry and the trade in jute had grown so much so rapidly that it was not possible any more for the broker to keep in touch with individual producers of jute goods. This connection was achieved by a team of 'under-brokers' who, with one or two exceptions, belonged to the Marwari community. Taking advantage of information asymmetry that was rife in jute trade, some of the under-brokers started trading on their own. The brokers association was powerless to stem this trend. Further on, as Indian investment in jute mills began to increase, formal and informal ties between the mill-owners and the erstwhile under-brokers began to form. The European mills rallied behind the general brokers, sought government help to protect their own control over the business, but were losing ground rapidly in the post-Depression world. Although jute remained in the firm's staple activities long after the turmoil, the business of broking had suffered a blow.

J. Thomas, among the many examples of Calcutta firms discussed above, survives today. Its office is in a building that takes its name from that of the locality, and called 'Neel-hat house' or the indigo-market house. Three particular elements of the post-1947 history of the firm are relevant to the continuity. First, in response to changes in Company law, the firm became a private limited company. Second, its jute business was gradually given up. And third, the European partners, who ran the firm or were present in management long after 1947, left in 1972. Until 1963, J. Thomas had a Thomas heading it, though it had never been the typical 'family firm'. The smaller scale and private shareholding surely protected the firm from the takeovers that other Indo-European firms of Calcutta had by then suffered, whereas its roots in the commodities markets also allowed it to 'Indianize' more successfully than some of the other European firms.

[70] Stephanie Jones, *Merchants of the Raj: British Managing Agency Houses in Calcutta Yesterday and Today*, Basingstoke: Macmillan, 1992, pp. 72-4.

A comparable case of long continuity occurs in a rather different context. In the interwar period, a growing export trade in highly skilled craft manufactures was led by European and American firms. In some respects, their style of business is a reminder of the direct contract with producers that was the hallmark of the free merchant era. Madras Handkerchiefs and woolen pile carpets were two exports in which foreign firms had a noticeable presence in the 1920s.[71] In other more local goods, such as Lucknow or Punjab embroidery and inlayed metalwork, European traders were known to exist. All of them were interested in export, a line of work that their Indian counterparts did not engage in. And significantly, many of them found that having an office in Calcutta or Madras was not a big help, they needed to locate in the small towns where carpets, metals, and textiles were manufactured, contracted with the producers mainly in order to monitor the quality of the goods. In the 1920s, two European firms, Beardsell and Brunnschweiller, dominated the Madras Handkerchiefs export trade from the South-eastern coast to West Africa. In north India, a number of European firms had carpets made on contract by master artisans. C.M. Hadow, started in 1888, operated from Srinagar in Kashmir. German Otto Weylandt, possibly the biggest buyer of carpet in Agra, was a multinational firm that owned factories in Punjab and West Asia around 1900.[72] On the Coromandel coast, Eluru carpets were made on contract by the famous Madras export firm Arbuthnot.

The firms were among the few European ones that settled inland. One instance occurs in Mirzapur, a town near Benares. I wish to dwell on this case because the European capitalist heritage of Mirzapur (like the tea broker of Calcutta) continues to the present times. Carpets, probably cotton woven rather than woolen pile, had been made in this area by villagers from before the nineteenth century. The situation of Mirzapur near a big market (Benares), a centre of wool production (Kanpur) and on the main east-west trunk road made it suitable for trade. It is not known exactly when the European traders moved in. The pioneer was reportedly an indigo factor of the area. Around 1880, there were two firms based here, E. Hill and Tellery. Both firms invested money in loom-sheds, arranged to hire expert designers and dyers from Kashmir and Punjab, and invited master artisans to execute contracts in the factory.

[71] See Tirthankar Roy, 'Madras Handkerchiefs in the Interwar Period', *Indian Economic and Social History Review*, 39(2-3), 2002, pp. 285-300; and Roy, *Traditional Industry in the Economy of Colonial India*, Cambridge: Cambridge University Press, 1999; and on personal field trips to the Madras Handkerchief and carpet manufacturing regions in 1994, 1996, and 2012.

[72] *Royal Commission on Labour in India*, II (Part 2) (London, 1931), pp. 89-90.

The work had shifted to woolen knotted carpet, which is what the foreign market wanted. They set up factories in one account because 'the weavers are not sufficiently reliable to be trusted to weave in their own houses'.[73] In turn, the master artisans liked the arrangement because 'the European firms can pay better wages, and give greater continuity of work..'. In 1932, partnerships between F.H. Oakley, F.H. Bowden, and a Taylor, already engaged in buying carpets for export, merged to set up the third European firm, Obeetee Private Limited. Early proceedings of the firm show that loom shed and contract purchases were both resorted to, that there was keen competition between the three firms for good quality work, occasional poaching of skilled artisans, a constant anxiety over quality control, and a growing fear of artisan-entrepreneurs.

