Chinese and Indian Business

Historical Antecedents

Edited by

Medha Kudaisya & Ng Chin-keong

CIAL SCIENCES IN ASIA 24

MARWARI AND CHETTIAR MERCHANT'S, c. 1850s–1950s: COMPARATIVE TRAJECTORIES

Medha Kudaisya

(I)

Much of Indian business enterprise has been associated with certain banking and trading castes and mercantile communities. In one scholarly view, major entrepreneurs have emerged from communities with dominant cultures of banking and trading.[1] Thus, specific caste groups and communities are perceived to possess the skills and attributes required to successfully engage in commercial pursuits. Some of these ideas derive inspiration from the writings of Max Weber, who argued that Hinduism and its allied social system generated attitudes that militated against economic enterprise. In Weber's view, caste inhibited occupational mobility, and the dominant emphasis within Hindu philosophy on *karma*—of doing one's duty without concern for rewards—offered little incentive for profit or material gain. Thus, entrepreneurial pursuits were the vocation of the hereditary trading castes and were hardly attractive to other sections of society.[2]

Several scholars like Dwijendra Tripathi and Sanjay Subrahmanyan have challenged this view of Indian business, showing in their writings that caste alone has not been the determinant in shaping business fortunes in South Asia and that other factors such as exposure to new ideas, knowledge and the adaptation of Western technology and managerial organization have been equally important.[3]

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[1] For instance, see Ramdas Menon, 'Banking and Trading Castes in the Colonial Period: The Case of the Nattukotai Chettiars of Tamil Nadu', *South Asia Bulletin*, Vol. V, No. 2, Spring 1985, pp. 19–26 and William H. Kapp, *Hindu Culture, Economic Development and Economic Planning in India* (New York, 1963). Many scholars have also argued against such a view, like Milton Singer, 'Cultural Values in India's Economic Development,' *Annals of the American Academy*, Vol. 305, May 1956.

[2] Max Weber, *The Religions of India: The Sociology of Hinduism and Buddhism*, translated and edited by H. H. Gerth and D. Martindale (Free Press, 1958).

[3] See Dwijendra Tripathi and M. Mehta, *Business Houses in Western India: A Study in Entrepreneurial Response, 1850–1947* (London, 1989); see also Dwijendra Tripathi, *The Oxford History of Indian Business* (Delhi, 2004); Sanjay Subrahmanyam, 'Institutions,

Keeping this debate as an historiographic backdrop, this essay examines the story of two prominent mercantile communities in the Indian subcontinent, the Marwaris and the Chettiars, often portrayed as 'counter-parts' of each other in the historical literature on South Asian business.[4] It traces the critical phases in their evolution and highlights the different historical trajectories of their fortunes. At the same time, it draws attention to the several similarities in their historical circumstances and their emergence as niche players in the subcontinent's markets by the mid-nineteenth century. Both the Marwaris and the Chettiars were diasporic communities with strong community networks and support groups with long histories of trading. Both became beneficiaries of the expanded economic opportunities offered by the *Pax Brittania*.

The Marwaris, on the one hand, made the transition from being niche players in trading to becoming industrial conglomerates. The Chettiars, on the other, continued in their groove of moneylending, eventually lapsing into economic oblivion. From being brokers and bankers, the Marwaris went on to break the British monopoly over the jute industry after World War I; they then moved into other industrial sectors, such as cotton and sugar, and set up diversified conglomerates. By the 1950s, the Marwaris dominated the Indian private industry scenario, emerging as the establishers of its most prominent business houses. Each phase of Marwari development inducted new players from the community, even as the older groups continued to operate.

Meanwhile, the Chettiars were eased out of their niche areas of moneylending and trading after the 1930s due to extant political conditions, and economic depression in their territories. Thereafter, they were unable to make the transition to industry. It was not that they lacked capital, or opportunity. Yet they remained aloof from the modern sector, their industrial presence limited to only a few prominent houses. Tracing the divergent trajectories that traders from both

agency and economic change in South Asia: A survey and some suggestions,' in Burton Stein and Sanjay Subrahmanyam (eds), *Institutions and Economic Change in South Asia* (Delhi, 1996). Harish Damodaran's *India's New Capitalists. Caste, Business and Industry in a Modern Nation* (Delhi, 2008), Introduction, pp. 1–7 looks at entrepreneurial groups that have emerged from castes outside the hereditary mercantile order. Thus, it includes those from 'agricultural and allied backgrounds' and 'scribal castes.' He notes that their entry into industry is essentially a post-Independence phenomenon.

[4] This paper is not making the case that some communities are more adept at commercial activities. It merely seeks to understand the different trajectories of two mercantile communities placed within similar historical circumstances.

communities followed, this article studies the phases of their evolution and seeks to ascertain the reasons for the differing fortunes of Marwari and Chettiar capital.

(II)

Given the similarities in the economic experiences and fortunes from the mid-nineteenth century, a brief backgrounder on the two communities may be helpful here.

The term Marwari is derived from the word 'Marwar', which traditionally stood for the erstwhile princely state of Jodhpur but which has, over time, also encompassed people from other parts of Rajasthan, including Jaipur and Bikaner, from which hailed important mercantile figures. Comprising many caste groups with the Bania cluster, the most prominent Marwari traders belong to four *jatis*: Agarwal, Maheshwari, Oswal and Khandelwal. Anyone whose homeland is Rajasthan is called a Marwari but, in colloquial use, the term invariably refers to a trader.[5] It was mostly used to refer to traders from Rajputana, especially in regions where immigrants did not always integrate with the local populations.[6]

Rajputana merchants had a long history of migration. From about the early fifteenth century, they traded all over the region and often migrated from territories under the control of one ruler to those under another. While this may have been due to factors such as famine, it could also have been prompted by the offer of special trading privileges by certain rulers. Given that their homeland lay in proximity to the major Ganges-Jumna trade route, they were always in a position to move to major upcountry marts, such as Farrukhabad, Mirzapur and Agra. Rajput kings often vied with each other to attract Marwari merchants and bankers to their territories.

[5] See Thomas Timberg, *The Marwaris. From Traders to Industrialists* (Delhi, 1978); Medha Kudaisya, *The Life and Times of G. D. Birla* (Delhi, 2003), Chapters 1 and 2 and D. K. Taknet, *Marwari Samaj* (Jaipur, 1989).

[6] According to Dwijendra Tripathi, the traders probably did not see themselves as 'Marwari' when they were in Rajputana, but only in their diasporic environment. See D. Tripathi, 'From Community to Class: The Marwaris in a Historical Perspective,' in B. L. Bhandari and D. Tripathi (eds), *Facets of a Marwar Historian* (Jaipur, 1996), pp. 189–196.

