



**CAMBRIDGE
UNIVERSITY PRESS**

Americas Branch
32 Avenue of the Americas
New York, NY 10013-2473, USA

Tel: 212 337 5978
Fax: 212 337 5959
E-mail: mgillette@cambridge.org

PROOFREADING INSTRUCTIONS

Dear Journal Contributor:

Attached is a PDF file of your article scheduled to be published in:

Business History Review

Please follow these procedures:

1. Proofread your article carefully. Check especially the spellings of names and places as well as the accuracy of dates and numbers. Please review your page proofs thoroughly since this is your only opportunity to do so.
2. Please answer all queries that appear on a separate page. If the query involves a reference entry, please make the corrections as complete as possible. For online mounting, the complete information including correct spelling of author names, titles, publisher, city of publication, page range, and so forth are needed.
3. Figures: Review the figure reproductions on the PDF page proofs to see if important features have been well represented. If something seems out of order, indicate this in an email to bhr@hbs.edu. If the replacement of figures become necessary, please supply the new electronic copy along with an email explaining the errant features and indicate which format is being used (i.e., PDF, TIFF etc.).
4. Corrections: Please respond with an email message to bhr@hbs.edu, identifying the corrections by page number, column, paragraph, and line. Please state the correct and errant copy. Changes in the text should be limited to typographical and factual errors. Rewriting or other stylistic changes are not permitted. Contributors may be charged for excessive author alterations, and publication of the issue may be delayed.
5. Offprint or bound copy orders: To order reprints or offprints of your article or printed copies of the issue, please visit the Cambridge University Reprint Order Center online at: www.sheridan.com/cup/eoc
6. Please send your corrections **via e-mail within 3 days of receipt to**: Linda Cornell (bhr@hbs.edu), cc'ing Felice Whittum (fwhittum@hbs.edu).
7. Please note that failure to return your proofs in a timely fashion may delay publication of the issue or may require publication without your corrections. Thank you for your prompt attention to these proofs.

Author Queries

Journal: BHR (Business History Review)

Manuscript: S0007680513001414jra



- Q1** The distinction between surnames can be ambiguous, therefore to ensure accurate tagging for indexing purposes online (eg for PubMed entries), please check that the highlighted surnames have been correctly identified, that all names are in the correct order and spelt correctly.

Gijsbert Oonk



The Emergence of Indigenous Industrialists in Calcutta, Bombay, and Ahmedabad, 1850–1947

This article describes and explains three patterns in the entry of Indian entrepreneurs in large-scale industries in South Asia, 1850–1947. It begins with Marwari businessmen in the jute industry in Calcutta. Then I discuss the success of the Parsi community in the Bombay cotton industries, and, finally, Gujarati (mainly Hindu) industrialists in Ahmedabad. I focus on three variables that might explain the timing, degree, and social and cultural variations in the emergence of indigenous industrialists in these cities. These variables concern: first, the colonial attitude towards indigenous industrialists in this field; second, whether or not these men belonged to a (religious) middleman minority; and, finally, their social and, in particular, occupational background.

Francois Crouzet described early industrialists in Europe as the emergence of “new men” on the economic scene. In his view, industrialists differed from traders, financiers, and proto-capitalists in that they needed a long-term perspective, found new ways of financing their

This article is based on research in various archives and libraries in Bombay, Ahmedabad, New Delhi, and London between 1993 and 1994. The research was made possible by a grant from WOTRO Science for Global Development of NWO (Netherlands Organization for Scientific Research), the Dutch foundation for tropical research. I would like to thank my colleagues in the history department of Erasmus University for creating the environment to write and develop new ideas, especially H. W. van Schendel for supervising my PhD project. Ferry de Goey has become a fine and critical colleague over the years, and I would also like to thank Ellen Bal for her support. In India I wish to thank Dwijendra Tripathi and M. M. Mehta for their detailed comments. I am also grateful to the editors for encouraging me to rewrite this earlier published paper and make it accessible to a wider Western academic audience. See Vipin Gupta (and others), “Culturally-Sensitive Models of Family Business in Southern Asia: A Compendium using the GLOBE Paradigm,” Hyderabad, 2008; and Nasreen Taher and Swapna Gopalan, eds., *Business Communities of India* (Hyderabad, 2006). I have entirely revised and updated this article for this publication.

Business History Review 88 (Spring 2014): 1–29. doi:10.1017/S0007680513001414
© 2014 The President and Fellows of Harvard College. ISSN 0007-6805; 2044-768X (Web).

44 business, and supervised large numbers of workers.¹ These new men
 45 were by no means unique to Europe. Indeed, in other parts of the
 46 world, indigenous investors paved the way for local industrialization. I
 47 compare the emergence of three different local business communities
 48 in the field of large-scale industries in India from 1850 to 1947: the
 49 jute industry in Calcutta, and the cotton textile industries in Bombay
 50 and Ahmedabad. These dominant sectors in India's industry eventually
 51 started to compete with the heart of the British Empire.²

52 Calcutta, Bombay, and Ahmedabad were, by far, the three biggest
 53 industrial centers in India between 1850 and 1947. In Calcutta, British
 54 businessmen started the local jute industry, but Marwaris took over on
 55 the eve of independence in the 1930s. In contrast, right from the start,
 56 non-Europeans took the lead in developing cotton textile industries in
 57 Bombay and Ahmedabad. As a result, the imperial economic center of
 58 the world, Manchester, faced its toughest competition from local
 59 business communities based in the so-called periphery, namely
 60 Bombay and Ahmedabad.

61 In this article, I assess two major characteristics of research on the
 62 emergence of Indian industrialists. The first concerns the extent to
 63 which British colonial rule hindered or promoted industrial develop-
 64 ment, particularly the emergence of indigenous industrialists. In this
 65 context, researchers have questioned whether successful local business
 66 groups should be seen as "compradors" or "collaborators." In the
 67 South Asian context in particular, Nationalist and Marxist historians
 68 both emphasize the role of the colonial state as an important barrier to
 69 emerging local business elites.³ Secondly, much research focuses on
 70 one particular business community or caste in a narrowly defined geo-
 71 graphical area. These studies tend to overemphasize some specific
 72 group particularity, such as religious background, the role of "unique"
 73 ethnic minority background, and the importance of a family business.⁴

74
 75 ¹ François Crouzet, *The First Industrialists: The Problems of Origins* (Cambridge, U.K.,
 76 1985).

77 ² A. K. Bagchi, *Private Investment in India, 1900–1939* (Cambridge, U.K., 1972); Bipan
 78 Chandra, *Nationalism and Colonialism in Modern India* (New Delhi, 1979), 144–71;
 79 Debdas Banerjee, *Colonialism in Action: Trade, Development and Dependence in Late Colo-
 80 nial India* (Hyderabad, 1999); Dharma Kumar, *The Cambridge Economic History of India*
 81 (Cambridge, U.K., 1982); Rajat Kanta Ray, *Growth and Conflict in the Private Corporate
 82 Sector, 1914–1947* (Oxford, 1979); B. R. Tomlinson, *The New Cambridge History of India:
 83 The Economy of Modern India, 1860–1970* (New Delhi, 1993); and Dwijendra Tripathi, *The
 84 Oxford History of Indian Business* (New Delhi, 2004).

85 ³ Among others, see Bagchi, *Private Investment in India*, esp. 163–69; Chandra, *National-
 86 ism and Colonialism in Modern India*, 144–71; Banerjee, *Colonialism in Action*; and Ulbe
 87 Bosma and Gijsbert Oonk, "Bombay Batavia: Parsi and Eurasian Variations in the Middlemen
 88 Theme," in *Mediators between State and Society*, ed. N. Randeraad (Hilversum, 1998), 17–41.

89 ⁴ Among others: D. R. Gadgil, *Business Communities in India* (New York, 1951); T. A.
 90 Timberg, *The Marwaris: From Traders to Industrialists* (New Delhi, 1978); Robert E.

87 This work tends to overlook the social/occupational background of
88 protoindustrialists.

89 These two characteristics have formed the empirical and political
90 backbone of the debate for the last four decades. This article aims to
91 take a comparative perspective and to explore the distinctions and simi-
92 larities between Calcutta, Bombay, and Ahmedabad from a bird's-eye
93 view. This approach will transform individual case studies into a com-
94 parative piece of research. Its strength lies in comparing three cities,
95 while also focusing on the backgrounds of the early industrialists in
96 India and the colonial attitude towards indigenous industrialization.

97 The article explores the distinctions among the three cities and the
98 historiographical debate to which each has contributed. I realize that
99 making comparisons between Calcutta, Bombay, and Ahmedabad is,
100 like most comparisons, an ambitious task. Indeed, as far as I know, it
101 has never been done systematically before.⁵ Therefore, this article is a
102 first attempt based on primary as well as secondary sources. I emphasize
103 three variables that are mentioned in the literature, which may have hin-
104 dered or encouraged the emergence of Indian businessmen in large-scale
105 industries: colonial attitudes towards indigenous industrialization,
106 being a member of a (religious community, caste-based) middleman
107 minority, and the social/occupational backgrounds of the entrepreneurs.
108 In my view, there is some sketchy evidence that supports the notion that
109 there were differences in colonial attitudes between Calcutta and
110 Bombay. Ahmedabad, however, is a special case, because the colonial
111 influence there was limited. Nevertheless, this city makes an excellent
112 counterpoint.

113 The evidence is much stronger if I examine the differences in com-
114 munity backgrounds in the three cities. In each we see that minorities
115 played an important role, with Ahmedabad again being the exception.
116 In Calcutta, the Marwari minority played a dominant role, whereas in
117 Bombay the Parsis became important. Both groups often acted as mid-
118 dleman minorities. However, in the case of Ahmedabad, Hindu and
119 Jain Gujaratis entered the cotton textile industry sector, with these
120 industrialists belonging to the majority community. These similarities
121 and differences need explanation. The most striking similarity in each
122

123 Kennedy, "The Protestant Ethic and the Parsees," *American Journal of Sociology* 68 (1962):
124 11–20; Makrand Mehta, *The Ahmedabad Cotton Textile Industry: Genesis and Growth*
125 (Ahmedabad, 1982); Eckhard Kulke, *The Parsees: A Minority as Agents of Social Change*
126 (Munich, 1974); and Dwijendra Tripathi, ed., *Business Communities of India: A Historical*
127 *Perspective* (New Delhi, 1984).

