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Indian Entrepreneurship in Historical Perspective

A Re-interpretation

Dwijendra Tripathi

Although, in theory, the entrepreneur as the organiser of the factors of production has been recognised as the central figure in economic development, scholars of Indian economic history have tended to ignore this element in their studies. The tendency has been to stress the sociological factors such as caste or religion or to blame the policies of the British government for the backwardness of the country. The contention of this paper is that this approach, while it provides useful insights, gives a lopsided explanation, and that a new line of inquiry would suggest a re-evaluation of the development of Indian entrepreneurship.

Empirical data points to the fact that cultural and religious forms are re-interpreted in real life under the weight of changes in the material environment. The so-called Hindu value system transformed itself to permit the entry of non-business classes into industrial ventures, when the new economic opportunities were perceived and grasped by these classes.

Indeed, if entrepreneurship is the response to the disequilibrium between the perceptible opportunities and their exploitation at any point of time, then a study of the constellation of forces which led to the perception of new opportunities by certain sections of society, might yield more satisfactory results.

IT is now widely recognised that entrepreneurial initiative is one of the principal elements in the economic growth of a society. The entrepreneur, as the organiser of the factors of production, may be regarded, as the central figure in economic development. Scholars of Indian economic history, however, have either ignored this element in their studies or paid very little attention to it. The major studies in the field, following the lead given by Max Weber, have either stressed sociological factors like caste and religion to explain the economic backwardness of India, or blamed the policies of the British government. These approaches, while useful, have presented a one-sided picture. The purpose of this paper is not to complete the picture or to come to any definitive conclusion, but to emphasise the need for a new line of inquiry which may suggest a re-evaluation of the development of Indian entrepreneurship.

The problem of definition presents an obvious difficulty in a study of entrepreneurship. In spite of the growth of a vast literature on the subject in the past few decades, the concepts of entrepreneur and entrepreneurship have remained vague and hazy. However, major definitional controversies have centred around the rise of the corporate economy in which the figure of an individual entrepreneur is almost untraceable. Since such an economy hardly existed in the period with which we will be dealing, it would do to accept for our purpose the classical definition which emphasises capacity to perceive new economic opportunities and take appropriate action to exploit them, as the hallmarks of entrepreneurial behaviour. Edwin F Gay's stress, on the "disruptive innovative energy" which breaks the "cake of custom" at a given point in the "rhythm of history", probably still constitutes the lowest common denominator in all the definitions.

Occupational immobility in Indian society was one of the hardest cakes of custom. In the long rhythm of Indian history, it would be difficult, without intensive research, to spot the propitious moments when this cake was soft enough to be broken. Whatever little we know of the economic institutions and activities in ancient and mediaeval India suggests that the occupational division, sanctified by the caste system among the Hindus, remained more or less intact. We do not have any substantial evidence to suggest any major innovation in the field of agriculture or any other sector of the economy. Social and occupational mobility, which was much easier during the early days, became increasingly difficult. As a result, commercial activities became a monopoly of the Vaishya section. There is nothing to suggest that members of the other three Hindu Varnas — the Brahmana, the Kshatriya and the Shudra — ever became interested in trade and commerce even when India had extensive commercial intercourse with many parts of the world, particularly with the countries of South-East Asia.

The beginning of European commercial enterprise in India in 1600 did not disturb to any substantial degree the occupational basis of Indian society, nor did it effect any qualitative change in the activities of the commercial classes. By all accounts, the demand for Indian goods in Europe was great in the 17th century, and the exploits of the East Indian companies, particularly the English, further augmented these demands. Since the demand for European goods in India was limited, the balance of trade always remained in favour of India. In spite of the restrictions imposed by several European governments against the export of bullion from their respective countries, these companies had to import treasures into India to finance their operations. The fact that the British government had to revise its customs regulations twice in 20 years — once in 1700 and then in 1720 — to discourage the use of Indian textile goods in Britain, testifies to the fact that the activities of the Europeans resulted in net economic gain to India, at least up to 1757 when the British occupied a part of Bengal.