With the establishment of British ascendancy over the subcontinent, this migration diversified. Once the British were firmly established in north India, the traditional Marwari activities of financing warring Rajput princely states and trading along the caravan routes that stretched beyond Rajputana into northwest India and central Asia shrank.[7] Royal courts with their conspicuous consumption of goods and services also receded as centres of political power. In addition, there was a shift in long-established trade routes due to the rise of new commercial centres and trading posts, which the British either established or patronized.[8]

In this scenario of flux, the Marwaris were quick to spot the new commercial opportunities opening up in the mid-nineteenth century, especially in the metropolises of Madras, Bombay and Calcutta.[9] The *Pax Britannica* ushered in a sense of security of life and property, and British commercial and legal codes relating to exchange, credit and contract were attractive to traders who had for long functioned in the unsettled conditions of the Mughal empire and post-Mughal regional states. The emergent conditions boosted the Marwari propensity to migrate.[10] They arrived in large numbers in Bombay between 1835 and 1850 and in Calcutta from the 1870s onwards. Over time, they became important members of the local trading communities, and even before their large-scale influx into Calcutta, Colonel Todd, the well-known British official and writer had estimated, in 1832, that nine out of 10 traders and bankers in the *bazaar* were from Marwar.[11] As the Marwaris grew in numbers by the last decades of the nineteenth century they gained

[7] See Lakshmi Subramanian and Rajat K. Ray, 'Merchants and Politics: From the Great Mughals to the East India Company' in Dwijendra Tripathi (ed.), *Business and Politics in India: A Historical Perspective* (Delhi, 1991).

[8] C. A. Bayly, *Rulers, Townsmen, Bazaars* (Cambridge, 1983) and his *Indian Society and the Making of the British Empire* (Cambridge, 1988), esp. Chapters 1 and 2.

[9] Thomas A. Timberg, 'Hiatus and Incubator: Indigenous trade and traders, 1837–1857' in Asiya Siddiqi (ed.), *Trade and Finance in Colonial India 1750–1860* (Delhi, 1995).

[10] K. L. Sharma, 'Changing aspects of merchants, markets, money lending and migration: Reflections based on field notes from a village in Rajasthan' in Philippe Cadene and Denis Vidal (eds), *Webs of Trade: Dynamics of Business Communities in Western India.*

[11] Though Colonel Todd mentions as many as 128 trading castes, he also points out that important traders came from five castes. See his *Annals and Antiquities of Rajasthan or the Central and Rajpoot States of India*, Vols I and II (Calcutta, 1894). Dwijendra Tripathi and Makrand Mehta, in their study of business houses of western India, point out that the founders of four out of eight business houses came from castes and communities not traditionally associated with trading. See their *Business Houses in Western India: A Study in Entrepreneurial Response, 1850–1947* (London, 1989).

control over the main segments of the *bazaar*, trading in grain, oilseeds, raw jute and other unprocessed goods as well as the distribution of Manchester piece-goods in eastern India.

A similar dynamic was at work as far as the Chettiars were concerned. A sub-division of the large Chetti caste, the Nattukottai Chettiars belonged to the banking caste. The Nakarattar traders feature in written records from the seventeenth century onwards for their small-scale salt trading activities in interior Tamil Nadu. In the late nineteenth century, they migrated to more highly populated areas and, by the mid-twentieth century, were settled in 78 villages, of which 58 were in Ramnad district and the rest in Paddukottai state.[12] Known commonly as Nagaraths, because the community was divided into nine 'Nagarams' or temple townships for socio-religious purposes, they were arranged into 25 *gotrams* (sub-castes). Since they hailed from an inhospitable region with scanty rainfall and low agricultural productivity, migration had long been an attractive proposition for them. Chettiar capital also penetrated the agricultural cotton growing areas in Tinnevelly, Ramnad and Kolipatti.[13] By the eighteenth century, Chettiar traders had extended their business operations as far south as Ceylon and were active in the pearl, rice, cloth and arrack trades. Similarly, they had also moved north to Calcutta and participated in the rice and wheat trade there. As a matter of fact, even before the large-scale arrival of the Marwaris, the artist and draftsman Colesworthy Grant, who visited Calcutta in the mid-nineteenth century, commented on the 'Madrasees in the Calcutta *bazaar*.'[14] By the mid-nineteenth century, there were about 120 Chettiar firms in Calcutta, engaged mainly in the export and import of rice and pulses from and to Burma and Ceylon.[15] Like the Marwaris, further Chettiar migration occurred in response to the establishment of *Pax Brittania* within India and the European expansion in Southeast Asia.

[12] See D. Rudner, *Caste and Capitalism in Colonial India: The Nattuokottai Chettiars* (Berkeley, 1994), Chapter 4. Also see C. H. Rau, 'The banking castes of Southern India,' *Indian Review*, Madras, 8/8 (August 1907).

[13] The Chettiars faced competition from Marwari traders within the internal economy in Tamil Nadu and in overseas trade. The Marwaris were better positioned to exploit the Bombay cotton market.

[14] Sukanta Chaudhuri (ed.), *Calcutta, The Living City*, Vol. I (Calcutta, 1990) p. 204.

[15] Raman Mahadevan, 'Immigrant Entrepreneurs in Colonial Burma—An Exploratory Study of the role of the Nattukottai Chettiars of Tamil Nadu, 1830–1930', *Indian Economic and Social History Review*, Vol. XV, No. 3.

However, it was not only within the subcontinent that the Chettiar traders sought new opportunities. Huge opportunities were opening up further afield in Sri Lanka and Southeast Asia, arising out of critical changes occurring in the world economy and the increased integration of these regions in the emerging proto-capitalist global system. European expansion in the nineteenth century was followed by increased commercial production of staple commodities such as rice as well as the introduction of cash crops like tea, coffee and rubber. The opening up of the Suez Canal in 1869 and advances in transportation gave further impetus to the process that transformed these economies from *entrepots* for Eastern commerce to primary producers, supplying food and raw materials to the industrializing world. The emergence of a plantation economy in Sri Lanka, the opening up of the Burmese rice frontier and the rise of rubber and tin plantations in Malaya offered enormous investment opportunities to Indian traders. The Chettiars were positioned very strategically to avail of these, given their familiarity with Sri Lanka and the regions of 'Suvarnadvipa', with which they had a long history of trading.[16] Thus, from the 1830s onwards, large numbers of Chettiars began to migrate to Sri Lanka, Malaya, Burma and the Straits Settlements, and subsequently to Java, Indo-China, Northern Sumatra and Thailand.