128 ⁵Claude Markovits makes a useful comparison between Bombay and Ahmedabad:
129 "Bombay as a Business Centre in the Colonial Period: A Comparison with Calcutta," in
Bombay: Metaphor for Modern India, ed. Sujata Patel and Alice Thorner (New Delhi,
1995), 26–46.

130 of the cities is that most protoindustrialists had a background in trade,
 131 finance, and speculation. This may not come as a surprise, because
 132 early industrialists in the heart of the empire had similar backgrounds.
 133 Nevertheless, there is a strong Asian notion that these industrialists
 134 should come from a middle class of engineers and artificers.⁶ This
 135 article aims to revise this perspective.

136 *The colonial attitude.* A central issue in the Indian historiography is
 137 the question of to what extent British colonial rule hindered or promoted
 138 industrial development. This article will focus on the attitude of the colo-
 139 nial government, as well as on the approach of British entrepreneurs to
 140 local businessmen. Gallagher and Robinson argue that because of their
 141 minority status, some local business communities were suitable middle-
 142 men when it came to supporting colonial empires abroad. As these busi-
 143 nessmen belonged to non-majority groups—and were not therefore an
 144 important military or demographic factor—many colonial governments
 145 supported them as local suppliers, translators, or informants. In this
 146 way, these groups are seen as collaborators and exploiters in both
 147 Marxist and Nationalist historiographies. This is because they suppo-
 148 sedly would not reinvest their profits in the host society, but in the
 149 region from which they came.⁷

150 *Middleman minority.* Sociologist Georg Simmel argues that the
 151 migrant traders who decided to settle in their host societies were stran-
 152 gers, which might have helped them to develop their business. On the
 153 one hand, they were able to fill economic niches that local business com-
 154 munities were not allowed to, like selling alcohol. On the other hand, they
 155 developed a more detached attitude towards local markets, which may
 156 have helped them to set prices with a view to greater profits. The
 157 famous sociologist Max Weber argued that there is a strong relationship
 158 between the religious background of entrepreneurs and their capitalistic,
 159 entrepreneurial ethic. He hypothesizes that particularly in the Protestant
 160 religion, people developed an ethic where hard work, (re)investment,
 161 long-term perspectives, and rational risk-calculation became primary
 162 aims of the business community. For India, Weber stresses the anticapi-
 163 talist attitude of Indian (especially Hindu) entrepreneurs. Indeed,
 164 because of their otherworldly outlook, Hindus do not focus on success
 165 in this life, but in the next. Consequently, according to Weber, they
 166 would not develop a “hard working and saving money” ethic comparable
 167

168 ⁶ For an excellent overview of this debate, see Mario Rutten, *Asian Capitalists in the Euro-*
 169 *pean Mirror* (Amsterdam, 1994). In this article, I follow his lead.

170 ⁷ See various well-known studies: D. R. Gadgil, *The Origins of the Indian Business Class*
 171 (New York, 1959); A. D. D. Gordon, *Businessmen and Politics: Rising Nationalism and a Mod-*
 172 *ernising Economy in Bombay, 1918–1933* (New Delhi, 1978); and Claude Markovits, *Indian*
Business and Nationalist Politics, 1931–1939 (Cambridge, U.K., 1985).

173 to that displayed by Protestants.⁸ As a result, he did not foresee long-
174 term investment in large-scale industries in India. Social historians
175 from the 1960s to the 1980s seriously questioned Weber's theory.⁹

176 The most important economic historians on the Indian economy
177 have largely ignored Weber's explanations. D. R. Gadgil, Amiya Kumar
178 Bagchi, Rajat Kanta Ray, and Amartya Sen have argued that the for-
179 mation of the European cartel and social ethos led to the Indian business
180 community refraining from investing long-term in large-scale industries.
181 They show that, when the rates of return were favorable for Indian
182 business, Indian entrepreneurs would stand up and enter large-scale
183 industry, rather than question ethics.¹⁰

184 Sociologist Edna Bonacich and social historian Christine Dobbin
185 built on Simmel's and Weber's work by arguing that minorities in par-
186 ticular became successful entrepreneurs; because of their minority
187 status (and, as a consequence, having confronted all kinds of discrimi-
188 nation, such as not being allowed to own land or to undertake certain
189 jobs), they developed a stronger desire to become successful.¹¹

190 *Social background.* Within the predominant Marxist literature, the
191 transition from mercantile to industrial capital is of primary importance.
192 Here we find that Asian assumptions about the European transition to
193 industrialization (especially in the British cotton textile industry)
194 greatly influenced the Indian historiography on indigenous industrializa-
195 tion.¹² Central to the Asian notion of the background of early European
196 industrialists is the fact that they did not belong to the trading or
197 merchant-manufacturer community. This view is a consequence of
198 dated European literature on the industrial transformation in Europe.
199 Here, economic historian Maurice Dobb, for example, argues that mer-
200 chant capital could not, ultimately, be responsible for the Industrial
201 Revolution because short-term trading and financing goals were more
202

203 ⁸ See Max Weber, *Die Wirtschaftsethik der Welreligionen II: Hinduismus und Buddhismus*
204 (Tübingen, 1922). For a fair summary of Weber's work, see Reinhard Bendix, *Max Weber:
205 An Intellectual Portrait* (London, 1966). For a fundamental critique, see Morris D. Morris,
206 "Values as an Obstacle to Economic Growth in South Asia: A Historical Survey," *Journal of
207 Economic History* 27, no. 4 (1976): 588–91.

208 ⁹ Among others: Timberg, *The Marwaris*; Kennedy, "The Protestant Ethic and the
209 Parsees," 11–20; Mehta, *The Ahmedabad Cotton Textile Industry*.

209 ¹⁰ Bagchi, *Private Investment in India, 1900–1939*; Ray, *Growth and Conflict in the
210 Private Corporate Sector, 1914–1947*; Gadgil, *Business Communities in India*; Amartya K.
211 Sen, "The Pattern of British Enterprise in India, 1854–1914: A Causal Analysis," in *Social
212 and Economic Change*, ed. B. Singh and V. B. Singh (Bombay, 1967).

212 ¹¹ Edna Bonacich, "A Theory of Middleman Minorities," *American Sociological Review* 38
213 (1973): 583–94; Christine Dobbin, *Asian Entrepreneurial Minorities* (Richmond, U.K., 1996).
214 Georg Simmel, "The Stranger," in *The Sociology of George Simmel*, ed. K. H. Wolf (New York,
215 1950).

215 ¹² "Asian assumptions" refers to assumptions made by Asian historians as well as by Euro-
pean historians concerned with the industrialization debate on South Asia.

216 important than long-term industrial investments. Dobb adopts Marx's
 217 description that the "second road to capitalism," where the merchant
 218 classes take possession of production, eventually became "an obstacle
 219 to a real capitalistic mode of production."¹³

220 However, I argue that the trading and banking classes in India played
 221 a vital role in the emergence of indigenous industrialists. Accordingly, I
 222 emphasize the importance of the social (occupational) background of
 223 future industrialists. Indeed, despite their varying backgrounds in
 224 terms of religion, caste, and minority status, they all had a history in
 225 trading (including finance and some speculation) in cotton or jute. This
 226 similarity may not come as a surprise. Some background in trade and
 227 knowledge of the different qualities of yarn and cloth and markets were
 228 important assets in starting large-scale industries. The surprise, then,
 229 should be the amount of research and literature devoted to caste, religion,
 230 and being part of a minority.¹⁴

231 The story of Marwari businessmen in the jute industry in Calcutta
 232 fits almost perfectly within the Indian Nationalist and Marxist historiography,
 233 which argued that colonialism hindered the emergence of local
 234 business communities while, at the same time, Indian cultural factors,
 235 like religion, could not explain the slow rise of local business communities.
 236 In the success of the Parsi community in the cotton industries
 237 of Bombay, colonialism promoted the emergence of local business communities,
 238 even when they started to compete with the major industries in
 239 the United Kingdom. Finally, the story of the Hindu industrialists in
 240 Ahmedabad demonstrates that not only may minority groups become
 241 industrialists, but the majority group of Hindus as well. In the final
 242 section, I compare the three patterns of industrialization. While the circumstances
 243 in Calcutta, Bombay, and Ahmedabad all led to the successful emergence
 244 of Indian businessmen in large-scale industries, they differ in the importance
 245 to be attributed to the different variables and, as a consequence, to the importance
 246 of the various theories.

247 248 249 Calcutta's Industrial Transformation: Marwari Competitors

250 At the end of World War I, the imperial sun was probably at its
 251 highest in Calcutta. The most important buildings of the British
 252 managing-agency houses of Andrew Yule, Bird and Heilgers, and the
 253 Duncan Brothers literally dominated the area around Dalhousie
 254

255 ¹³ Karl Marx, *Capital*, vol. 3, 388–96, as quoted in Maurice Dobb, *Studies in the Development of Capitalism* (New York, 1976 [1st ed. 1947, rev. ed. 1963]). For an excellent overview of how a selection of the European historiography influenced notions on the Asian transformation to industrialization, see Rutten, *Asian Capitalists in the European Mirror*.

256
257
258 ¹⁴ Rutten, *Asian Capitalists in the European Mirror*.

259 Square, which was the economic and political center of the city. At that
260 time, no respected Indian trader would have believed that he could chal-
261 lenge British supremacy in the Calcutta jute industry. However, this is
262 precisely what happened. Slowly and subtly, the Marwaris increased
263 their influence in the jute industry, finally opening their own jute mills
264 and becoming competitors to British jute industrialists in Calcutta
265 and, eventually, Dundee.¹⁵

267 Colonial Attitude toward the Marwaris in Calcutta

269 Calcutta served as the capital city of British India until 1911, after
270 which this role shifted to Delhi. The city had the largest concentration
271 of Europeans and capital in India. The Indian government, and therefore
272 the city of Calcutta, played an important role in the allocation of resources
273 between regions, particularly in the development of railway companies
274 and railway lines. The European business community in Calcutta used
275 its influence and networks to serve European (mainly Scottish) business
276 interests in the jute trade and tea production. In this context, less dis-
277 crimination and shared resentment marked the business relationship
278 between Indian and European businessmen.¹⁶ Claude Markovits argues
279 that historians have put forward the main explanation for this difference:

281 Firstly, . . . Western India was conquered by the British at a later stage
282 than Eastern India, thus escaping the period of unabashed exploita-
283 tion which cost so dearly to indigenous merchants from Bengal, and
284 secondly the exceptional role played in Bombay by the Parsi commu-
285 nity which was Indian but had a special relationship with the
286 British.¹⁷

287 This special relationship was barely seen in Calcutta. The British
288 there did not welcome the Marwaris, although the British did deal
289 with them because of their knowledge of the inland market and their
290 financial capabilities, and to secure the supply of raw jute for British-
291 owned jute factories. However, the British viewed the Marwaris not as
292 friends or even formal collaborators, but as competitors. Their strength
293 was that they were not formally organized and were, therefore, not
294 obliged to follow formal rules.¹⁸ This exemption from organization

296 ¹⁵ I derive the image of the imperial sun, which I also use in the other sections of this article,
297 from Omkar Goswami, "Then Came the Marwaris: Some Aspects of the Changes in the Pattern
298 of Industrial Growth in Eastern India," *Indian Economic and Social History Review* 22, no. 3
299 (1985): 225–49.