E. Hill Indianized soon after independence and closed down, Tellery Indianized possibly in the 1960s and carries on today as a shadow of its former self. But Obeetee did not change management, weathered numerous adversities, and is now possibly the largest and most reputed exporter of Indian carpets to western markets. Surviving the 1950s was a challenge. The firm needed to move from the uncertain trade credit arrangements with its wool supplier, the Kanpur managing agency British India Corporation, to dealing with a proper bank, and also set up stable marketing tie-ups with retailers and warehouses in North America and Germany. The takeover of British India Corporation by an Indian entrepreneur, whose criminal conduct with respect to the company led to a jail sentence, did not help the firm at all. Unusually, the Welsh owner of the firm stayed on in India, and a stable partnership emerged between the Indian and the foreign shareholders. The continuity helped the firm meet the financial and marketing challenges. Today, the business model of the firm would not look dissimilar to what the East India Company followed two hundred years ago, a central warehouse and office that contracts out orders to artisans located in several villages nearby. The difference is that there are no brokers and agents in between, and the warehouse today not only stores carpets, but runs an elaborate system of quality control that centralizes processing, packaging, testing, dyeing, and design development.[74]

Conclusion

[73] *Royal Commission on Labour*, p. 89.

[74] W.J. Oakley, 'History of Obeetee Private Limited', mimeo, 1980, and field notes, September 2012.

Based on the narrative above, I wish to advance four generalizations.

One of the organizing concepts for the paper is 'globalization', which provides a historical context to almost all of the examples cited in the paper. Nineteenth century India witnessed globalization not only in the sense economic historians use the term, that is, an enormous increase in trade, migration, and investment, but also in the sense social theorists use it, a readiness to resettle, relocate, and change one's circumstances by joining cross-cultural transactions.[75] In both these senses, India between 1870 and 1940 took part in the globalization process. One influential strand in Indian economic history has read that participation with reference to a single leading structural process, imperialism or the incorporation of India into a Europe-centred world system.[76] Other strands suggest a less hierarchical conception of globalization, one in which Indian and European firms transacted from positions of mutual advantage, transactions were significant and growing between India and non-European regions, Indian merchants resettled abroad, local conditions shaped the nature of hybrid business firms, and most important of all, the firm, the business group, and the community retained the capacity to make significant change in their conditions and modes of operation.[77] The paper suggests the need to further explore this plural understanding of globalization.

If globalization is one of the organizing concepts for the paper, systematic differences in business organization is another. Despite much mobility among the merchant groups, the commercial world remained segmented in respect of participants and institutions. Foreigners were concentrated in the port city organizing foreign trade and indigenous groups dominated the interior town organizing overland trade in grain, cotton, and hides. The Indian firms relied more on family ties than did the Europeans, who tended to recruit more non-family

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[75] See Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History*, Cambridge, Mass.: MIT Press, 1999; Anthony Giddens, *The Consequences of Modernity*, Stanford: Stanford University Press, 1990; Roland Robertson, 'Mapping the Global Condition: Globalization as the Central Concept', *Theory, Culture, and Society*, 7(1), 1990, pp. 15-30.
[76] On 'incorporation' of India after 1750, Immanuel Wallerstein, 'Incorporation of Indian Subcontinent into Capitalist World-Economy, *Economic and Political Weekly*, 21(4), 1986, pp. PE28 -39. Indigenous merchant groups, in another account, could carry on by having 'survived the onslaught of foreign conquest or [managing] to carve out a niche for themselves as collaborators of the metropolitan power', A.K. Bagchi, 'Colonialism and the Nature of 'Capitalist' Enterprise in India', *Economic and Political Weekly*, 23(31), 1988, PE38-50.
[77] See also, Christof Dejung and Niels P. Petersson, eds., *The Foundations of Worldwide Economic Integration: Power, Institutions, and Global Markets, 850-1930*, Cambridge: Cambridge University Press, 2013.

partners. The segmentation was neither absolute nor fixed forever. There were many examples of convergence. The railways had bridged the gap between the land and the sea to some extent. Interior merchants were migrating to the seaports, and some expatriate firms expanded inland. Carpets, cotton gins, grain trade, and tannery furnish examples of the latter. Nevertheless, between the two spheres of trade, market transactions were more common than partnerships. Furthermore, the segmentation made European traders much more diverse than we may imagine. The managing agents in twentieth century Calcutta, especially the class that I have called 'born-industrial', were far removed from the rice mill owner operating in Coromandel or the carpet exporter of Mirzapur. The difference between them was not only one of scale but also in the drive to engage in local society and with other traders.