The mid-nineteenth century thus saw traders from the Marwari community finding their feet in the trading hubs of Calcutta and Bombay, even as the Chettiars settled in Sri Lanka and Southeast Asia. Both gradually found their niches. Marwari traders engaged themselves mainly as brokers and commission agents for large European houses, as well as engaging in speculation, moneylending and trading. The Chettiars found their primary niche in moneylending and servicing the credit needs for producers of agrarian commodities headed for export to major European economies. Servicing mainly indigenous producers,

[16] 'Suvarnadvipa' or 'Land of Gold' is the term commonly believed to have been used by Indian traders for parts of Southeast Asia. The Chettiars had been here in the 10th–12th centuries following the ship routes of the Chola traders across the seas. For their trading links, see Sachidanand Sahai, 'Pre-colonial links with Southeast Asia' in Federation of Indian Chambers of Commerce and Industry, *A History of Indian Business* (Delhi, 1999), pp. 53–62. Also see M. Nadaranjan, 'The Nattukottai Chettiar Community and Southeast Asia,' *Proceedings of the First International Conference Seminar of Tamil Studies*, Kuala Lumpur, Malaysia, April 1966, Vol. One (Kuala Lumpur, 1968) pp. 251–260.

they penetrated the hinterlands of Sri Lanka, Malaya, Burma and other parts of Southeast Asia.

(III)

Within their newly-found diasporic settings, in the Indian subcontinent and in Southeast Asia, traders from both communities found the initial prosperity they sought. As the early pioneers settled, they acted as magnets to attract their kinsmen. They nurtured their links with the regions from where they had originated and formed a sort of resource group for others who followed. As they settled in their new locales, community members who were minority traders till now began to organize themselves along corporate lines.

Thus, Rajputana traders—even though they were of diverse sub-castes, belonged to different localities and regional groups and included followers of both Hindu and Jain religions—saw advantages in unity and came together as 'Marwari' organizations. While they continued to identify themselves primarily with their own sub-castes and localities, they also created collective 'Marwari' organizations, almost as though they belonged to one specific community. Thus, just a few years after their arrival in Calcutta, they set up the Marwari Panchayat in 1828, the Marwari Chamber of Commerce in 1895 and the Marwari Association in 1898. The Marwari Association skilfully explained its nomenclature in its Report of 1899–1903 when it defined itself as the 'Parliament of the Marwari *jati*'. They reported that the 'Marwaris have now learnt to recognize the necessity and usefulness of mutual exchange of views and of concerted action in matters relating to the interests of the community'. Applauding this new corporatist spirit, the Association declared: 'It is a matter of great delight to remember that the first great awakening that the Marwari people received of the necessity of such united efforts was from the Marwari Association.'[17] Such associations represented the community across caste lines and advocated issues of common concern to traders, helping them lobby and emphasize the Marwari corporate social organization.[18] They exercised

[17] See Medha Kudaisya, *The Life and Times of G. D. Birla* (Delhi, 2003), Chapter 2.
[18] On the different associations, see D. K. Taknet, *Marwari Samaj* and Balchand Modi, *Desh Ke Itihas Mein Marwari Jati Ka Sthan* (Calcutta, 1939).

wide-ranging influence in matters such as the regulation of rates of interest and commission, the certification of *hundi* transactions, cases of liquidation and insolvency and family/trading disputes.[19] Yet, under the panoply of these larger Marwaris associations, there existed influential bodies representing different *jatis*.[20]

A similar trajectory is evident for Chettiar traders. Wherever they moved, early settlers established community institutions such as temples, taverns and community centres to create a support base for fresh immigrants. As they all belonged to one locality and caste group, it was much easier for them—as compared to the Marwaris—to come together as a corporate trading community. According to David Rudner, caste became a crucial basis of organization for the Chettiar traders.[21] Even in the regions where their numbers were low, early settlers encouraged newer immigrants to settle as traders. For instance, the first settlers in Indo-China were two Chettiars from Karaikudi who came soon after the French occupation in 1887, reportedly with a sum of Rs 60,000. By the early 1930s, there were no less than 125 Chettiar firms with investments exceeding Rs 80 million.[22]

The saga of both immigrant communities is thus strikingly similar. Typically, newcomers started off as employees of those already well-settled. Their mentors then launched these newcomers into economic activities either in their own firms or as independent traders, often with the help of older, established trading houses.[23] Early settling in was taken care of by kin networks established by fellow traders. For example, newly-arrived Marwari immigrants were housed in a *bassa*,

[19] On the role of such bodies, see Rajat K. Ray, 'The Bazaar; Changing structural characteristics of the indigenous section of the Indian economy before and after the great depression', in *Indian Economic and Social History Review*, Vol. 25, No. 3 (1988), p. 309. Also see Ramkrishna Nevatia (ed.), *Shri Ramdev Chokhany* (Calcutta, n.d.), p. 46; Nandlal Jalan, *Shri Ishwardas Jalan Abhinandan Granth* (Calcutta, 1977), p. 119; Balchand Modi, *Desk Ke Itihas Mein Marwari Jati Ka Sthan* (Calcutta, 1930); Jawaharilal Jain, *Ramvilas Poddar. Jiwan Rekha aur Smritiyan* (n.p., 1936).

[20] Thus, Bara Bazaar in Calcutta, at the turn of the century, had an influential Agarwal Panchayat, a Maheshwari Panchayat and other organizations such as the Didu Maheshwari Panchayat.

[21] See Rudner, *Caste and Capitalism in Colonial India*.

[22] On the community in Indo-China, see Lanka Sundaram, 'The Chettiars of Indo-China: An economic appraisal' in *The Modern Review*, Sept. 1933.

[23] See Bhawarmal Singhi (ed.), *Padam Bhushan Shri Sitaram Seksaria Abhinandan Granth* (Calcutta, 1974), p. 258; Balchand Modi, *Desh Ke Itihas Mein Marwari Jati ka Sthan*, (Calcutta, 1939), pp. 439–48; Timberg, *The Marwaris*, p. 152; Nandkishore Jalan, *Shri Ishwardas Jalan Abhinandan Granth* (Calcutta, 1977), pp. 49–50.

which provided them with board and lodging at a minimal rate, sometimes even free. These were operated on a cooperative basis by the larger Marwari firms as a form of charity. The Chettiar counterpart to the *bassa* was the *vittuti*, financed by the larger firms and through endowments. Typically located close to community temples,[24] the *vittuti* were more than just a means of providing subsidized lodging. They initiated the newcomers into the business and introduced them to social networks. They facilitated the forging of new relationships and helped newcomers learn the ways of city life. The bonding that took place as a result lasted a lifetime and the values of the community were often imbibed here.