300 ¹⁶ Markovits, "Bombay as a Business Centre in the Colonial Period," 31.

301 ¹⁷ *Ibid.*, 41.

¹⁸ Anne Hardgrove makes an interesting observation that the "contests between the gov-
ernment and the Marwaris over legislation concerning gambling, speculation, and commodity

302 made them unpopular with the more formally organized British. Take,
 303 for example, the attitude of British jute mill owners in the early 1920s.
 304 One of them, M. P. Thomas of Bird, singled out G. D. Birla, the
 305 Marwari business spokesman at that time, as the main villain: “He has
 306 done more to encourage new mills than anyone. If he can’t get us out
 307 by kicking us out, he will try to get us out by unfair competition.”¹⁹
 308 During the 1930s depression, when there were internal problems in
 309 the Indian Jute Mill Association, the British frequently referred to the
 310 Marwaris as “short-sighted industrialists,” “mugs with money,” and
 311 “pirates.”²⁰ Whenever a Marwari attempted to enter the industry, he
 312 was “up to do some dirty work.”²¹ Claude Markovits even argues that
 313 the “racial arrogance of the Scots, signaled by their refusal to seek a com-
 314 promise with the Marwaris, was partly responsible for the long-term
 315 decline of the industry in the post-1947 period.”²² So, which Marwaris
 316 eventually emerged in the industry that the British had dominated
 317 from its very beginnings in the 1850s?
 318

319 Middleman Minority?

321 In Calcutta what kind of outsider minority group did the Marwaris
 322 represent? They were certainly culturally different from the Bengalis,
 323 who had their own language and culture. In addition, there were very
 324 few intermarriages between Bengalis and Marwaris.²³ Nevertheless,
 325 they were all still Indians who, generally speaking, followed the same
 326 Hindu religion. The British entrepreneurs in Calcutta often regarded
 327 Marwari men as local, indigenous Indian or Hindu businessmen. This
 328 raises questions about the background of the outsider minority status.
 329 Are Hindus and Jains from Marwar outsider enough to fit within the
 330 Simmel thesis? Or, are they to be seen as insiders and locals? The
 331 reality is that we do not know. On the one hand, Simmel did not give
 332

333 adulteration proved to be a rallying point for the emergence of Marwari political solidarity.”
 334 Hardgrove, *Community and Public Culture: The Marwaris in Calcutta, c. 1897–1997*
 335 (New York, 2004), 127.

336 ¹⁹ Thomas Benthall, 12 Dec. 1928, Benthall papers, Center for South Asians Studies, Cam-
 337 bridge, U.K., cited in Goswami, “Then Came the Marwaris,” 150.

338 ²⁰ Morton Benthall, 16 Sept. 1935, Benthall papers, Centre for South Asian Studies, Cam-
 339 bridge, U.K.; Indian Jute Mill Association, *Report of the Committee* (1934), 12; as cited in
 340 Goswami, “Then Came the Marwaris.”

341 ²¹ Thomas Benthall, 12 Dec. 1928, Benthall papers, cited in Goswami, “Then Came the
 342 Marwaris.”

343 ²² Markovits, “Bombay as a Business Centre in the Colonial Period,” 43.

344 ²³ Bengali businessmen burnt their fingers in Indo-British partnerships in the 1830s and
 1840s, and remained too cautious to become involved with further initiatives. Blair B. Kling,
Partner in Empire: Dwarkarnath Tagore and the Age of Enterprise in Eastern India (Berke-
 ley, 1976); Bagchi, *Private Investment in India*, 203–6.

345 any clues about these kinds of questions, as his primary examples mainly
346 related to the Jews in Europe. Other Europeans in the nineteenth
347 century viewed Jews in racial terms, as well as being members of a differ-
348 ent religion. The Marwaris, however, have the same religion, but have a
349 different regional background and culture. On the other hand, the
350 sources do indicate that Marwaris were also seen as an outsider minority
351 group, as they were, for example, counted separately in the census.
352 Nevertheless, there is no real evidence that Marwaris were, because
353 of their minority status, more motivated to become successful
354 entrepreneurs.²⁴

355 In addition, the negative qualifications of Max Weber towards the
356 economic potential of Indian entrepreneurs raised enormous counterar-
357 guments and inspired empirical research to prove that Hindu business-
358 men could become successful. In one well-known example on Calcutta,
359 *The Marwaris: From Traders to Industrialists* (Delhi, 1978), Thomas
360 A. Timberg revealed how a small part of the Marwari community in Cal-
361 cutta became competitors of the British jute mill owners. Timberg argues
362 that Hindus could very well become great entrepreneurs. At the same
363 time, as we can see from the book's title, he emphasizes that religious
364 background is not important, but occupational background is.

365 366 367 The Social Background

368 The Marwaris originally came from Marwar, a region in Rajasthan in
369 Northwest India.²⁵ They were known as keen businessmen, traders,
370 speculators, and bankers. During the nineteenth century, they migrated
371 from Marwar to various parts of India. According to Timberg, this was a
372 consequence of colonial rule. Initially, some of them lost their principal
373 position as financiers to the Princess of Rajasthan. Others shifted in
374 accordance with their trade interests to the main ports of India, i.e., Cal-
375 cutta, Bombay, and Madras. The growing emergence of British traders in
376 the nineteenth century opened up new opportunities for Marwaris as the
377 financiers of British trade and as middlemen between the British (inter-
378 national) and local markets. In 1881, there were no fewer than nine
379

380 ²⁴ David McClelland developed a psychological test (Need for Achievement, or N-Ach test)
381 to demonstrate the relationship between being a member of a minority and the need for
382 achievement. This test did apply to the Parsis in Bombay, but no test was conducted on the
383 Marwaris in Calcutta. See David McClelland, *The Achieving Society* (New York, 1961).

384 ²⁵ The Marwaris belong to various Hindu and Jain castes. During the second half of the
385 nineteenth century, they migrated from Marwar to East India and settled as petty traders
386 and small businessmen. Within Marwar they were known by their specific caste name, while
387 outside Marwar they are referred to as Marwaris. Sometimes even businessmen from
Rajasthan or West India are referred to as Marwaris. For a general introduction, see
Timberg, *The Marwaris*.

388 thousand Marwaris in Bengal, and because of their growing business
 389 interests, this number grew rapidly. Indeed, between 1891 and 1931,
 390 the number of Marwaris in Bengal grew from 33,000 to 51,000.²⁶

391 The transformation of a few Marwari families from traders to indus-
 392 trialists was gradual. This pattern followed these steps: first, they slowly
 393 increased their importance in the trade of raw jute and jute manufactur-
 394 ing; second, some of the Marwari traders became members of formal jute
 395 trade organizations, while others became brokers to British managing-
 396 agency houses or got a place on the board of directors thereof by
 397 buying shares. Finally, in the early 1920s, a few Marwaris entered the
 398 jute industry by setting up their own jute mills or buying them from
 399 other people.

400 *Importance in jute trade and finance.* In Calcutta, the Marwaris
 401 built on their traditional occupations as traders and bankers. They had
 402 settled as small traders, financiers, and brokers to mainly British
 403 trading firms. They were often mediators between the international
 404 market, which was dominated by the British, and the Indian market.
 405 From an 1864 directory, it appears that more than 50 percent of the
 406 Indian bankers in Calcutta were Marwari. The British-dominated
 407 Bengal Chamber of Commerce confirmed the importance of these
 408 bankers: “The indigenous banking system favoured their own Marwari
 409 friends and they did not put their money in bank stocks, where it
 410 could serve the general trading interest.”²⁷

411 However, the Marwaris not only favored their own Marwari friends;
 412 they were also simply cheaper than their British competitors. In 1904,
 413 British shipowners informed the Calcutta Jute Mill Association (an
 414 organization set up by British jute mill owners) that it was cheaper to
 415 buy manufactured jute goods through native traders than through Euro-
 416 pean brokers:

417
 418 Business in jute manufactured goods can be transacted on more
 419 favourable terms through native brokers than it is possible to
 420 obtain when business is done through European brokers . . . They
 421 return 0.5 per cent of their commission to buyers, which is in
 422 direct contravention of the rules of the Jute Fabric Brokers
 423 Association.²⁸

424 ²⁶ Timberg, *Marwaris*, 88; and Haraprasad Chattopadhyaya, *Internal Migration in India: A Case Study of Bengal* (Calcutta, 1987), 336–43. Fluctuations in the number of Marwaris can be partly explained by the fact that counting procedures varied in the period between 1881 and 1931. For example, in the more recent censuses, traveling merchants were counted as living in the place where they were counted, not where they actually lived. Another limitation in the census data is the change in regional borders. However, it seems fair to state that there were between 30,000 and 55,000 Marwaris in Calcutta.

425 ²⁷ Bengal Chamber of Commerce, *Annual Report* (1894), 33.

426 ²⁸ Indian Jute Mill Association, *Report of the Committee* (1904), 103.

431 Initially, European traders dominated the Jute Balers Association,
432 founded in 1892, but by the beginning of the twentieth century the
433 number of Indians, especially Marwaris, was growing. In 1903–04, 133
434 members were listed, seventy of whom were Indian and sixty-three
435 were European (mainly from Scotland). Out of seventy Indian
436 members, the majority, forty-four, were Marwaris. Therefore, Marwaris
437 were overrepresented in Bengal. Fifteen years later, 137 members were
438 Indian, amounting to 63 percent of the overall membership.²⁹ Among
439 these members were Marwari future industrialists G. D. Birla, Sir Onkar-
440 mull Jatia, and brothers Isswari Prasad, Devi Prasad, and Keshav Prasad
441 Goenka.