The third proposition concerns the sources of differentiation in business organization. Here we can make fruitful use of transaction and information cost concepts, which have found useful applications in the history of multinational firms in particular.[78] The expatriate firms tended to use formal partnerships more often than did the Indian firms. The expatriates were short of personnel they could communicate with and trust, and therefore, they needed, more than the Indians did, to make unorthodox choices about managers. The prevalence of family or community among the Indians was not just a survival of tradition. Community ties were at times reinvented (as with the Marwaris of Calcutta) to achieve trust and cohesion among mobile merchants. The institutional difference derived from another major type of transaction cost, the risk of credit default. In the port city, the money market was well-developed in the twentieth century; there were many joint stock banks. Capital transactions were market based. The banks and prospective shareholders required their clients to be firms of a standard legal type rather than being kinship groups or the legal fiction of the 'Hindu undivided family'. Joining the money market, therefore, required the trading firm to acquire a degree of formal identity. Information flowed through more public channels. In overland and agricultural trade, by contrast, there were very few banks, and those that did exist would not lend to the peasants. Money was exceedingly scarce, interest rates were many times the average for comparable loans in Europe, and the market was segmented by variable default risks. In 1929, an inland banker of Bihar charged 9-12 per cent for loans to a

[78] Jones, *Merchants to Multinationals*, Ch. 1.

relative, 18 for loan to a merchant, 24 for loan to a landlord, and 38 per cent for loan to a peasant.[79] Traders, in this world, needed to become lenders, credit was integrated in sale transactions, and in order to keep defaults and contract failure in check, merchant-bankers preferred to deal with people they knew personally. Here the community and joint family ruled unchallenged.[80]

Fourth, this reading of commercialization in colonial India helps us rethink developments after 1947. Foreign enterprise in trading more or less withdrew from India in the next thirty years. The retreat is seen as a sign of their failure to adapt. One recent study, for example, reads the decline as a failure of the European managing agencies to change preference for racial exclusivity in top management.[81] This explanation, while correct, overlooks the fact that the syndrome was a general one, and led to the sale, closure and exit of many foreign trading firms and quite a few domestic firms as well. A more likely explanation is that the retreat reflected a change in the very context of commercial enterprise, especially, the end of globalization and the deliberate withdrawal of India from the world market.

The Great Depression had already weakened many export firms in India. The Partition of India in 1947 was a further blow to many groups. Supplies of raw materials for jute and paper industries, procured from what became East Pakistan, stopped. Shipping lines could not ply between Pakistan and India. For river steamers in Bengal, the new border was disastrous news. Only the tea traders and producers came out somewhat unscathed. But even such a shock as this one would not explain why the majority of the foreign firms decided that the 'easy days were over' and the time had come to 'abandon the fight and return home'.[82] In the next 15-20 years, Europeans sold their firms or lost control of them, Indianized management too quickly for comfort, and stopped growing. It is a well-known fact that the European business groups in India were satisfied with a small controlling stake in the manufacturing firms while retaining control over them by means of the managing agency contract, interlocked directorships, and debt transactions.[83] In shareholding pattern, therefore, there had always been Indian participation. After 1947, this feature induced predatory takeover attempts.

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[79] Ibid., Allahabad, p. 320.
[80] Dejung, 'Bridges to the East', in an analysis of Volkart's operations in China, explains the reliance on agents with reference to costs of credit operations.
[81] Misra, *Business and Politics*.
[82] Jones, *Merchants of the Raj*, pp. 156, 100.
[83] Jones, *Merchants to Multinationals*, on 'Business Groups'.

There was also a major shift in policy. According to the testimony of many insiders, the mass departure of expatriates owed to the barely restrained hostility of the Indian state to the old style foreign firms.[84] Attitudes apart, the obstacle was the Indian government's decision to undermine the three planks that had sustained commercial accumulation so far, namely, commodity export, global firms, and private banking-cum-moneylending. In the new tariff regime, investment cost sharply increased in businesses that relied on imported equipment, including tea. Exports suffered in jute and tea. The trade-GDP ratio fell to a third of what it was (1970 compared with 1920). Foreign firms were squeezed from two ends; they lost their foothold in export trade whereas they never had a foothold in inland trade. Commodity trade was partially nationalized and commodity export in the private sector was practically banned. Banks were nationalized in 1969, foreign investment progressively restricted, exchange control and high taxes drove many multinationals away, and private rural lending was replaced by state-backed cooperatives. In the new ideological setup, every episode of inflation saw commodity traders and moneylenders being demonized.

By 1970 much of the institutional and ideological foundation of the old trading order had withered away. True, the government had also succeeded at the same time in initiating industrialization, avoided major food crises thanks to its hold on the grain trade, and had sharply raised investment and economic growth rates. Critics point out, however, that all this was funded by the taxpayer's money rather than commercial profits, involved waste and inefficiency, and slowed down capital accumulation in commodity trade. The survival of colonial-era trading firms in this context (two examples are described) was a truly rare phenomenon.

[84] Ibid.