Both the Marwari and Chettiar traders set up community institutions, which regulated internal affairs, determined current rates of interest, settled disputes and played vital roles in propelling the community on to the corporate route. For the Chettiars, besides these associations, a very important role was played by their Shaivite temples, which served as clearinghouses.[25] Another distinctive feature of the Chettiars was their agency system. Firms were set up in partnership with fellow caste men. The principal himself resided in the home district of Ramnad, where the firm was headquartered. Branch offices were managed by agents, who were fellow caste men of moderate means, who typically served for a period of three years. After serving their tenure, the agent typically returned to work at the firm's main office for a while and could then return to a branch office of the same or another firm. The proprietor himself would visit the branches only once or twice a year.[26] The day-to-day operations were the agent's responsibility.[27] Such institutions set up

[24] On the *vittuti*, see Rudner, *Caste and Capitalism in Colonial India*, pp. 124–126.

[25] *Report of the Burma Provincial Banking Enquiry Committee*, (Rangoon, 1930), *Vol. I, Banking and Credit in Burma*, p. 193.

[26] See Rudner, *Caste and Capitalism in Colonial India*, pp. 114–124. Also see H. Rau for a fascinating account of the agency system. H. Rau, 'The banking castes of Southern India', *Indian Review*, Madras, 8 August 1907.

[27] For example, one of the oldest and most prominent firms established by Muthiah Chetty in the early 1900s was headquartered in Kanadukatha in Chettinad but had agents in Ceylon, Burma, Malaya and French Indo-China. These agents were the family's 'own men, from their own neighborhood' and some had been in their service over generations. Muthiah Chetty and his five sons, including the illustrious Sir Annamalai Chettiar, visited the different branches once or twice a year, but were usually stationed in headquarters. On their family firm, see K. Nagarajan, *Rajah Sir Annamalai Chettiar* (Annamalainagar, n.d.); K. Nagarajan, *Dr Rajah Sir Muthiah Chettiar* (Annamalainagar, 1989) and *Dr Rajah Sir Muthiah Chettiar and Rani Lady Meyyammai Achi. 60th Birthday Commemoration Volume* (Madras, 1965).

by Marwari and Chettiar traders symbolized the corporate nature of the community and helped newcomers imbibe and inculcate the strict codes of mercantile ethics and trading morality, which were seen to be crucial in holding the community together.[28]

Such an ethic was critical in engaging traders with their peers in credit interactions and trade transactions. Such engagement was based on the notion of trust or *sakh*, which meant much more than financial liquidity. It can be defined as 'creditworthiness' and 'business integrity' and incorporated a moral dimension, which underlay all transactions.[29] With sophisticated financial instruments, Marwari and Chettiar traders could move goods, money across the hinterlands where they were placed. Within the money markets in which they operated, the Chettiars were considered the 'most advanced' bankers. Working with both current and fixed deposits, they gave their customers deposit receipts or demand promissory notes. Passbooks were issued, in which customers made entries to be initialled by the moneylender. Much like modern bankers, the Chettiars dealt in cheques and also established a system of clearing them.

Thanks to the complex financial arrangements that interlocked them at several levels and generated credit flow, only indigenous merchants could deliver goods at all levels of the economy. Financing of the massive movement of goods and crops occurred under their auspices, as did agricultural and craft production, which was dependent on their advancing loans to peasants and artisans. Through the *hundi* network, such trading groups could control the indigenous money market as well as the flow of goods and credit. Thus, both the Marwaris and the Chettiars came to occupy positions of advantage within the colonial economy.

[28] Most Marwari migrants started out as agents to the clerks to larger Marwari firms and, over some time, were able to launch their own firms. For example, Ramdutt Goenka, who arrived in Calcutta in the early 1830s, started out as a clerk to Sevaram Ramrikhdas, a large Marwari firm headquartered in Mirzapur. Within a decade, he established his own *gaddi*. By the 1860s, he was *bania* to several large firms; his brothers became commission agents and brokers to his old employers when he left them. He himself moved on to become an independent cloth broker and then founded his own firm. Such traders who set up their own enterprises maintained the tradition of encouraging newcomers.

[29] C. A. Bayly, *Rulers, Townsmen, Bazaars* (Cambridge, 1983) p. 180.

(IV)

By exploiting emergent business opportunities in the mid-nineteenth century, Marwari and Chettiar traders established themselves as niche players within their economic milieus. For example, over the years, with the growth in commercialization, Chettiar trading houses became indispensable as providers of agricultural credit. As the Chettiars had traditionally supplied rural credit and financed internal trade within the domestic economy of Madras Presidency, it was this skill that they were able to leverage in their new areas of settlement. In Sri Lanka, till the 1860s, their strength in the local economy derived from their role in remittances and discounting of sterling bills into rupees.[30] As sterling bills for coffee shipments to London increased and sterling surplus had to be offset against rupee deficit, Chettiar traders played vital roles in such transactions. Their involvement with remittance grew, and estimates point that almost 50 per cent of Chettiar firms in Sri Lanka were engaged in this business.[31] After the 1880s they got involved in the plantation economy, which emerged in Sri Lanka under the auspices of British capital and over the decades, they came to be recognized as the main providers of agricultural credit to indigenous tea, rubber and coconut farmers.[32] They were popular for lending on easy terms to those unable to procure bank credit due to a lack of collateral. Lending at diverse rates ranging from 10 per cent to as much as 200 per cent, they lent for both production as well as occasions of conspicuous ritual consumption. Not surprisingly, the Chettiar moneylender held a special 'place of honour... at society weddings.'[33] Though trade remained an important aspect of their overall operations in Sri Lanka, moneylending crystallized as their primary interest.

As the commercial production of tin and rubber increased after the 1870s, Chettiars moved in larger numbers to colonial Malaya, where they emerged as credit providers to local entrepreneurs, benefiting from the growing commercialization of rubber cropping and increased tin mining activities. Once again they began to play an important part in

[30] See W. S. Weerasooria, *The Nattukottai Chettiar Merchant Bankers in Ceylon* (Sri Lanka, 1973), p. 26 and Sir Compton Mackenzie, *Realms of silver: One hundred years of banking in the East* (Routledge, 1954), p. 90.

[31] *Ibid.*, pp. 28–29.

[32] *Ibid.*, pp. 15–28.