442 These examples demonstrate the growing importance of the Mar-
443 waris, despite the negative British attitude towards them. It is also
444 clear that the colonial market economy could not have functioned
445 without indigenous credit and knowledge.³⁰ It seems fair to state that
446 the Marwaris and the British business communities constantly nego-
447 tiated their interests between conflict and collaboration.

448 *Shareholders, brokers, and directorships.* Starting in the late nine-
449 teenth century, a few Marwari families had developed close commercial
450 links with British managing agencies. These agencies were privately held
451 joint-stock companies or, more frequently, partnership firms. On the
452 strength of past managerial performances, they floated shares to build
453 new jute mills or other companies. Owing to oversubscription and
454 stock exchange regulations, it was possible for entrepreneurs to
455 control a mill even if they owned less than 10 percent of the shares.

456 The Marwari firms initially offered raw jute to these British agencies.
457 In addition, they sometimes offered short-term credit to finance the
458 supply of jute. Furthermore, they eventually financed new jute mills by
459 buying shares or giving long-term loans to the British agents. In return
460 for their growing financial share in these managing agencies, the Mar-
461 waris finally secured seats on the boards and, jointly with the British
462 managers, were responsible for the floating of jute mills.³¹

463
464
465 ²⁹ Omkar Goswami, "Sahibs, Babus, and Banias: Changes in Industrial Control in Eastern
466 India, 1918–50," *Journal of Asian Studies* 48, no. 2 (1989): 292. Goswami estimates that the
467 trading profits of the Marwaris were around Rs. 440 million per year in this period. This esti-
468 mate excludes their profits from different future markets and from trade in jute bags and cloth;
see Goswami, "Sahibs, Babus, and Banias," 293.

469 ³⁰ L. C. Jain, *Indigenous Banking in India* (London, 1929); Rajat Kanta Ray, "The Bazaar:
470 Changing Structural Characteristics in the Indigenous Section of the Indian Economy before
471 and after the Great Depression," *Indian Economic Social History Review* 25, no. 3 (1988):
472 263–318; Rajat Kanta Ray, "Pedhis and Mills: The Historical Integration of the Formal and
473 the Informal Sectors in the Economy of Ahmedabad," *Indian Economic and Social History*
Review 19, nos. 3–4 (1982): 387–96.

³¹ Goswami described this process well in "Sahibs, Babus, and Banias."

474 During the inflationary years of the early 1920s, many European-
 475 managed companies found themselves undercapitalized, strapped for
 476 cash, and needing funds to expand capacity in their jute mills. Marwaris
 477 provided these funds in exchange for positions on various boards. In this
 478 way, they could secure the purchase of raw jute. Despite the earlier unfa-
 479 vorable political and economic climate, some Marwaris were now
 480 allowed to build close relationships with the European traders and mill
 481 owners.³² During the process of this growing collaboration, the Marwaris
 482 were able to learn the ins and outs of jute-mill management.

483 Historian Omkar Goswami describes the increasing influence of Mar-
 484 waris in the jute-mill industries. In 1918, of 114 seats on the boards of
 485 British managing agencies in the Calcutta jute industry, the British occu-
 486 pied 111 of them (97.4 percent). This percentage clearly reflected their
 487 managerial control over the industry. However, this situation changed
 488 rapidly and, in 1930, 57 percent of the jute mill companies managed by
 489 European managing agencies had Marwaris on their board of directors.
 490 In a quarter of the European managing agencies, the Marwaris had equal-
 491 ity on the board. In one case, they even outnumbered the European direc-
 492 tors.³³ The growing shortage of capital experienced by these companies
 493 due to the losses experienced by British mills explains this sudden
 494 influx of Marwaris to the boards of British managing agencies.

495 *Industrialists.* The transition from trade to industry is not necess-
 496 arily a linear process, whereby having accumulated sufficient capital,
 497 the merchant capitalist decides one day to move into industry. Some
 498 form of prior association with the industry, either as a middleman sup-
 499 plying inputs or as someone dealing with finished products, is a critical
 500 factor, provided, of course, that there are no major entry barriers such
 501 as those that existed in a typical early colonial environment. This
 502 process does not imply, however, that having realized the advantages
 503 of industrial investment, and having plowed a certain amount of
 504 capital into industry, the merchant capitalist would progressively
 505 increase his association with industry; this may or may not have been
 506 the consequence. In the colonial context, it is more likely that the entre-
 507 preneur would be inclined to play it safe by maintaining a diversified
 508 investment portfolio combining investment in industry with trade and
 509 indigenous banking.³⁴ Family histories show that Marwaris from
 510 various occupational backgrounds entered the jute industry.

512 ³² The Jatia family, for example, developed close ties to the Andrew Yule Company. David
 513 Yule was a close friend of Onkarmull Jatia. The Goenka family had a close connection to Bird
 514 and Heilgers, and the Kanorias were connected to McLeod.

515 ³³ Goswami, "Then Came the Marwaris," 228–36.

516 ³⁴ However obvious this may be, this observation developed after intensive discussions and
 correspondence with Dr. Raman Mahadevan, whom I thank for his time and insights.

517 Nevertheless, Table 1 shows that the transformation from trader to
518 industrialist was not as systematic as Timberg suggested. At first
519 glance, the patterns of the Birlas, Goenkas, and Bangurs are similar;
520 these three families had a background in trade, finance, and/or specu-
521 lation. They had also all worked as brokers for British managing
522 agents and were active on the board of directors in their agencies.
523 Then, ultimately, they set up their own jute mills. Nevertheless, the
524 differences are important. The Birlas established their first jute mill in
525 1919, whereas the Goenkas and Bangurs did so after the Second World
526 War when an independent India was on the horizon. Neither the
527 Goenkas nor the Bangurs built their own mills, instead taking over the
528 loss-making mills of the British agents for whom they were working.
529 They thus became industrialists serendipitously, whereas G. D. Birla
530 had built his own mills.³⁵

531 Furthermore, there were important differences in the backgrounds
532 of Marwaris in terms of being brokers or occupying board seats of
533 British managing agencies. On the one hand, a British shortage of
534 capital was an important variable in explaining the Marwari emergence
535 in industry. As well, there was more variation in the path from being a
536 trader to an industrialist than Timberg had suggested. In addition, for
537 most families, industrialization was a matter of diversification and not
538 their primary aim. From a list of 510 Marwari firms, only about one
539 hundred held more than 50 percent of their assets in industrial invest-
540 ments.³⁶ Indeed, almost all Marwari families remained faithful to their
541 traditional occupations of trade, finance, and speculation.³⁷

542 *Concluding observations.* In the Calcutta pattern, the Marwari
543 business community competed with British jute industrialists and
544 finally dominated the industry in a slow and subtle process. The Mar-
545 waris provided the British with raw jute, short-term credit, and long-
546 term loans. The British did need mediators in trade and finance, but
547 did not welcome the Marwaris. They could not conceive of a mutually
548 profitable relationship and saw them only as a necessary evil. This nega-
549 tive colonial attitude could have hampered the Marwaris' emergence in
550

551
552 ³⁵ G. D. Birla, *In the Shadow of the Mahatma* (Calcutta, 1953), xv.

553 ³⁶ D. K. Taknet, *Industrial Entrepreneurship of the Shekhawati Marwaris* (Columbia,
554 Mo., 1986), 179–228.

555 ³⁷ Sarupchand Hukumchand made his money in banking and speculating on the opium
556 market. In the early twentieth century he settled in Calcutta, where he was very lucky in his
557 speculative business. In 1910, he used borrowed money to buy Rs. 200,000 worth of opium,
558 which within a month yielded him ten times that amount. In 1915, he opened a very profitable
559 trading office in Calcutta. By then, he already owned a cotton mill in Indore. However, without
559 much knowledge of jute industries, he became a partner in Birla's first jute venture. Neverthe-
559 less, speculation and the opium trade remained his most important sources of income.

Table 1
The Transformation from Traders to Industrialists of Some
Marwari Families

Family Name of Industrialist	Trader/ Banker	Broker	Speculator	Board of Director of British Managing Agency
Birla	Yes	Yes	Yes	Yes
Goenka	Yes	Yes	Yes	Yes*
Bangur	Yes	-	Yes	Yes**
Hukumchand	Yes	No	No	Yes
Jalan	Yes	No	No	Yes
Jatia	Yes	No	Yes	No
Singhania	Yes	No	Yes	Yes

- No information available.

* Due to the failure of two British managing agencies, McLeod and Octavius Steel; not by setting up a mill themselves.

** By buying the British managing agency Kettlwell Bullen & Co.

Sources: See Gijsbert Oonk, "Het geheim van de Marwaris: Een onderzoek naar Indiaas ondernemerschap, 1900–1939" [Secrets of the Marwaris: A Study of Indian Entrepreneurship, 1900–1939], unpublished MA thesis, Erasmus University Rotterdam, 1991, 61.

the jute mill industry, but did not. They simply had to choose the right moment to emerge.

The Marwaris can be seen as an example of a migrant Hindu/Jain minority that was able to follow the British example of jute industrialists and flourish economically within a politically and economically unfavorable colonial context. However, their status as outsider minority could not explain their success. In this section, we have raised questions about what an outsider is. According to the Bengalis, Marwaris were outsiders, although according to many British businessmen they were just seen as locals or Indian. Simmel and Dobbin do not provide us with the tools to distinguish between types of outsiders. Yet, outsider or not, Timberg and others agree that the Hindu/Jain religion of the Marwaris did not hinder their economic development. One commonsense explanation for the success of the Marwaris as a *community* is that those who did not succeed in Calcutta generally returned to their properties in Marwar and Shekawati. Only those who were successful remained in the city.³⁸ Accordingly, it is fair to describe the Marwaris in Calcutta as successful traders or bankers from Marwar, Rajasthan.

³⁸ For more details on success and failure stories of migrant businessmen see: Gijsbert Oonk, *Settled Strangers: Asian Business Elites in East Africa, 1800–2000* (Delhi, 2013).