A large portion of these gains went to the mercantile classes. The weavers, who used to manufacture the textile goods in which the Europeans were mainly interested, were too poor to finance their operations. For capital, they depended on the mercantile communities who advanced funds under a system of contract which precluded any marginal profit accruing to the manufacturers. The mercantile communities, it appears, used their gains to finance their traditional activities, viz., trade and money-lending. More empirical studies would be necessary to confirm this impression, but we have some data which lend support to
the view.

Virji Vora was a 17th century merchant prince of Surat, Gujarat. He had enormous liquid capital and dealt in goods of various descriptions. His mercantile operations were spread far and wide. Whenever the English East India Company needed loans, it approached Vora who would gladly advance funds at exorbitant rates of interest. His position in the market was unassailable, but there is nothing to suggest that the enormous profits he earned were utilised either for diversification or manufacturing. Our information on the House of Malayas of Pulicut, in the present State of Tamil Nadu, is more limited. But it appears that the Malayas, who came into prominence a little later, also limited themselves to the kind of activities in which the Surat merchant prince was interested. The Jagat Seths, who flourished in the early half of the 18th century in the eastern part of India, depended mainly on money-lending and amassed a huge wealth. They supported the English in their economic and political activities and were a decisive factor in the turn of events which gave Bengal to the British in 1757. The Seths were the collectors of revenue to the Nawab of Bengal during the pre-Plassey days. And they lent their support to the British probably without realising that the emergence of the British as a territorial power would end their main source of profit.6

These, and similar, data seem to point to the conclusion that the traditional mercantile classes dominated the business and commercial activities almost till the onset of the 19th century, that they introduced no qualitative change in the business practices of their forefathers, and that they remained wedded to liquidity preference.6 Also there is no evidence to suggest that occupational division, sanctioned by the caste system, underwent any change.

Max Weber, and later writers following his line of reasoning, have explained this phenomenon by pointing to the so-called negative elements in the Hindu value system. The Weberian approach presupposes that (i) there is a single system of Hindu values, (ii) that this was all-pervasive and influenced the behaviour and values of the followers of other Indian religions including Islam, (iii) that the Indian community internalised these values and translated them into day-to-day behaviour and (iv) that these values remained immune to, and insulated against, external pressure and change.7 However, it is difficult to identify a single Hindu value system. Hinduism, as a matter of fact, is a collective name for so many sects and sub-sects, embracing so many beliefs—sometimes contradictory and sometimes complementary—that the Hindu value system, as a frame of reference, is neither meaningful nor convenient. Expressions like 'spiritualism' and 'other wordliness' to signify the essence of Hinduism do injustice to Hinduism by ignoring the materialist content of it (after all, ancient scriptures place equal stress on dharma, artha, kama, and moksha), and to the other religions including Christianity by implying that they lack spiritual values. Again, it is doubtful, whether the Hindu influence was so powerful and pervasive; even if it was, one might at least expect that Jain ethics, according to Weber, approximated Pravachan ethics would have instilled among the Jains a spirit of enterprise. A study of whether the success of the Jain businessmen preceded or followed their conversion to the new faith may throw some light on Weber's interpretation. One thing is certain: Jainism, with its stress on aparigraha (non-attachment), ahimsa (non-violence), aasteya (non-stealing), and brahmacharya (desirelessness for sensuous pleasure), is neither as ascetic nor less other-worldly than Hinduism. The fact that the business behaviour of the Jains in India was at variance with the essence of their faith might indicate that they did not practise the values which Jainism stressed. As a matter of fact, the behaviour of businessmen throughout the world justifies the impression that their business ethics and values do not necessarily conform to their personal ethics or religious values. In most cases there is a contradiction between the business ethics and the personal ethics of businessmen.

This was certainly true of the mediæval Indian businessmen about whom we have data. The ruthless business practices of the Jain Virji Vora, Jagat Seths, and Hindu Malaya, would find little support in their religious values. The European travellers have testified that Indian merchants were as shrewd as the devil, that they possessed in plenty business acumen and judgment, and that they were not inferior in any respect to their Western counterparts including the Jews.8 Their practices and attitudes find sanction neither in Hinduism nor in Jainism. Obviously, these men, while clinging to religious rituals in their personal lives either deviated from the spirit of their faiths or interpreted them anew to suit their business practices and activities. In other words, there was substantial difference between the formal expression of ideas as contained in the scriptures and the practices of these men. This may also be true for the rest of the society. Thus, if the behaviour of the mercantile communities was not very entrepreneurial in the modern sense, and the non-mercantile communities did not break the occupational barriers as imposed by the caste system and sanctified in the scriptures, the explanation must lie, not so much in the religious and cultural factors, as in some other factor.