[33] Kumari Jajawardena, *Nobodies to Somebodies. The rise of the colonial bourgeoisie in Sri Lanka* (Social Scientists Association and Sanjiva Books, 2000), p. 138.

the rising plantation economy and in the mining economy.[34] Pioneer planter Tan Chayyan, the first to introduce rubber as a commercial crop in Malaya, could launch his new enterprise in 1895 only because of loans provided by Chettiar moneylenders. In that era, Chettiar support was critical because European banks were very selective in giving loans, due to their need to maintain a large capital reserve for sustaining exchange operations. Over time, Chinese tin miners, European planters and, sometimes, even the Malay royalty came to rely on the Chettiars for credit.[35] By virtue of supplying credit to Malay and Chinese rubber cultivators and tin mine owners, the Chettiars helped open up the interior of Malaya to European capital and develop its export economy. Among the prominent Chinese tin miners and rubber planters who launched their enterprises with the help of Chettiar loans were Yap Ah Loy, Loke Yew, Khaw Sim Bee and Ng Boo Bee. The Chettiars also lent to Malay peasants and landowners in lieu of mortgaged properties and surrendered title deeds.[36] Through their moneylending activities in Malaya, a few Chettiars accumulated enough capital and financial experience to make the transition to manufacturing. In Malaya, they began to acquire rubber plantations. For example, around 1926, the well known PKN Group—with interests in Malaya, Burma, Ceylon and Indo-China—acquired the 170-acre Nagappa Rubber Estate in Johore.

It is evident that despite their keen involvement in manufacturing enterprises and acquisition of plantations and landed property, it was agricultural moneylending that the Chettiars mastered in all the countries they settled in across Southeast Asia. In Indo-China, for instance, they were involved with short-term agricultural lending, which complemented the activities of the French banks.[37] Though the Chettiars had business interests all over the region, statistics reveal that Burma became their operational stronghold. In the 1930s in Burma,

[34] For a very important study, see Raman Mahadevan, 'Pattern of enterprise of immigrant entrepreneurs—a case study of Chettiars in Malaya, 1880–1930', *Economic and Political Weekly*, 13 (4–5), 1978, pp. 144–152.

[35] K. S. Sandhu, *Indian Communities in Southeast Asia* (Singapore, 1992), p. 292. Also see Medha Kudaisya, 'Trading Networks in Southeast Asia' in Brij Lal (ed.), *The Encyclopedia of the Indians Overseas* (Delhi, 2006).

[36] In cases of defaulting of payment, the plantations and mines would fall into Chettiar hands. See S. Arasatnam, *Indians in Malaya and Singapore* (Bombay, 1970), p. 93.

[37] On their involvement with Indo-China, see Virginia Thompson, *French Indo-China* (London, 1937).

they had an estimated 1,650 firms compared to 1,000 in Malaya and Singapore, 200 in Indo-China, 150 in other areas of East Asia and 500 in Sri Lanka.

Evidently, the community found its niche in agricultural moneylending in Burma. Though the earliest Chettiar firms date to before 1850 in Moulmein, they migrated in larger numbers after the British annexation of Lower Burma. By the late 1880s, it was noted that there was 'a Chettiar within a day's journey of every cultivator' in Lower Burma. It took no more than half a day for a cultivator to meet a Chettiar moneylender, secure a loan and return home.[38]

Until the 1870s, however, the Chettiars dealt primarily with indigenous moneylenders to whom they supplied credit and who, in turn, dealt with Burmese peasants. After the 1870s, the Chettiars enlarged their credit net in a major way after a dramatic increase in commercial rice production, following significant changes in landowning policies. The Chettiars could now lend on the security of title deeds and began to finance Burmese cultivators directly. They moved into Upper Burma and hinterlands and towns such as Mandalay, Myingnan, Meitkila and Shwebo.[39] Such was the expansion of their activities that, by 1929, it was reckoned that Chettiar firms had invested an estimated Rs 750 million in Burma.[40] Between the 1870s and 1930s, the Chettiars were the most important financiers of commercial rice production in Burma and the 'mainstay of agricultural finance' in Lower Burma.[41] With an estimated 1,650 firms all over Burma, of which 360 were Rangoon-based, they provided an estimated 60 per cent of crop loans and 45 per cent of

[38] *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), *Vol. I Banking and Credit in Burma*, p. 203.

[39] On Chettiar migration, see Nalini Ranjan Chakravarty, *The Indian minority in Burma. The rise and decline of an immigrant community* (OUP, 1971), p. 56.

[40] Nalini Ranjan Chakravarty, *The Indian minority in Burma. The rise and decline of an immigrant community* (OUP, 1971), p. 90.

[41] According to the Burma Provincial Banking Enquiry Committee , they lent to both agriculturists and moneylenders. In Prome district, one-third of all crop loans were lent directly; alongside, they financed Burmese moneylenders. Thus, two-thirds of all loans were given by the Chettiars. In parts of Hathawadi, they were the only moneylenders. In Tharawaddy, 99 per cent of all loans were raised from the Chettiars. *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, pp. 67–68. On Chettiar loans, rates of interest and conditions of credit, see Thun Thin, 'A theory of the rate of interest for the Burmese economy', *JBRS*, 1955. Also see *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, pp. 120–121. On the types of loans given, see Cheng Siok Hwa, *Rice Industry of Burma, 1852–1949*, pp. 173–175 and U Tun Wai, *Burma's Currency and Credit* (Calcutta, 1953), pp. 43–57.

long-term loans to agriculturists in Lower Burma.[42] The BPBEC (Burma Provincial Banking Enquiry Committee) reported that Chettiar moneylending had penetrated 217 villages and towns in Burma, of which 155 were in Lower Burma, 55 in Upper Burma and 7 in the Shan states.[43] For their part, colonial officials acknowledged that the Chettiars were responsible for the expansion of rice cultivation in Burma. In 1927, Sir Harcourt Butler, Governor of Burma, noted: 'Without the assistance of the Chettiar banking system, Burma would never have achieved the wonderful advance of the last 25–30 years'.[44]

Besides participating in agricultural credit, some Chettiar firms also engaged in import and export, especially in the Indian Ocean region. The Burma-based Chettiars specialized in the rice and timber trades. P. A. Chocalingam Chetty, who inherited his grandfather's business in 1902, became an important exporter of timber.[45] Further, their long experience and networks made the Chettiars insiders in the rice business. In 1916/17, of the 318 rice mills in Burma, 16 were under the Chettiars. They also set up some saw and timber mills in Burma.