603 In this explanation, neither a cultural factor nor a colonial attitude is of
604 prime importance.

605 In my view, Timberg and others were right to highlight the impor-
606 tance of the trading, banking, and speculating backgrounds of the Cal-
607 cutta protoindustrialists. Colonial attitudes and religious community
608 background may be important to a certain extent. However, occu-
609 pational background has its own logic. It is unsurprising that successful
610 traders and bankers would eventually diversify their investments into
611 production. In the two examples that follow, we will see that colonial atti-
612 tudes and community backgrounds in Bombay and Ahmedabad differed
613 from the Calcutta case, although the occupational backgrounds of the
614 future industrialists were remarkably similar.

615 616 Bombay's Industrial Transformation: A Symbiosis of Parsis 617 and Britons 618

619 The imperial sun in Bombay never shone with the same intensity as
620 it did in Calcutta. Up to 1750, Surat—not Bombay—was the economic
621 center of West India. The establishment of the headquarters of the
622 English East India Company (EIC) in Bombay in 1672 was not enough
623 to secure its prosperity. The socioeconomic development of the city
624 was due to a symbiotic relationship between Parsis and Britons. The Vic-
625 toria railway station currently symbolizes this relationship; across the
626 main road in front of the station is a statue of Daoroji Naoroji, an impor-
627 tant Parsi spokesman and founder of the Indian National Congress.
628

629 Colonial Attitude towards Parsis 630

631 The positive relationship between Parsis and the English in West
632 India sharply contrasted with the hostility between the Marwaris and
633 the British in Calcutta.³⁹ In the latter city, the EIC had a monopoly on
634 foreign trade, whereas in Surat it competed with French and Dutch com-
635 panies. Accordingly, it was more important to attract local traders as col-
636 laborators. The English were not allowed to build a fort in Surat to
637 protect their trades. Therefore, in 1672, the English decided to shift
638 the EIC headquarters in West India from Surat to Bombay. There they
639 had to attract local businessmen because at that time, Bombay was no
640 more than an “inhospitable fishing hamlet, where Englishmen did not
641 expect to survive two monsoons.”⁴⁰
642

643 ³⁹ The term “English” is used here for the period prior to the 1707 Act of Union that created
644 Great Britain and “British” for the time after 1707.

645 ⁴⁰ Rajnarayan Chandavarkar, *The Origins of Industrial Capitalism in India: Business
Strategies and the Working Classes in Bombay, 1900–1940* (Cambridge, U.K., 1994), 21.

646 Gerald Aungier, the EIC governor in West India, realized that
 647 Bombay's prosperity depended as much on indigenous traders, money-
 648 lenders, and artisans as on English businessmen. He and his followers
 649 succeeded in persuading local Indian businessmen to put themselves
 650 and their capital under EIC protection.⁴¹ Moreover, the EIC offered
 651 these local traders a minimum price for the products they sold and
 652 exempted them from levies on imports and exports.⁴² In other words,
 653 the English *invited them* to settle in Bombay and made it profitable for
 654 them to do so.

655 Despite the endeavors of Aungier and the first English governor of
 656 the Bombay Presidency, Humphrey Cook, and other Englishmen, the
 657 Parsis and other Indian traders were initially not interested in settling
 658 in Bombay. Indeed, not until the eighteenth century did the Indians
 659 migrate to the city in considerable numbers. After thorough analysis, his-
 660 torian Ashin Dasgupta concludes: "The core of the matter was that Surat
 661 did not decline because Bombay grew; Bombay grew because Surat
 662 declined. The history of Bombay did not begin properly until about the
 663 middle of the eighteenth century."⁴³

664 The relationship between the Parsis and the British in Bombay
 665 was a continuation of their positive relationship in Surat. As the
 666 Parsis in Surat were economically independent and prosperous, the
 667 British had to create an attractive economic environment to persuade
 668 them to migrate to Bombay. Secondly, the Parsis had proven their
 669 loyalty towards the British; they partly financed the military defense
 670 of Bombay Fort and financing the British military apparatus
 671 during the 1857 mutiny. Thirdly, a section of the Parsi community
 672 quickly recognized that it was useful to learn English, adopt British
 673 customs, and intensify the relationship with the British in order to
 674 improve the socioeconomic position of the community in West
 675 India.⁴⁴

676 From the seventeenth century on, the British viewed the Parsis as
 677 hard workers, keen and reliable traders, and loyal:

679 They are an industrious people and indigenous in trade, wherein they
 680 totally employ themselves. There are at the present but few of them
 681 but we expect a greater number, haveing [sic] gratified them in

682
 683 ⁴¹ Holden Furber in Ashok V. Desai, "The Origins of Parsi Enterprise," *Indian Economic
 684 and Social History Review* 5, no. 4 (1968): 307–17.

685 ⁴² Bombay Public Proceedings, 8 Feb., 13 Aug., 27 Sept. 1723; 18 Oct. 1728; 3 Sept. and 3
 686 Dec. 1731. Maharashtra State Archives, Mumbai.

687 ⁴³ Ashin Das Gupta, *Indian Merchants and the Decline of Surat, 1700–1750* (Wiesbaden,
 688 1979), 8.

⁴⁴ This is explained by their "minority status" in Kulke, *Parsees*, or by their supposed "Pro-
 688 testant Ethic," in Kennedy, "The Protestant Ethic and the Parsees," 11–20.

689 their desire to build a bureing [sic] place for their dead on the
690 Island.⁴⁵

691 Throughout the Rebellion [1857] in the East, the Parsees have main-
692 tained an unshaken loyalty to the British whom they are proud to call
693 their fellow subjects, and while preserving their own independence of
694 religion and customs, their chief desire is that British rule in India
695 should be consolidated upon a basis of strict justice and mutual
696 interest.⁴⁶

697 The British actively preferred to collaborate with Parsi businessmen, but
698 also cooperated with Hindus, Jains, and Muslims. In return, the Parsis
699 demonstrated their loyalty when needed. Indigenous loyalty did not
700 happen to the same extent in Calcutta.

701 In the early nineteenth century, five thousand Parsis lived within
702 Bombay Fort, whereas only one Hindu trader owned a house there at
703 that time.⁴⁷ Around 1850, the Parsis accounted for up to 20 percent of
704 the Bombay population; this fell to 7 percent in 1881. This sudden
705 reduction in the relative number of Parsis was due to the huge
706 numbers of Hindu and Muslim migrants who settled in the city in that
707 period.⁴⁸ From being a majority community in Bombay Fort, the
708 Parsis became a minority group in Bombay proper. Their economic
709 importance remained strong as their relative number declined. The
710 Parsis were overrepresented in occupations such as translators,
711 traders, moneylenders, bankers, and artisans. The British directly
712 employed a small group of Parsis, but most of them were self-employed.
713 They also occupied half of Bombay Island and owned the Indian mer-
714 chant navy.⁴⁹

715 The most remarkable aspect of the Bombay pattern is that many
716 Indian, mainly Parsi, business families sent their sons to work in
717 British trading firms. Thus, Dinshaw Petit worked as a clerk and transla-
718 tor for the British firm Dirom Richmond; the Wadia family traded for
719 various British firms and even built ships for them; and the Thackersey
720

721 ⁴⁵ Gerald Aungier, Governor of Bombay, in a letter dated 1673, printed in Somerset Playne,
722 compiler, Arnold Wright, editor, and J. W. Bond, assistant, *Bombay Presidency, the United*
723 *Provinces, the Punjab, Kashmir, Sindh, Rajputana and Central India: Their History,*
724 *People, Commerce and Industrial Resources* (Bombay, 1917–1920), 26–27.

725 ⁴⁶ Dosabhoy Framjee, *The Parsees: Their History, Manners, Customs and Religion*
726 (London, 1858), x.

727 ⁴⁷ The name of the Hindu trader was Motichand. See D. E. Wacha, *Shells from the Sands of*
728 *Bombay* (Bombay, 1902), 102.

729 ⁴⁸ My discussion of numbers can be found in Gijsbert Oonk, *Ondernemers in Ontwikkel-*
730 *ing: Fabrieken en fabrikanten in de Indiase katoenindustrie, 1850–1930* [Entrepreneurs in
731 Development: Mills and Mill Owners in the Indian Cotton Textile Industry] (Hilversum,
1998), 75–76.

⁴⁹ Wacha, *Shells from the Sands of Bombay*, 84, 85; H. G. Briggs, *The Parsis, or Modern*
Zerdusthians: A Sketch (Bombay, 1852), 85, Oonk, *Ondernemers in Ontwikkeling*, 76.

732 family worked for several European firms, such as the traders Goddam
 733 Bythel & Co. and Soloman Betch & Co.⁵⁰ With the exception of the
 734 Birla and Jatia families, this work pattern did not occur in Calcutta.
 735 Accordingly, this evidence supports Markovits's thesis that Bombay
 736 benefited from a "more dynamic atmosphere of emulation and compe-
 737 tition" and "less racial and communal strife," with the consequence
 738 being the more rational use of capital resources and knowledge.⁵¹

739 *Middleman minority?* The minority and Protestant ethic theses
 740 seem to apply in the Bombay case.⁵² However, in spite of apparent evi-
 741 dence, I have some serious doubts about these viewpoints. The minority
 742 thesis certainly has its drawbacks in the Bombay case. First of all, the
 743 Parsis were a minority in Western India and in Surat, where they
 744 started their trading careers in the eighteenth and nineteenth centuries.
 745 The Parsi migration to Bombay had drawbacks. Initially, they were not a
 746 minority, but a majority group within Bombay Fort. However, owing to
 747 the accelerated urban growth that took place, mainly due to Hindu
 748 migrants, the Parsis became a minority group in Bombay proper from
 749 the 1850s onwards. However, by then, they had already developed
 750 their trading firms and their transition to industry was only a matter
 751 of time.

752 The question remains as to why, more than other communities, the
 753 Parsis decided to settle in Bombay. Most of the regulations that encour-
 754 aged local businessmen to remain in the city did not apply just to the
 755 Parsis, but to the entire Indian business community. Sometimes,
 756 however, there is evidence that the English invited the Parsis in particu-
 757 lar to move to Bombay. This favor was certainly the case when Aungier
 758 allowed Parsis to build a Tower of Silence (a resting place for the Parsi
 759 dead) in Bombay, and when the EIC sent George Dudley to Surat to
 760 invite well-known Parsi shipbuilders to settle in the city.⁵³

761 The Weber thesis confronts us with more complex issues. I am
 762 inclined to accept historian Robert Kennedy's comparison of the Protes-
 763 tant and the Parsi ethic. In addition, he demonstrates how this ethic of
 764 hard work and saving money is part of Parsi daily experience.⁵⁴ Never-
 765 theless, unlike Kennedy, we cannot ignore the fact that the Parsis were
 766 invited to settle in Bombay. Indeed, the English offered them all kinds
 767 of economic and social benefits, which, at the very least, helped them
 768

769 ⁵⁰ *Bombay Dyeing: The First Hundred Years, 1879–1979* (Bombay, 1979).