Easterbrook's concept of the 'climate of enterprise' offers a clue to this factor.9 Such a climate can be explained more in terms of the material environment than in terms of religious and cultural factors. Environmental changes in a society may force reinterpretations and organisation of religious and cultural beliefs. This is exactly what happened in Japan and in Western societies of today, wedded as they were to religions which, after all, were neither less other-worldly nor less spiritualistic than Hinduism.

Was this material environment in pre-1800 India conducive to the growth of entrepreneurial behaviour, or, to use Easterbrook's phrase again, did the climate for enterprise exist?

The lack of political unity has always been the bane of Indian history. Morris's phrase, "from chaos to chaos in three generations", may be a little too strong, but his basic observation that, at no time in Indian history, over any large region, did political unity survive, for more than a century or a half, is substantially correct.10 Whether the short-lived imperial unities led to any qualitative and quantitative change in economic behaviour, is a matter of more intensive research; but our present knowledge suggests that they did not. For, political unity is not enough for entrepreneurial spurt. An effective communications system is an obvious prerequisite, and India lacked it. The pre-British rulers did build some roads, but they were mainly for military purposes, and modes of transport remained primitive and slow. Movement of goods and people was thus never very secure, and conditions became worse during the later Moghuls, partly as a result of the frequent Maratha raids (particularly in western and central-south India), and the rise of the Pindaris and the
Thugs.

Another disincentive to movement was a network of customs barriers. According to Moreland, these barriers—chowkies, as they were called—existed in 1600 and later. Most likely, they existed even earlier. As a result, the cost of transportation over a distance of 200 or 300 miles doubled the price of the commodity. The harassing and corrupt practices of the customs authorities added to the trials and tribulations of the situation.

The existence of innumerable systems of currency was yet another adverse factor. At the turn of the 19th century, there were about 1,000 currencies in circulation in India—probably legacies of frequent political fragmentation. Some of these depreciated in value every two or three years and, in the absence of any effective and clearcut system of exchange, bankers and money-lenders fixed their own arbitrary exchange rates. True, there was a system of Hundi, the time honoured system of remitting money, but this must have offered little protection against the frequently fluctuating exchange rates, and certainly involved heavy remittance charges.

These political and economic factors led to the development of regional markets—each limited to 200-300 miles—and the so-called village self-sufficient economy. Both were detrimental to the growth of any large-scale commercial undertaking. But even the regional markets were plagued by unpredictable and arbitrary interference by the political authorities. Since far-flung regions were hard to govern from the seat of the imperial government, their governors were left relatively free in matters of administration. Some of these governors, particularly in the 17th and the 18th centuries, were interested in their own commercial enterprises and, on several occasions in many coastal cities, without any prior notice they monopolised for themselves the trade in certain profitable commodities.

While these factors reduced investment opportunities, the taxation policy affected generation of capital. It is difficult to generalise about the Hindu taxation structure in the absence of more reliable data, but taxation under the Moghul system amounted to nearly half the produce of the land. A large part of the taxes, spent on the palace luxuries, were lost for productive purposes. Heavy taxation coupled with the low yield of Indian agriculture brought cultivation to the subsistence level. The ability of the community to invest was very low indeed. Accounts by foreign travellers depict a grim picture of the poverty of the Indian masses.

Two more factors of relatively less importance must be mentioned. First, the religious system of education which prevailed through the 1800s emphasised the importance of a man's calling. Commenting on Hindu education in about 1000 A D, Al-Beruni said that the Hindu people kept themselves aloof from the outer world and were ignorant of the arts and sciences of the West. The situation was still the same 800 years later. The educational system reinforced the occupational structure as it was sanctified in the caste system. Secondly, business was held in low esteem in India throughout the period. Kautilya's belief that a businessman was a thief but was not called so, seemed to have become a commonly held view in later years.