Another important role carved out by the Chettiars in Southeast Asia was that of acting as intermediaries of Western capital. Of all the indigenous bankers, brokers and moneylenders, the Chettiars undertook the most voluminous business with Western credit institutions and banks and they enjoyed better credit facilities and interest rates. They became channels for credit from Western banks to the local community, as European banks were often reluctant to deal directly with small and medium traders. Thus, small local traders obtained credit from Chettiar moneylenders against mortgaged crops or promissory notes.[46] The Chettiars, in turn, discounted these promissory notes—*hundis*—with Western banks and obtained overdrafts on the security of bills or title deeds.[47] Exchange banks were also an important source of Chettiar capital, obtained as overdrafts. Such was the trust in which a Chettiar banker was held that financial institutions and banks like the Imperial Bank of India, the Netherlands Trading Society, the Chartered Bank of India, Australia and China and the Indian Overseas Bank were all willing to deal with them.[48]

By the early 1930s, Chettiar traders had established a powerful economic presence in Southeast Asia, being well entrenched in almost all businesses from moneylending and brokerage to retail and export–import. As niche players, they became indispensable to local economies and played critical roles in the region's overall economic transformation.

However, new and daunting challenges arose in the ensuing decades, with the global economic depression of the 1930s, the Japanese occupation during the War and the post-War tide of nationalist movements towards indigenization and nationalization across the region. As these events unfolded and Southeast Asia transformed into an important theatre of war (with large parts under Japanese occupation), Chettiar traders could not stay aloof. All these developments served to completely marginalize the community.[49]

[42] *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, p. 203; Michael Adas, 'Immigrant Asians and the Economic Impact of European Imperialism: The role of the South Indian Chettiars in British Burma, *Journal of Asian Studies*, Vol. XXXIII, No. 3, May 1974, pp. 385–401.

[43] *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, p. 100. Working capital employed was estimated to be close to Rs 75 or 80 crore. See *Report of the Burma Provincial Banking Enquiry Committee*, (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, p. 210.

[44] On their important role in Burma, see *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, p. 189 and Nalini Ranjan Chakravarty, *The Indian minority in Burma. The rise and decline of an immigrant community* (OUP, 1971), Chapter 5, pp. 56–69.

[45] So large was his enterprise that consignments were shipped from Burma every week. His customers included the Government of Madras, the princely states of Hyderabad and Mysore, and many private contractors in Madras; see S. Playne, *Southern India. Its history, people, commerce and industrial resources* (London, 1914–15), pp. 646–649.

[46] See W. S. Weerasooria, *The Nattukottai Chettiar merchant Banker in Ceylon* (Tisara Prakasakayo, n.d.), Chapter 2.

[47] On the relations with Western Banks, see Sir Compton Mackenzie, *Realms of silver: One hundred years of banking in the East* (Routledge, 1954) and G. C. Allen and A. G. Donnithorna, *Western Enterprise on Indonesia and Malaya* (London, 1957), p. 205. On the *hundis* used by both Chettiars and Marwaris, see L. C. Jain, *Indigenous Banking in India* and S. K. Muranjan, *Modern Banking in India* (Bombay, 1952), pp. 143–145.

[48] On this, see U Wai Tun, *Burma's Currency and Credit* (Calcutta, 1953), pp. 49–50 and Comption Mackenzie, *Realms of Silver. One Hundred Years on Banking in the East* (London, 1954).

[49] Acts were passed to check land alienation from peasant proprietors to non-agriculturists in Malaya, such as the 1931 Small Holdings (Restriction of Sale) Bill, which disallowed sale of land exceeding 25 acres without state consent. See S. Arasatnam, *Indians in Malaya and Singapore* (Bombay, 1970), pp. 93–94. In Burma, acts such as the Standard Tenancy Act, Tenancy Disposal Act, Agricultural Debt Relief Act, Land Nationalization Act and Burma Foreigners Act of the 1940s affected moneylending and trading adversely.

The first challenge came with the global economic depression of 1930, which seriously affected the economies in which their capital was placed. The sharp drop in the prices of commodities, especially those targeted for export (rubber, tea, coffee, and tin) made it impossible for cultivators, estate owners, tin miners and plantation owners to fulfil their financial obligations, leading to foreclosures of properties on mortgage.[50] This occurred across Southeast Asian economies where Chettiar capital had been invested. Foreclosures spelt disaster to Chettiar commerce, which required some balance between liquid assets and investment in immovable property.[51] In Burma, where the Chettiars were entrenched deepest, they suffered the most. Since the 1910s, they had faced increasing competition due to the increased participation of 'Chinese lenders' who had spread through towns and villages in Burma and lent in large sums. They operated either as ordinary moneylenders or as pawnbrokers. As a matter of fact, by the 1920s, the Chinese were conducting almost all the pawnbroking.[52] Further, the closure of the rice frontier in the 1920s and the Great Depression of the 1930 brought land into the hands of moneylenders, as landlords and owner-cultivators increasingly defaulted.[53] By the late 1930s, the Chettiars controlled nearly 25 per cent of the cropped area in Lower Burma and 50 per cent of the land held by non-agriculturists.[54] Before the economic depression, practically all Chettiar assets—valued at an estimated Rs 6,500 lakh—consisted of advances and *hundis*. After the price collapse, by 1935–42, a mere Rs 1,000 lakh was held in advances while the rest was converted into land and property.[55] Not that the Chettiars faced

[50] There were also fears of double assessment of income tax for the Indians in Burma. In Sri Lanka, an added issue was of the recent introduction of income tax, which led to some withdrawal of Chettiar capital since they did not want to be subjected to double taxation. See Usha Mahajani, *The Role of Indian Minorities in Burma and Malaya* (Bombay, 1960), p. 19 and W. S. Weerasooria, *The Nattukottai Chettiar Merchant Bankers in Ceylon* (Sri Lanka, 1973), p. 156.

[51] See Allene Master, 'The Chettiars in Burma—An Economic Survey of a Migrant Community', *Population Review: A Journal of Asian Demography*, Vol. I, No. 1, January 1957, pp. 28–29.

[52] L. C. Jain, *The Monetary Problem of India*, (London, 1933), pp. 65–66.

[53] See J. R. Ardus, 'The Agrarian problem in Burma,' *Pacific Affairs, Vol. XIX, No. 23, September 1946.*

[54] On problems of settling questions of land tenure and agricultural credit in this period see Virginia Thompson, 'The New Nation of Burma', *Far Eastern Survey*, 7 April 1948.

[55] U Tun Wai, *Burma's Currency and Credit* (Calcutta, 1953), pp. 50–51.

bankruptcy but they were forced to return their own advances to the exchange banks in the shape of the land and property that had come to them. And post-depression Burma promised little scope of further business advances.[56] This totally undermined the basis of their economic moneylending functions, which hinged on the balance between liquid assets and investment in immovable property. The Chettiars needed capital to stay fluid. These problems were aggravated by a wave of anti-Indian sentiments in the 1930s, which often targeted Chettiar moneylenders, blaming them for Burma's economic woes.[57] Called 'fiery dragons', they were accused of 'swindling, cheating, deception and oppression'.[58] The transfer of whatever liquid assets they had left reached 'an all-time high in 1938'[59] And the anti-Indian riots of these year were especially daunting for the Chettiars.