770 ⁵¹ Markovits, "Bombay as a Business Centre in the Colonial Period," 44–45.

771 ⁵² Kennedy, "The Protestant Ethic and the Parsees," 11–20; Kulke, *The Parsis in India*;
 772 David L. White, *Competition and Collaboration: Parsi Merchants and the English East
 773 India Company in Eighteenth-Century India* (New Delhi, 1995).

774 ⁵³ H. D. Darukhanawala, *Parsi Lustre on Indian Soil* (Bombay, 1939).

⁵⁴ Kennedy, "The Protestant Ethic and the Parsees."

775 to improve their economic position. Here, we face a chicken-and-egg
776 scenario; we could argue that it was simply the case that the Parsis
777 were offered these benefits; alternatively, it may be that they were just
778 more likely than others to accept them because of their Parsi ethic.

779 *Social background.* The Parsis were among the first to build the
780 Indian cotton textile industry in Bombay. Indeed, they owned nine of
781 ten mills built in the city between 1854 and 1863. These included two
782 mills belonging to the Petit family. In the period between 1878 and
783 1915, the Parsis owned between 30 and 41 percent of the mills in the
784 city.⁵⁵ Given that the Parsis never exceeded 7 percent of the population
785 of Bombay in the period 1881–1915, it is clear that they were over-
786 represented as mill owners. Yet, other communities—like the Gujaratis,
787 Bhatias (both mainly Hindus), Muslims, and Jains—also became
788 increasingly important in this period.⁵⁶

789 The transformation of a few Parsi families from traders to industri-
790 alists was gradual. This pattern follows two steps. First, the Parsis settled
791 in Bombay and made money in the cotton and opium trade, earning huge
792 profits by trading in raw cotton (designed for the Manchester cotton fac-
793 tories) and opium with China. Second, the Parsis used these profits at
794 times to expand the Indian cotton industry in Bombay.

795 Most Parsi families followed a common path to entering the cotton
796 textile industries. They started their careers as traders (in opium and
797 raw cotton). Then, some became formal brokers to British trading
798 houses and, finally, diversified into the cotton industry. As mentioned
799 previously, an interesting aspect of this transformation is the Parsi tra-
800 dition of sending their sons to work in the British firms, where they
801 could learn on the job. Then, after working for other families for some
802 years, a Parsi son could start his career in his father's businesses,
803 taking the British management experience with him. The European
804 businesses in Bombay warmly welcomed these trainees. This was
805 almost impossible in the more hostile economic context of Calcutta, as
806 we have seen earlier.

807 For Bombay, having selected a list of ninety-two mills, I was able to
808 acquire reliable information about the occupational background of their
809 promoters for nearly half of them (forty-five).⁵⁷ It appeared that more
810 than 80 percent of the early industrialists had initially worked for a
811 managing agency (mostly British, sometimes French, and, in a few
812

813 ⁵⁵ S. M. Rutnagur, *Bombay Industries: The Cotton Mills* (Bombay, 1927), 54; Bombay Mill
814 Owners' Association, *The Annual Report of the Bombay Mill-Owners' Association* (1878).

815 ⁵⁶ According to Markovits, the more "cosmopolitan character" of the Bombay business
816 community (as compared with Calcutta) is a key factor in explaining its success. Markovits,
817 "Bombay as a Business Centre in the Colonial Period," 26–46.

⁵⁷ Rutnagur, *Bombay Industries*.

818 cases, Parsi).⁵⁸ In addition, 90 percent of the cotton industrialists had
 819 been traders in cotton and/or opium.⁵⁹ In many cases, they continued
 820 to trade on their own account while also working for Europeans. In
 821 this way, Parsis became quite familiar with European management
 822 styles, business correspondence, and culture. This enculturation may
 823 have helped them with their transformation to industrialists.

824 British firms formed a direct link between Parsi traders and inter-
 825 national markets. Naturally, these trading links had existed even
 826 before the British entered India, but their involvement strengthened
 827 these networks. While working for British trading firms, Parsis gathered
 828 more than information about foreign markets, also experiencing the
 829 practice of international business. They then started to trade on their
 830 own account and accumulated huge amounts of money, especially in
 831 the opium trade with China. In the meantime, these Indian businessmen
 832 learned about the Industrial Revolution in Lancashire. The famous
 833 J. N. Tata, for example, was known for his detailed knowledge of the
 834 cotton industry in Manchester, including its management, financing,
 835 and production potential.⁶⁰

836 Parsi cotton industrialists were rarely ever just mill owners.⁶¹ Their
 837 family-based businesses included (international) trade (and often shi-
 838 powning), banking, land ownership, and various other activities. My
 839 major interest is the management of the mills. In some cases, the mill
 840 owners had used their mills as a trading or even speculative unit
 841 rather than a unit of production. In particular, they speculated in land
 842 belonging to the mills' premises. They would buy and sell raw cotton
 843 without ever producing cloth during periods of rapid changes in the
 844 cotton price. Moreover, they slowly included wholesale cotton products
 845 in their spheres of interest: "It should, however, be pointed out that
 846 these results [huge profits of the Bombay cotton mills in 1912] were
 847 due in many cases to the extraordinary profits made by the mill agents
 848 on the sale of cotton and not on the sale of yarn and cloth."⁶² Their
 849

850 ⁵⁸ See Appendix A in Oonk, *Ondernemers in Ontwikkeling*.

851 ⁵⁹ Ibid.

852 ⁶⁰ G. N. Natesan, ed., *Famous Parsis* (Madras, 1930), 217–21; F. R. Harris, *J. N. Tata*
 853 *(Bombay, 1958)*; Dwijendra Tripathi and Makrand Mehta, *Business Houses in Western*
 854 *India: A Study in Entrepreneurial Response, 1850–1956* (New Delhi, 1990).

855 ⁶¹ That the Bombay mill industry was merely a matter of the diversification of cotton and
 856 opium traders can be found in Chandavarkar, *The Origins of Industrial Capitalism in*
 857 *India*, ch. 6. However, Chandavarkar does not include its consequences for the industry.

857 ⁶² A summary of annual reports of cotton textile mills can be found in the *Indian Textile*
 858 *Journal* 23, no. 267 (1913): 290. Similar examples can be found in various places in
 859 the *Indian Textile Journal*: "Annual Meeting of the Swam Mills and the Finlay mills were
 860 held. . . . Both have shown good profits thanks to adventurous variations in the price of
 cotton as the supplies have been bought greatly in advance of requirements and this proved
 profitable." *Indian Textile Journal* 38, no. 449 (1928): 160. The Colaba Land and Mill

861 trading background greatly influenced the way in which the Parsis
862 managed their mills and the role that these played in their family
863 business activities.⁶³

864 *Concluding observations.* In Bombay, the Parsis did not experience
865 a hostile colonial attitude. On the contrary, the English invited, pleaded,
866 and were happy to see them settle in the city. Despite this encourage-
867 ment, the Parsis only shifted their economic interests from Surat to
868 Bombay gradually. This delay indicates that they—and not the British
869 —had a strong negotiating position. A mutual interest between the
870 British and the Parsis developed in Bombay. The Parsi traders acted as
871 intermediaries for British traders in the Indian market. They also
872 worked as employees for British trading houses, where they learned
873 the ins and outs of international trade.⁶⁴ This cooperative learning
874 would have been almost impossible in Calcutta (and did not exist
875 there, as far as I know). The British encouraged the Parsis to invest in
876 Bombay, to become junior partners, and to trade with them. In the nine-
877 teenth century, the Parsis discovered the mechanization process in
878 Britain and started to diversify their trading activities by establishing
879 their own cotton industry in the city. Accordingly, the transition from
880 trade industries can be described in four steps: first, the Parsis gained
881 trading experience in cotton and opium; second, a symbiosis developed
882 between Parsi and British interests; third, Parsis formally collaborated
883 with the British and learned lessons from them; and, finally, Parsis set
884 up their own cotton mills.

885
886
887 **Ahmedabad's Industrial Transformation:**
888 **From Bankers to Industrialists**

889
890 There was no imperial sun in Ahmedabad. After 1818, when the
891 British officially started to rule there, there may have been a few rays
892 of imperial sunshine, but the old city preserved its traditional structure
893 of guilds and castes as well as its commercial outlook. The British created
894 a stable, reliable bureaucratic system and a less exploitative tax system
895 (compared to that of the Mughal and Marathi rulers) and, therefore, a
896 larger potential for economic growth. They did not, however, shape the
897 skylines of the economic centers as they did in Calcutta and Bombay.

898
899 Company was accused of speculating in land and raw cotton. The profits of these mills were not
900 made by spinning and weaving, but by trading and speculating: *Indian Textile Journal* 10, no.
901 109 (1899): 2; 22, no. 253 (1911): 25.

902 ⁶³I deal more thoroughly with this in Gijbert Oonk, "Motor or Millstones? The Managing
903 Agency System in Bombay and Ahmedabad, 1850–1930," *Indian Economic and Social History*
Review 4 (2001): 419–52.

⁶⁴Desai, "Origins of Parsi Enterprise," 307–17.

904 The Indians built Ahmedabad, and its transition to industry was an indi-
 905 genous affair, in which British businessmen only played a background
 906 role.⁶⁵

907 908 No Colonial Attitude

909
910 Ahmedabad transformed from an administrative city into a more
 911 commercial city in the seventeenth and eighteenth centuries. Although
 912 generally known for wealth, trade, and commerce, Ahmedabad's
 913 history reveals remarkable economic growth as well as decline. In the
 914 early eighteenth century, many weavers, traders, and artisans fled the
 915 city because of the war between the Mughals and Marathis. However,
 916 thanks to the active policies of the British, indigenous traders and
 917 weavers settled there again in the nineteenth century. Accordingly, in
 918 1818, Ahmedabad had 80,000 inhabitants, a number that gradually
 919 grew to 181,000 by 1901.⁶⁶

920 The British played no role in the commercial life of Ahmedabad.
 921 They were mainly government officials and rarely acted as traders or
 922 bankers. They also had no role as intermediaries for Ahmedabad busi-
 923 nessmen. Moreover, there was neither a positive colonial attitude (as
 924 in Bombay), nor a negative attitude (as in Calcutta). Initially, the
 925 Indian colonial civil servant Ranchhodlal Chhotlal approached British
 926 administrators and businessmen to ask for help with his plan to build
 927 a cotton textile factory. When this mill proved to be successful, others
 928 (mainly bankers/financers) followed his example. What is important
 929 to note here is that Ranchhodlal came from a very traditional Hindu
 930 caste.⁶⁷ This example shows that someone with a traditional Hindu
 931 background could become a mill owner. Only after Ranchhodlal's
 932 success did other Hindu and Jain bankers in Ahmedabad decide to
 933 build cotton mills on their own account.