The above description of the material environment in pre-British India, is rather generalised. The state of a society over such a long span of time cannot be compressed in a few paragraphs anyway, and any generalisation about such a complex society as India could be misleading. It is quite possible that intensive researches in regional or local history would indicate variations and it is not suggested that all these factors existed in all parts of India or at every single period of history. Allowing for such variations, however, the conditions described here would approximate the picture of the climate which conditioned and influenced business behaviour in pre-1800 India.

Obviously, the climate was not very favourable. It will be agreed that a weak economic infrastructure, like the one that prevailed in pre-1800 India, was capable of offering little or no inducement for a major entrepreneurial breakthrough, to those who were already in business. Again, it was not tempting enough for non-commercial classes to give up their traditional professions. Probably, it would be fair to say that the business castes under the prevailing conditions had pre-empted the business opportunities that could be perceived. According to McClelland, entrepreneurial response, as distinct from adventure or gambling, consists in moderate risk engendered by a combination of achievement motivation and expectancy of reward. It is the low expectancy of reward, more than anything else, which explains the business behaviour and occupational structure in pre-British India. In other words, there was a rough equilibrium between the perceivable opportunities, on one hand, and business behaviour and occupational division, on the other.

In the mean time, however, India's contact with the Western world was disturbing this equilibrium, slowly and gradually. There were two major factors: (i) the commercial activities of the Europeans in India, particularly the British who soon overshadowed the others, and (ii) the changes in the material environment wrought by British rule.

European companies for Indian trade came to be established after 1600 A D. In the beginning, their fields of operation and their contact with the native population were limited, and their familiarity with the country was slim. Lack of purchasing power plagued their operations. These conditions naturally reduced their ability to have any major impact on the behaviour of Indian businessmen. The British occupation of Bengal, however, changed the situation. For one thing, it facilitated the operations of British free merchants, and the entry of the company's servants into mercantile activities. In other words, beginning with the Battle of Plassey, business horizons of the British expanded with the expansion of British rule in India. Their methods were dubious, exploitative, and arbitrary; but there is no doubt that the British displayed greater aggressiveness, drive, and imagination in their business tactics—perhaps because the British environment in which they had grown up had endowed them with a superior entrepreneurial initiative.

Whether the East India Company played any innovative role is debatable; but the agency houses certainly did. These houses were established in the presidency cities of Calcutta, Bombay, and Madras, during the last decades of the 18th century as adjuncts of British firms in London—either by the free merchants or by the servants of the company who resigned their positions to engage in agency business. The original purpose of these establishments was to facilitate remittances of money to England by Englishmen residing in India. But since this in itself would yield little profit, these houses entered trade and commerce, and added new lines such as European banking and steamshipping. The number of such houses increased, and their activities expanded after the East India Company lost its monopoly of the Indian trade in 1813. In the wake of the Industrial Revolution in Britain, the
agency houses and the free merchants opened up new vistas for business by indicating that India had vast untapped natural resources waiting for exploitation. They financed and promoted indigo plantations, participated in the risky business of coal mining, established leather manufacturing, and at least one Englishman wrestled unsuccessfully with the impossible task of steel-making in Madras.

Admittedly, the demonstration effect alone has limited value for generating an entrepreneurial spurt, but the impact of the superior business outlook of the foreigners on the Indians must be analysed in the context of the material changes that were simultaneously taking place. Among these, were the beginnings of secular education and spread of Western ideas. Although a formal declaration introducing English education was not made until 1835, the process of secularisation had been initiated at the end of the 18th century. By 1830, the effect of the Western ideas and new education was noticeable, at least in Bengal. The tight grip of religious and traditional ideas and practices became loose, and dogmas and superstitions lost the hold they had earlier. In a sense, a new 'Protestant ethic' began to emerge which reflected itself in the establishment of the 'Brahmo-Samaj' in the cultural field. In the economic field, it encouraged the non-commercial classes to look at the opportunities for gain more sympathetically and meaningfully.