The disruption in the War years and the Japanese occupation exacerbated this strain.[60] Numerous Chettiar traders joined the War-induced mass Indian exodus. The compensation offered for nationalization was woefully inadequate. For instance, the Bank of Chettinad, which owned nearly 85,000 acres of land, was recompensed a mere Rs 1.5 lakh. Where compensation was available, remittance was problematic.[61] After decades of contributing significantly to Burma's prosperity, Chettiar traders were forced to return to India, so they repatriated their capital whenever they could.[62] Trading interests were further marginalized in

[56] *Ibid.*, pp. 55–56.

[57] On riots and troubles that affected the Chettiars after the 1930s, see S. B. Mookherji, 'Indian Minority in Southeast Asia' in K. N. Chatterji (ed.), *The Modern Review*, Vol. CXI, Numbers 1–6 (Jan.–June 1962).

[58] *Report of the Burma Provincial Banking Enquiry Committee, 1929–30* (Rangoon, 1930), Vol. I, *Banking and Credit in Burma*, p. 189.

[59] Sudhansu Bimal Mookherji, 'Indian Minority in Southeast Asia,' *The Modern Review*, Vol. CXI, No. 1–6 (Jan.–June 1962), pp. 22–30.

[60] On the problems faced by the community during the Japanese occupation and later years, see W. S. Desai, *India and Burma; A Study* (Dec. 1952).

[61] On the problems faced in remittances, see 'Indians Outside India', *The Indian Review*, April 1957, June 1957, December 1957, February 1958. Also see Federation of Indian Chambers of Commerce and Industry, *Correspondence and Relevant Documents for the years 1950–57* (FICCI, Delhi).

[62] Although specific figures for the amount repatriated to India are not available, an estimate of the total figure, much of which was to India, has been put forth by the Burmese economist U Tun Wai. During 1938/39, the estimated amount repatriated was 18 million kyats; this rose dramatically after the War to 304 million kyats in 1946/47 and 1947/48 and 391 million kyats in 1947/48. Due to the imposition of exchange control and because of the large amounts already repatriated, it fell to 32 million kyats in 1948/49 and to 15 million kyats in 1950/51. See U Tun Wai, 'Outlook

the 1950s, as the new leadership closed down big businesses and after the *coup d'etat* by General Ne Win in 1962 and the subsequent military takeover of private enterprises. Most importantly, the Chettiars returned to India.[63] While in Burma, the Chettiars faced challenging legislation, in countries such as Vietnam, they continued moneylending and agricultural investments well into the 1970s. However, in overall terms, in most other parts of Southeast Asia, with the increasing spread of modern banking, the post-War generation of Chettiars was compelled to adopt new professions, moving away from their time-honoured activities of banking and moneylending.

(V)

Let us now consider the story of the Marwaris. Unlike the Chettiars, the Marwaris did not show a propensity to move in large numbers beyond the Indian subcontinent. As noted, the north Indian hinterland remained an important base for their trading endeavours, and by the mid-nineteenth century, Marwari traders had moved to the metropolitan hubs of Calcutta and Bombay to exploit new commercial opportunities. These were the preferred destinations for Marwari outward-migration, with eastern India becoming the most important centre for their trading operations. Once in Calcutta, the Marwaris gradually began to replace the Khattris and the Bengalis as *banias* to British firms. They moved smoothly into a crucial role in the new economic order as sub-contractors and became indispensable to trade and commerce. Given their strong links with their native Rajasthan and other parts of northern India, the Marwaris benefited from the expansion of commercial agriculture that occurred under the colonial aegis and got involved in financing peasant cultivators. The logical next step was to get involved in commercial crop export. As noted, through the *hundi* network, they could control the indigenous money market and the flow of goods and credit.[64]

for Burma's Balance of Payments,' *Journal of the Burma Research Society*, Vol. XXXVIII, Dec. 1954, Part 2, pp. 35–40.

[63] On this, see Sudhansu Bimal Mookherji, 'Indian Minority in Southeast Asia,' *The Modern Review*, Vol. CXI, No. 1–6, Jan.–June 1962, pp. 22–30.

[64] See Medha Kudaisya, *The Life and Times of G. D. Birla* (Delhi, 2003), Chapter 1.

Taking to certain specific business activities, the Marwaris were soon entrenched in them. They became the principal distributors of Manchester piece goods and featured prominently in the supply of grain, oilseeds, raw jute and other unprocessed goods. These were the staple commodities of the export economy, largely controlled by European managing agencies. In their role as brokers, the Marwaris became *banias* or guarantee brokers to important European houses and could help in bringing in new orders and in financing and guaranteeing bills. For a 1.5 per cent commission, the *bania* undertook to guarantee that the *bazaar* merchant would fully pay the bill of the order that the broker had bought and financed. European importing houses dealt with large *bazaar* merchants through the *bania* who bought the goods on commission at the port. In metropolitan areas, the large merchants would, in turn, pass these goods either directly to the *mofussil* shopkeeper or through an intermediate wholesale dealer. Through such operations, the Marwaris strengthened their hold on the credit and banking structures of the indigenous economy.

The Marwaris also had considerable interest in speculative markets and engaged in futures trading in opium, spices, hessian and jute. By the mid-nineteenth century, within the *bazaars* of northern India, the more prominent Marwari traders had established themselves as 'kings' in the trades they had chosen to enter. Thus, Ramgopal Mohta was commonly considered Karachi's 'iron king', Calcutta's Bansidhar Jalan, the 'jute king' while Motiram Jhunjhunwala was the 'silver king', Ramnath Ruia, the 'cotton king' and Baldeodas Dudhawala, the 'shares king'.[65]

The outbreak of World War I in 1914 and the extraordinary economic opportunities it created propelled the Marwaris into manufacturing. Speculative operations in jute, cotton, gunny and silver led to windfall gains for many *bazaar* merchants. Those involved in silver speculation did especially well due to the sharp rise in the international price of silver and the Government of India's policy to import large quantities.[66]

[65] D. K. Taknet, *Marwari Samj* (Jaipur, 1989), p. 57.