934 *From bankers to industrialists.* The occupational background of the
 935 textile industrialists in Ahmedabad differed from that of their counter-
 936 parts in Bombay. None of them had any experience in a British trading

937
938 ⁶⁵ K. L. Gillion, *Ahmedabad: A Study of Urban History* (Berkeley, 1968). Howard Spodek,
 939 "The 'Manchesterization' of Ahmedabad as an American Research Worker Sees It," *Indian*
 940 *Textile Journal* 4 (1965): 303–9. See also Salim Lakha, *Capitalism and Class in Colonial*
 941 *India: The Case of Ahmedabad* (New Delhi, 1988); and S. R. B. Leadbeater, *The Politics of Textiles: The Indian Cotton Mill Industry and the Legacy of Swadeshi, 1900–1985* (New Delhi, 1993).

942 ⁶⁶ Office of the Registrar General and Census Commissioner, *Census of India* 9 (1921), 26.
 943 ⁶⁷ Ranchhodlal was married at the age of seven. His sister became a widow when still a child
 944 and was never allowed to marry again. His grandmother performed sati, i.e., she immolated
 945 herself with the body of her dead husband. See Mehta, *The Ahmedabad Cotton Textile Industry*, 58n4. See also M. J. Mehta, "Ranchhodlal Chhotlal and the Ahmedabad Textile Industry: A Study in Entrepreneurial History," PhD thesis, Gujarat University, Ahmedabad, 1976.

947 firm or had ever worked as a broker for a European trading company, as
948 was often the case in Bombay. Three short biographies will confirm this.
949 Lalbhai Dalpathi (1863–1912) inherited the family business in 1885. His
950 family had made its fortune as bankers and cotton traders between 1861
951 and 1864. During the American Civil War, the price of raw cotton
952 increased spectacularly, and those involved in the trade profited. Some
953 of this money was invested in the cotton textile industry. After his
954 death in 1912, Dalpathi's son, Kasturbhai Lalbhai, made his name in
955 the Ahmedabad cotton textile industry.⁶⁸ In a second example, the
956 young entrepreneur Manganbhai Sarabhai started the Ahmedabad Man-
957 ufacturing and Calico Printing Co. in 1881. His father was a banker/
958 financier who died at an early age, but had asked Ranchhodlal Chhotalal
959 and Bholanath Sarabhai to take care of his son. Accordingly, it was fore-
960 seeable that some of the banking profits would be invested in the cotton
961 textile industry.⁶⁹ Lastly, Jamnabhai Bagubhai (1859–1924) started the
962 Gujarat Spinning and Weaving Co. in 1877. His family had made its
963 fortune by speculating during the American Civil War. However, they
964 did not have any prior experience with cotton trade or finance.⁷⁰ (See
965 Table 2.)

966 Of the thirty-five mill owners whose initial occupational background
967 I traced, twenty (63 percent) were originally bankers. Eight mill owners
968 (23 percent) in Ahmedabad were initially traders, but they were not
969 guaranteed brokers to British trading houses. Some of the mill owners
970 were known as speculators, but these cases were exceptional. We do
971 not know the occupational background of the others, but in some cases
972 this was a combination of banker, trader, and/or speculator.

973 The banking background of Ahmedabad's cotton industrialists influ-
974 enced the way in which the cotton mills were financed. Banks and share-
975 holders financed Bombay's mills to a greater extent than in Ahmedabad.
976 This was mainly because a formal (Western) banking system was more
977 developed in Bombay than it was in Ahmedabad. However, the Ahmeda-
978 bad mill owners accumulated capital in the form of deposits made by
979 individuals for a fixed interest rate. Normally, these deposits were
980 made for a period of three to twelve months. Up to the First World
981 War, the public in Ahmedabad believed that it was more secure to
982 deposit their money with one of the Ahmedabadi bankers or mill
983

984 ⁶⁸ A. D. Shroff, *Kasturbhai Lalbhai: A Biography* (Bombay, 1978); Tripathi and Mehta,
985 *Business Houses*, 88–105; and Dwijendra Tripathi, *Dynamics of a Tradition: Kasturbhai*
986 *Lalbhai and his Entrepreneurship* (New Delhi, 1981).

987 ⁶⁹ A. K. Rice, *Productivity and Social Organisation: The Ahmedabad Experiment*
988 (London, 1958), 23; Mehta, *The Ahmedabad Cotton Textile Industry*, 87–89; Leadbeater,
989 *The Politics of Textiles*, 66–71.

⁷⁰ Mehta, *The Ahmedabad Cotton Textile Industry*, 87.

Table 2
 Typical Examples of the Ahmedabad Path from Financier to Industrialist

<i>Family Name of Industrialist</i>	<i>Social/ Occupational Background</i>			
	<i>Banking</i>	<i>Trade (Cotton)</i>	<i>Finance in Cotton Textile Industries</i>	<i>Industry</i>
Sarabhai	Yes	Yes	Yes	Yes
Lalbhai	Yes	Yes	No	Yes
Bhagubai	Yes	No	No	Yes

Source: Gijsbert Oonk, *Ondernemers in Ontwikkeling: Fabrieken en fabrikanten in de Indiase katoenindustrie, 1850–1930* [Entrepreneurs in Development: Mills and Mill Owners in the Indian Cotton Industry, 1850–1930] (Hilversum, 1998), 117.

owners than with a “modern” bank.⁷¹ Most of the deposits were fairly small; building an average cotton mill cost about Rs. 30,000 in Ahmedabad, and most deposits were between Rs. 500 and Rs. 2000.

Table 3 reveals three striking differences between Bombay and Ahmedabad in the financing of cotton mills. First, the banks in Bombay supported the mills to a greater extent than their counterparts in Ahmedabad. In the former, banks lent an average of 9 percent of capital, whereas in the latter this figure did not exceed 4 percent. Secondly, shareholders in Bombay invested 49 percent of capital, whereas in Ahmedabad they only put up 32 percent.⁷² Thirdly, cotton manufacturers in Ahmedabad depended more on deposits from small investors than the cotton manufacturers in Bombay; in the latter, depositors raised only 11 percent of capital, whereas in Ahmedabad this figure was 39 percent.

It was well known that banks in India were not inclined to issue substantial loans to cotton mills.⁷³ It was also known that cotton manufacturers in Bombay could expect slightly more support from banks than manufacturers in Ahmedabad. The reluctance of banks to back industrial enterprises may have been due to a lack of capacity to estimate the value

⁷¹ This changed after the First World War, when the Indian government sold government securities against a relatively high interest rate. The Ahmedabad Mill Owners’ Association complained about the loss of deposit holders. See, *Report of the Indian Tariff Board 1927*, vol. 3 (Calcutta, 1927), 396.

⁷² I found hardly any supplementary information in the sources about the role played by letters of credit in financing, so do not discuss this question.

⁷³ *Report of the Indian Industrial Commission, 1916–1918*, vol. 2 (Calcutta, 1919), 178. Basu also confirmed this, *Industrial Finance*, 99–142. See, for a detailed discussion on the role attributed to the Managing Agency System, see Oonk, “Motor or Millstones,” 419–52.

Table 3
Sources of Capital of the Cotton Mills in Bombay and Ahmedabad in 1930

Sources of Capital	Bombay Rs		Ahmedabad Rs	
	(1000s)	%	(1000s)	%
Borrowed by Managing Agents	53.2	21.4	26.4	24.4
Bank Loan	22.6	9.1	4.2	3.9
Deposits	27.3	11.0	42.6	39.4
Shares	121.4	48.9	34.0	31.5
Debentures	23.8	9.5	0.8	0.7
Total	248.3	100*	108.0	100*
Number of Factories		64		56

* rounded

Source: *The Indian Central Banking Enquiry Commission*, vol. 1 (Calcutta, 1931), 278.

of such undertakings.⁷⁴ Moreover, Indian banks had not yet developed the habit of issuing loans with buildings and machinery as collateral. Indeed, the banks long retained the system of issuing loans (especially short-term loans) on the basis of supplies. Indian bankers rightly ridiculed this tradition in the 1940s.

One of the consequences of the banks' reticence was that managing agents looked for other sources of financing. Those in Ahmedabad proved true to their money-lending origins and found creative ways of financing cotton mills. They enjoyed the confidence of a large group of small investors who preferred to put their money in a mill run by a well-known and reliable Indian banker or moneylender than in some newfangled (institutional) bank. Deposits were made for a period ranging from several months to seven years, and the interest rate was around 5 to 7 percent per annum. These small investors thought it safer to entrust their capital to a managing agent with a good reputation than to an unknown bank.⁷⁵ Due to the strong ties between cotton manufacturers and financiers in Ahmedabad (often one and the same person), many small investors were able to place deposits with one

⁷⁴ Indian Central Banking Enquiry Committee, *Cotton Textile Industry*, vol. 1 (Calcutta, 1927), 270, 271, 776.

⁷⁵ Meetings of the Boards of Directors of the Saraspur Mills, Calico Mills, Raipur Mills, and New Shorrock Mills over various years. Private Company archives of the respective mills, Ahmedabad. After the First World War, the pace of change slowed because the Indian government issued loans with high security and interest. The Ahmedabad Mill Owners' Association accordingly complained about this. *Indian Tariff Board* vol. 3, p. 396.