Viewed in this light, the business activities of Dwarkanath Tagore, a Brahman, would appear to lie in the logic of history. Tagore had great sympathy for Western ideas and culture. He welcomed British rule as a great blessing. He was a supporter of the Brahmo-Samaj movement. After the fall of the agency houses in Bengal, as a result of the depression of 1829, Tagore proceeded to fill the vacuum. He founded the Carr Tagore Company jointly with William Carr, an Englishman, to participate in the same kind of activities which had remained in the hands of the agency houses. He established a bank, a steamer company, and a colliery, and promoted a host of minor ventures. Tagore belonged to a big landlord family, and it is possible that the permanent settlement, introduced in Bengal during the closing decades of the 18th century, had improved his financial position and enabled him to promote his business ventures.

According to Tagore's biographer, Dwarkanath was the first high-caste Hindu to enter business. Another member of the Tagore family, Prasanna Kumar Tagore, a Director of the Union Bank, and another Brahman, Radha Madhab Banerjee, also appears on the list. Proper data about two other businessmen, Ramdulal Dey and Muthyalal Seal, are not available. But one thing is certain: between 1834 and 1847, a host of partnership ventures were started jointly by Bengalis and Englishmen—an entirely new phenomenon in Indian business life—of which Carr Tagore, Union Bank, Oswald Seal, and Rustomy Turner were the more prominent ones. It is also certain that, those who participated in these ventures were ideologically and culturally close to the English—either by personal contact or by education. Probably safe in their traditional lines of money-lending and trade, the traditional business classes, with little contact with new values, refrained from entering the more challenging fields. The Indo-British partnerships disappeared in 1847 as a result of mismanagement, their but first appearance was certainly a break-through in the Indian entrepreneurial pattern. These partnerships remained confined to the lines made relatively familiar by the agency houses or free merchants. Their attitude to unfamiliar or riskier ventures was one of caution. Tea plantation is one such instance. The officials of the English East India Company had begun the search for tea plants in the Assam hills in the 1820s. In the early 1830s, the company established tea gardens in Assam to demonstrate the capability of India to produce tea and with the declared intention that the gardens would be handed over to private enterprise in due course. In 1837, the company was ready to fulfill this promise, but Bengali businessmen felt reluctant to take advantage. Dwarkanath Tagore and a few of his associates made some attempts to form the Bengal Tea Association, but uncertain about the future they gladly stepped aside when some Englishmen established the Assam Company in 1838 in London to exploit the tea resources of Assam. It was thus left to the Assam Company, whose determination for success survived many frustrations and enormous losses for almost 20 years, to establish the plantation on a sound footing. Likewise, coffee plantations and jute manufacturing were developed almost entirely by British enterprise.

Not in all cases did the founders of British enterprises in India have access to sufficient capital. As a matter of fact, most of them were people of moderate or humble means, and a large number of firms which later developed into huge empires had humble beginnings. Their success, however, was the result of two major factors: (1) the use of superior British technology, and (2) their managerial skills which were reflected in their success in floating one enterprise after another by ploughing back profits and in co-operation with other ambitious individuals. In the process of doing the latter, they developed, if not originated, an almost unique system of business management—the managing agency system.

Thus the activities of the British entrepreneurs in India pointed to increasing business opportunities, gave the Indians a form of corporate management, brought them face-to-face with superior technology, and contributed to their capacity to borrow it by ensuring the availability of personnel to handle the new machines.

Material environment, in the mean time, changed further. During the 19th century the spread of Western ideas and secularisation of education made considerable progress and led India from the mediaeval to modern age. The critical and questioning attitude toward religion and society, which in the 1830s had brought new entrepreneurs to the fore in Bengal, touched the western parts of India after 1840, and manifested itself in the establishment of the 'Prarthana Samaj' and, a little later, the 'Arya Samaj'. Both these were reformist sects like the Brahmo Samaj in Bengal. During the same period, political unity and stability was more firmly established, the irksome custom barriers were abolished, security of movement was improved as a result of the curtailment of the Thugs and the Pindaris, and a unified currency for the entire British dominion came into existence. During the latter half of the 19th century, the establishment of the post and telegraph system and the construction of roads and railways considerably improved transport.