1076 mill.⁷⁶ Not for nothing did Kasturbhai Lalbhai claim that small investors
 1077 in Ahmedabad formed the backbone of the cotton industry in the town.⁷⁷
 1078 Indeed, as Ahmedabad's main newspaper, the *Prajabandu*, wrote in
 1079 1909, the depositors of Ahmedabad stood surety for more than 50
 1080 percent of capital.⁷⁸

1081 The close relationship between the Ahmedabad mill owners and
 1082 their small investors is confirmed by the fact that these investors
 1083 shared the commissions of the managing agents in prosperous days.
 1084 Indeed, they did so even though they were not compelled to do so for-
 1085 mally: "The Company will . . . in addition to the interest payable to the
 1086 depositor on the said loan, pay each year to the depositor a share of
 1087 the total commission calculated at the rate of 3% on the sale proceeds
 1088 of all goods manufactured and sold by the company."⁷⁹ Furthermore,
 1089 the Ahmedabad mill owners developed a system in which they not
 1090 only accepted deposits for three to twelve months, but for several years
 1091 as well.⁸⁰ I found no case in which Bombay managing agents shared
 1092 commissions with their deposit holders or where deposit holders depos-
 1093 ited their money for longer than one year.

1094 *Some general observations.* The Ahmedabad traders and bankers
 1095 faced neither a hostile nor an encouraging colonial attitude. Indeed,
 1096 there were very few British administrators and businessmen in the
 1097 city. In spite of this, the British were responsible for introducing a
 1098 more stable economic climate than people were used to under the
 1099 Mughals and Marathis. This British influence did not, however, shape
 1100 the commercial center of Ahmedabad, with the city preserving its orig-
 1101 inal structure of guilds and business castes.

1102 *No minority thesis.* The Ahmedabad industrialists did not emerge
 1103 from a minority group. They were Hindus belonging to the majority in
 1104 Ahmedabad. M. M. Mehta's biography of the pioneer of the Ahmedabad
 1105 cotton textile industries, Ranchhodlal Chhotalal, reveals that he was a
 1106 very conservative Hindu. This means that he was among the last
 1107 people whom Weber and others would have expected to become an
 1108 industrial pioneer.⁸¹ Despite this, the Ranchhodlal cotton mills did
 1109 emerge, and he was no exception. After his mills had proved successful,
 1110 others, mainly Hindus and Jains, were quick to follow in his footsteps.

1111
 1112 ⁷⁶ *Bombay Provincial Banking Enquiry Committee*, vol. 3, 408–16. Rajat Kanta Ray has
 1113 written an interesting but speculative article on this topic, in which he shows how formal
 1114 and informal relationships were integrated in Ahmedabad. Ray, "Pedhis and Mills," 387–96.

1115 ⁷⁷ Indian Central Banking Enquiry Committee, *Cotton Textile Industry*, vol. 3, 480.

1116 ⁷⁸ *Prajabandhu*, 4 Feb. 1909, 2.

1117 ⁷⁹ Members of the Board of Directors, New Shorrock Mill, Company Archive, Ahmedabad,
 1905.

1118 ⁸⁰ P. S. Lokanathan, *Industrial Organisation in India* (London, 1935), 182.

⁸¹ Mehta, *The Ahmedabad Cotton Textile Industry*.

1119 One striking factor in Ahmedabad was the fact that many future
1120 industrialists had a background in banking rather than trading. This
1121 meant that they had no experience with cotton at all. In particular,
1122 they had no practical knowledge of the quality of cotton, no trading
1123 experience, and hardly any knowledge of machinery. Despite this, and
1124 because of their banking background, they were able to raise capital
1125 from the general public in Ahmedabad to build cotton mills. Ample
1126 capital meant that these mills were less dependent on shares and
1127 formal banks than those in Bombay.

1128 1129 Conclusion 1130

1131 In this article, I compared the emergence of indigenous industrial-
1132 ists in Calcutta, Bombay, and Ahmedabad in three ways: first, the colo-
1133 nial attitude towards indigenous industrialists; second, the importance
1134 of an economic (religious, community, caste-based) middleman min-
1135 ority; and, finally, the social/occupational background of future industri-
1136 alists. I concluded that the three cities differed with respect to the
1137 colonial attitude towards the emergence of indigenous industrialists.
1138 However, it is difficult to measure this in terms of scale. In addition,
1139 the importance attributed to the religious and community-based middle-
1140 man minority thesis differs from city to city. Finally, there is a striking
1141 similarity and explainable value in the occupational backgrounds of
1142 the would-be industrialists.

1143 Calcutta served as the capital city of British India until 1911, with the
1144 majority of the European population and businessmen in the country
1145 living there. British jute mill owners used harsh language when they
1146 wrote about the Marwaris in Calcutta; they were seen as competitors,
1147 not collaborators, and as exploiters. This was not an environment that
1148 encouraged partnerships. The Calcutta-based pioneer G. D. Birla was a
1149 respected board member of various mills under the Yule agents. Yet,
1150 even at the Yule offices, he was not allowed to ride the elevator, but
1151 was instead obliged to climb the stairs.

1152 In Bombay, the relationships between Indian and European busi-
1153 nessmen were marked by less discrimination and less mutual antagon-
1154 ism than in Calcutta. Perhaps an explanation is that the British
1155 conquered West India at a later stage than East India. Accordingly,
1156 Indian businessmen in Bombay (as well as in Ahmedabad) escaped the
1157 early period of unabashed exploitation described by Bagchi and others.
1158 Furthermore, the British in Bombay realized that they could develop
1159 the fishing hamlet only by enticing local businessmen and implementing
1160 an active policy to attract Parsis to settle there. In Bombay, a symbiotic
1161 relationship evolved in that many sons of Parsi businessmen worked for

1162 British managing agents. With the exception of Andrew Yule's agency,
1163 this was hardly ever possible in Calcutta.

1164 In Ahmedabad, there were virtually no relationships between Indian
1165 and British and European businessmen, although the civil servant
1166 Ranchhodlal Chhotalal's relationship with the British was important
1167 for his industrial outlook. In Ahmedabad, local businessmen were
1168 oriented toward the local markets, and there was little commercial inter-
1169 est in what happened in Bombay.

1170 By the end of the nineteenth century, the contrasts between Bombay,
1171 Calcutta, and Ahmedabad were clear to see. In Calcutta, Indian business-
1172 men were excluded from the upper ranks of the business hierarchy and
1173 operated as brokers, but not as partners, while in Bombay partnerships
1174 between Europeans and Parsis were a common feature. In Ahmedabad,
1175 partnerships were rare, but British civil servants promoted rather than
1176 hindered industrial development, as we have seen in the case of Ranch-
1177 hodlal Chhotalal.

1178 The religious, community, and caste-based backgrounds of minority
1179 middlemen can be an important factor in explaining the emergence of
1180 entrepreneurial capacity. Current economic historians do not follow
1181 Weberian arguments that the Indian (especially the Hindu) culture
1182 was averse to risk taking and making long-term investments because
1183 of their supposedly otherworldly values. Nevertheless, it is important
1184 to highlight that a significant part of historiography has dealt with
1185 these issues and has therefore endorsed different types of explanations
1186 related to the cultural or community background of entrepreneurs. In
1187 the case of Parsis in Bombay, historians like Robert E. Kennedy and
1188 Eckhard Kulke found some elements of "Protestant" ethic in their
1189 cases. However, these scholars conveniently forget the mutual relation-
1190 ship between the Parsis and the British in Bombay; the British offered
1191 the Parsis all kinds of economic and social benefits that at least helped
1192 them to improve their economic position.

1193 Here we come to a chicken-or-egg issue. Perhaps it was simply the
1194 case that the British actually offered Parsis these benefits; alternatively,
1195 were they just more likely to accept them because of their Parsi ethic?
1196 Moreover, the Weberian thesis cannot really explain the emergence of
1197 the Marwaris in Calcutta. However, the stranger minority thesis does
1198 help explain the commercial outlook of the Parsis and the Marwaris.
1199 Being strangers meant that they had a more objective attitude towards
1200 the market, while according to the minority thesis, being a minority
1201 meant that they both could develop a positive attitude towards commer-
1202 cial improvement and even success. In both cities, historians and con-
1203 temporaries alike often compared these business communities with
1204 the Jews in Europe. However, the example of the Marwaris in Calcutta

1205 raises the question of whether we have to define them as insiders or out-
1206 siders. They were Hindus and Jains from Marwar; the British considered
1207 them insiders but the Bengalis considered them outsiders. In the case of
1208 the Parsis of Bombay, it may be argued that they were a minority from
1209 the 1850s onwards, but were a majority group before that, as I have
1210 shown. Last, but not least, the example of the Hindus in Ahmedabad
1211 demonstrates that the Hindu majority in Gujarat was well able to
1212 develop indigenous industries at the right time and in the right place.
1213 The Weber thesis cannot explain the emergence of industrialists in
1214 Ahmedabad (who had a Hindu-majority background), which Weber
1215 and others would not have anticipated.

1216 In all of these debates it is striking that the research on India under-
1217 estimates the occupational background of the industrialists. In all three
1218 cities, most future industrialists had a background in finance and trade.
1219 They were by no means people of humble origins or self-made men, as
1220 the classic rags-to-riches stories go. Indeed, they were not craftsmen, tech-
1221 nicians, or mechanics who had owned small workshops and then
1222 expanded. Most of them had virtually no idea how to build factories,
1223 use mechanized (steam) power, and manage large-scale production units.

1224 Despite their backgrounds, an indigenously owned and managed
1225 large-scale industry emerged. Indigenous industrialists were new men
1226 in the history of India, but they had experience in finance and trade.
1227 Despite differences in financing cotton textile mills, small-scale investors
1228 in Ahmedabad seemed to be more important than in Bombay. Neverthe-
1229 less, whatever the colonial attitude and the community background of
1230 indigenous industrialists (Marwaris in Calcutta, Parsis in Bombay, and
1231 Hindu Gujaratis in Ahmedabad), creative indigenous traders and inves-
1232 tors found room to step into profitable large-scale industries. At the
1233 beginning of the second half of the nineteenth century, Indians built
1234 the first indigenous cotton mills in Bombay and Ahmedabad. Not until
1235 1919 was the first Indian mill (jute) built in Calcutta. In all cases, these
1236 industrialists, the new men in history in India, were traders and bankers.

1237 . . .

1241 GILSBERT OONK is associate professor of African and South Asian
1242 history and head of the Department of History at the Erasmus School of
1243 History, Culture, and Communication (ESHCC), Rotterdam, the Netherlands.
1244 He specializes in business, migration, and economic history with a particular
1245 interest in the role of South Asian (Indian) migrants and settlers in East
1246 Africa. He recently published *Settled Strangers: Asian Business Elites in
1247 East Africa, 1800–2000* (2013).