These changes served to expand the market and, with that, the horizons of business. However, the Bengalis who had burnt their fingers in early partnerships remained cautious and Indians in other parts, still inexperienced in industrial ventures, refrained from entering those fields which the British had monopolised— the plantation and extrac-

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tive industries. With large and well-developed industries at home, the British were probably not interested in cotton textiles and steel and it was in these fields that the emerging Indian entrepreneurial spirit manifested itself.

The first cotton textile mill, as is well known, was established in 1851 by a Parsee, Cowajee Nanabhoy Davar, in the fast developing city of Bombay. He imported machinery and technicians from Lancashire and entrusted management to his own managing agency firm. Although many in Bombay seemed doubtful about the future of Davar’s venture, the Bombay Cotton Spinning and Weaving Mill became an instant success, and the patterns under which it developed became the model for the establishment and management of new mills. In spite of adverse circumstances, opposition from the Manchester lobby in Britain, and unfriendly governmental policies, the Indian cotton textile industry made enormous progress and was firmly established by 1875, primarily in response to external demands in eastern markets and rising internal consumption of cotton goods. Although others entered the Bombay cotton textile industry, the pioneering role was undoubtedly played by the Parsees.

Again, this community played a pioneering role in the development of iron and steel. J N Tata was attracted to the field as early as the last quarter of the 19th century, in spite of the failure of many an early effort. How Tata was hampered by irksome and complicated prospective laws, how he later won the support and encouragement of the British government, how he recruited his technicians and imported his machinery from the United States, and how his efforts finally fructified in the establishment of Tata Iron and Steel in the early years of the present century, is well known. Tata, by any standard, was a towering entrepreneur whose vision and imagination, determination and perseverance, and faith and trust in his own ability and mission, survived many a frustration and many a failure.

To attribute Parsee entrepreneurship to religion would be misleading; for, the pioneer of the Ahmedabad textile industry, the second largest in the country, was a Brahman — Ranchhodlal Chhotalal. Born in Nagar Brahman family, who were the first to come under the impact of Western ideas in Gujarat. Ranchhodlal was educated in Sanskrit, English, and Persian. As a civil servant, he came into close contact with Englishmen. A few years before Davar floated his company in Bombay, the possibility of starting a mill in Ahmedabad attracted Ranchhodlal’s attention and he carried on extensive correspondence with several Englishmen and an American at Broach. Hampered by the lack of capital, however, he had to wait for more than a decade before he could establish his mill company in 1861. Bechardas Laskarni, who followed Ranchhodlal in establishing cotton mills in Ahmedabad, was Kunbi, a landholding community. Other non-Vaishya Gujaratis who entered modern industrial ventures included N M Tripathi, who founded a publishing firm after his own name. In other parts of India, Rajendra Nath Mookerjee, a Brahman, played a leading role in promoting Martin Burn, which eventually took possession of the iron works of Bengal government and later developed into a reputable engineering firm. In Maharashtra, a few years later, Laxman Rao Kirloskar, a Brahman, with technical educational background, founded a company for the manufacture of agricultural machines.

Not religion but exposure to new ideas and values was the common factor between the Parsees and these Hindu entrepreneurs. The Parsees, from the very beginning, were close to the British as their middlemen. They adopted their ways of life and imbibed their culture. Business had been their traditional occupation, but the contact with the new ideas and new business techniques led them to appreciate the significance of the changing environment and emerging opportunities. The same was true of the Hindu entrepreneurs, although business was a new experience for them. In most of these cases, while moving away from their traditional occupation, they retained their traditional ways and rituals in their personal lives. Neither they nor their contemporaries found any contradiction between their personal faith and their occupation.

Educational and environmental factors may also explain the behaviour of the Vaishyas and the Jains who lagged behind the entrepreneurial initiative throughout the 19th century. The Jains and the Vaishyas of Ahmedabad and Baroda refused to have anything to do with the cotton industry when the Brahman pioneer approached them for money. The Jains actually entered the textile field only after its profitability had been established. The Marwaris, who had a strong hold on the money market of Calcutta, remained confined to their trade and money-lending and so was the case with the Chettiers in south India. Late in taking advantage of the new educational facilities and late in coming into contact with new ideas, these classes needed greater inducements to grasp the significance of the changing business horizons. It was the First World War and the conditions following it that offered them these inducements. The War stopped imports of several essential commodities and created huge internal demands. Indian industrialists reaped large profits. After the War, the government changed its free-trade policy to offer discriminatory protection to Indian industries. The currency situation, which was fluid and uncertain during the closing year of the 19th century and the beginning of the 20th century, became stable at last. The Swadeshi movement gave a new upsurge to the demand for Indian goods. All this augured well for industrial ventures and the Vaishyas, the Jains, the Marwaris, and the Chettiers, with enormous capital at their disposal, entered the field with a bang. Some of the famous business houses of today, the Birlas, the Dalnias, the Goenkas, Juggalal Kemalapati, Walchand Hirachand, really developed during the inter-War years. They entered sugar, cement, textiles, construction, chemicals, newspapers and publishing, and a host of other fields. Some of these later entrepreneurs took greater risks than would seem justified during those days. Walchand’s efforts to develop shipping in competition with formidable British lines and to establish an automobile industry fall in this category. Simultaneously, non-Vaishya ventures continued to be established. Gujaratis of all castes started a host of firms, and, far down in the south, the Seshasayees, Brahman by caste, established their famous and reputable business of electrical engineering.

The infrastructural changes, and more particularly the demands for indigenous products created in the wake of the Second World War, led to the perception of new opportunities. Consequently, by the time India attained freedom, religious inhibitions against business activities had been considerably weakened, the backbone of occupational immobility had been broken, and the outlook of the so-called business communities had broadened. India, thus, was ready for a new leap forward into entrepreneurship.

The new confidence which Indepen-
idence generated, the facilities which the national government provided for indigenous ventures, and the qualitative changes which the planned economy brought about gave a further push to entrepreneurial upsurge. It is noteworthy that, notwithstanding its bitter complaints against the governmental policies, the private sector made considerable progress in the year after Independence. While the established business groups responded to the new opportunities by diversifying their activities and entering into foreign collaboration to exploit the relatively less familiar fields, others, till then little interested in such activities, began to make forays into business undertakings of diverse nature. Several researchers related with different regions of India have indicated that during the post-Freedom era, entrepreneurial class transcended, more convincingly than ever, the caste and class barriers.

Thus, under the weight of the changes in the material environment, the so-called Hindu value system transformed itself to permit the entry of non-business classes into industrial ventures. Hinduism was not, as the Weberian approach would have us believe, immune to external influences, nor had the Indians internalised its value system to such an extent as to withstand the pressure of profitable opportunities which emerged in the wake of material changes. The rituals remained intact, but the behaviour changed significantly.

Thus, the available empirical data points to the fallacy of overemphasis on the religious and cultural values and social organisation in the study of entrepreneurial development in India. A careful probe into the composition of Indian business and of the varied forces which impinged on decision-making at various stages, may lead to a significant revision of existing views. These forces may consist of an interaction of the ever-changing economic, political, and social environment on one hand, and personal influences of caste, family affiliation, nature and level of education, contact with and impact of the activities of others on individual decision-makers, on the other. If entrepreneurship is a response to disequilibrium between the perceivable opportunities and their exploitation, a study of the constellation of forces which led to the perception of new opportunities may yield more satisfactory results.

Notes
6 According to a competent authority, both exaggerated expectation and liquidity preference hindered the development of entrepreneurial activities. See A O Hirschman, 'The Strategy of Economic Development' New Haven, 1958, pp 20-91.
7 For a critique of the Weberian approach see, Morris D Morris, 'Values as an Obstacle to Economic Growth in South Asia: A Historical Survey', Journal of Economic History, XXVIII, Number 4 (December 1967), pp 588-590; also Hemlata Acharya, 'Creative Res-

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For a general description of the methods of Indian businessmen see Moreland, 'From Akbar to Aurangzeb', pp 145-155; S A Khan, 'Indian Merchants and Their Trading Methods: Circa 1700', Indian Economic and Social History Review, III, Number 1, March 1966, pp 85-95.


There is a good discussion on communication system and exchanges in Tarashanak Banerjee, "Internal Market of India 1834-1900", Calcutta, 1966, pp 1-52; for currency chaos see K N S Nambudripad, 'A Short History of Indian Currency', Poona, 1953, pp 1-15; Also Moreland, 'From Akbar to Aurangzeb', pp 145-155.

For a discussion on the Mogul tax structure, see D Pant, "The Commercial Policy of the Moghul Empire", for the poverty of the Indian masses, Tara Chand, 'Society and the State in the Moghul Period', New Delhi, 1962.


As late as the close of the 19th century, there was a proverb popular in Rajasthanch that said the Jana Banha drank filtered water
while sucking unfiltered blood of the poet. The proverb gives an idea of the picturesque image of businessmen in India.


18 Majumdar et al (editors) "British Paramounty and Indian Renaissace", Part II, pp 51-70.


23 The origin of the managing agency system is a matter of controversy. While most writers on the subject trace it to the British enterprize, Blair B Kling holds that Carr Tagore was the first example of a managing agency firm. In a recent study Radhey Shyam Rungta has tried, somewhat unconvin- ingly, to connect the early insurance companies with the managing agency system. For a detailed discussion, see S Lokathanath, "Industrial Organisation in India", London, 1935; Raj K Nigam, "Managing Agencies in India", Delhi, 1943; S Mokherjee, "The Managing Agency System", Calcutta, 1858; Radclyffe Shyam Rungta, "Rise of Business Corporations in India 1850-1900", Delhi, 1970; Vira Anstey, "Economic Development of India", London, 1924; Kling "The Origin of the Managing Agency System in India", also, Andrew P Brimmer, "The Setting of Entrepreneurship in India", Quarterly Journal of Economics, LXIX, Number 4, November 1955, pp 551-576.

24 Majumdar et al (editors) "British Paramonty and Indian Renaissance", Part II, pp 89-155.


29 Information on Becharadas Laskarni, N M Radheyshyam, and the Jamsetji Rendraji Mokerjee is based on discussion with informed persons and company executives. For Kirolosar see, S V Kirolosar, "Tanturkanchi Yu- ra" (in Marathi), Kirolosvaradi, 1938; Kirolosar Brothers, "The Professor as a Ploughman", privately printed, nd.

30 Everett E Hagen in "On the Theo- ry of Social Change", Homewood, Illinois, 1963, has put forward the thesis of "deviance" from the general cultural pattern as a causal factor in entrepreneurship. It is tempting to apply this thesis to the Parsee. But in view of the fact that Hagen's thesis fails to explain the lack of entrepreneurship in several 'orthodox' communities like the American Negroes, it will be fal- lacious to accept it as the basis to explain the business behaviour of the Parsees. The main critique of Hagen's thesis, see Alexander Gerschenkron, "Continuity in History and Other Essays", Cambridge, Mass, 1966, pp 368-374.

31 Ranchhodlal Chhotalal, for in- stance, remained an orthodox Nagar Brahman till the end of his life who would not eat food cooked by a non-Brahman.

32 The Jains of Ahmedabad entered the textile field only in 1880 when they finally acquired the Calico Printing Mill in the settlement of a debt and converted it into a full-bladed textile mill. For a treatment of the Chettiar, see Shoji Ito "A Note on the "Business Combine" in India", Developing Economies, September 1966, pp 387-390.


Though a few firms had entred into foreign collaboration even before Independence, it was only after the launching of the second Five-Year Plan, that collaboration became a marked phenomenon in Indian industry. This is evidenced by the fact that, whereas the number of agreements was limited to 20 in the financial years 1955-57, it increased to 398 in 1963-64. P K Shrivastava, "Foreign Collabora- tion in Indian Industry", Agra, 1967, pp 17-30; Tripathi, "Report on November 30, 1964, taking the calendar year for reference, gave slightly different figures. For sev- eral related issues, see R K Hazari (editor) "Foreign Collaboration: Report and Proceedings of the Se- minar Held by the Centre of Ad- vanced Studies", Bombay, 1967, et passim.