[66] The Government needed silver for coinage as currency circulation increased during the War from 1.8 billion to 2.9 billion silver rupees. Such was the demand for silver that in a single year India managed to absorb twice the total annual world output of silver. One example is that of Ramakrishna Dalmia who turned to silver speculation in a moment of desperation after being declared insolvent by the community. Borrowing Rs 50 from a friend and, based on some commercial intelligence, he made some speculative deals in silver—which he reinvested. This continued for a week at the end

Speculative war-time profits, their dominance in the hinterland's trade and their increasing presence in the share market allowed Marwari merchants to break into industry, till then the monopoly of European managing agencies. Taking the lead, the Calcutta merchants chose the jute sector in whuch to make their debut. This was expected, as by the end of World War I, the Marwaris dominated various layers of the jute sector, from the procurement of raw materials to the intermediate stage of baling to speculation and control over jute shares.[67] The bulk of the internal trade in raw jute as well as much of the export was in Marwari hands. As *banias* to jute companies, many Marwaris had bought shares that further consolidated their presence.[68] Thus, in 1919, three Marwari firms—Birla Jute Manufacturing Company, Halwasia Jute Mills and Hukumchand Jute Mills Ltd—were incorporated, breaking the European monopoly on manufacturing in the sector.[69]

The Marwaris then ventured into cotton and sugar. The Birlas set up a cotton mill in Delhi in 1921 and another one in Gwalior. Hargovind Dalmia acquired the Mathurdas Mills in Calcutta in 1921. Baijnath Juggilal, forerunners of the House of Singhanias, established a mill in Kanpur while Lakshmichand Jaipuria partnered with a fellow trader to set up the Khalsa Mills in Delhi in 1923. Jugalpat Singhania entered cotton, jute, sugar and light engineering, even as Anandilal Poddar of Bombay joined hands with a Japanese partner to set up Toy-Poddar Cotton Mills in Bombay in 1924.[70]

Yet, for the Marwaris, all this was just the beginning. As the eminent historian Dwijendra Tripathi puts it, it would take another decade for the Marwari presence on the industrial scene to become conspicuous. The Singhanias of Kanpur, after their initial foray into cotton in the early 1920s, moved on into jute, sugar and engineering. Jamnalal Bajaj, Gandhi's close associate, entered sugar and subsequently iron and steel. Ramkrishna Dalmia entered sugar and then made significant investments in cement manufacturing.[71] The Bajorias entered paper manufacturing and established, along with the Dalmias, the first Indian-owned paper manufacturing unit.[72] The Khaitans entered sugar; Subhkaran Malwani set up a cotton mill in Hyderabad in 1930 while the Marwari Jains were known to dominate Ahmedabad's cotton mill industry.

The global economic depression of the 1930s gave Marwari trading firms several opportunities to acquire companies in distress. For example, the firms of Ramnarain Ramnivas Ruia and Chaturbhuj Piramal took over the managing agency of Bradbury and Phoenix Mills, while the latter also gained control over Morarjee Gokuldas Mills. New areas that the Marwaris forayed into were engineering, iron and steel, pharmaceuticals and cement. As Omkar Goswami highlights, the 1935–40 period represented a structural break in the growth of Marwari entrepreneurship; while they continued to operate in the more traditional sector of modern industry they had conspicuously entered the relatively technologically advanced sectors as well.

The inter-War years also witnessed the emergence of industrial enterprise in many places far removed from Calcutta and Bombay. In the 1940s, the withdrawal of European managing agencies and the exodus of foreign capital opened up opportunities. Thus, Agarwal and Co. bought E. D. Sassoon United Mills with an estimated worth

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of which he found himself worth more than 1.5 lakh rupees. Such stories were not unusual amongst the Marwari community in these times. See Seth Ramkrishna Dalmia, *Some Notes and Reminiscences* (Bombay, 1948). On Dalmia, also see his *A Short Sketch of the Beginning of my Life and a Guide to Bliss* (New Delhi, 1962) and D. Rothermund, *An Economic History of India* (London, 1988), pp. 72–73.

[67] As the *Capital* remarked on May 25, 1922: 'The great prosperity of the Calcutta jute mills during the war made many mouths water in the Indian commercial community, more especially the Marwari mouths... Why should not Indians dominate the jute manufacturing trade as well as the cotton manufacturing trade? The Marwaris, at any rate, were determined to drive the thin end of the wedge.'

[68] See *Capital*, 25 May 1922. As jute was principally grown in the hinterland of the Calcutta region, the metropolis became the centre of War-time production and the port from where jute products were shipped to the whole of the British Empire. The Marwaris, entrenched in the jute trade, benefited greatly from this boom and reaped enormous profits. In their capacity as jute traders and exporters, they benefited from a manifold increase in turnover and records show that they figured prominently in the accounts of clearances of jute mills. The Marwari Association claimed that by 1922 no less than 60 per cent of shares in jute mills were controlled by Indians. Jute shares rose in value; the ratio of net profit to paid up capital increased from 10 in 1914 to 58 in 1915, reaching an all time high of 149 in 1917. The industry recorded net profit rates of over 50% of paid up capital in the War years.

[69] Although registered in 1919, they did not start operations till end-1922. The Halwasia mill does not appear to have been finally set up as it finds no mention after its registration in *Capital*. Sarupchand Hukumchand already had interests in cotton in Indore.

[70] S. Playne, *Southern India. Its history, people, commerce and industrial resources* (London, 1914–15), pp. 898–901 and Chentsal Rao, *Lakshmipat Singhania: His Concepts and Creations* (Delhi, 1986).

[71] R. K. Dalmia, *A Short Sketch of the Beginning of my Life and a Guide to Bliss* (Delhi, 1962), Chapter VI.

[72] On these developments, see Dwijendra Tripathi, *The Oxford History of Indian Business* (Delhi, 2004), Chapter 12, 'Towards Maturity'.

of Rs 8 crore in total assets; the Birlas bought Century Spinning and Manufacturing Company with assets worth Rs 5 crore; the Jaipuria Group took over Swadeshi Cotton Mills with assets worth Rs 5.5 crore and the Dalmia-Sahu Jain group acquired Sir Shapurji Broacha Mills and Madhowji Cotton Mills.[73]

So great was the interest in sectors such as cotton that four-fifths of the productive capacity in Ahmedabad's massive cotton mill industry and over half of the production capacity of Bombay's cotton mill industry was controlled by the Marwaris and Gujaratis by the early 1950s.[74] Also significant was the Marwari entry into other sectors, such as coal, which had earlier been dominated by British managing agencies. Here Anandilal Poddar, Jhunjhunwala, the Jaipurias and Karnanis were increasingly making their presence felt.[75] As well as buying up foreign firms, the Marwaris were getting more closely linked, in terms of business interests, with British companies.[76] They featured more prominently in the directorships of expatriate firms, as the British sought to dispose of their holdings during the War and in the post-War boom, when the prices of shares and stocks rose dramatically.[77] Several traders such as the Goenkas and the Khaitans entered the industrial sector through the acquisition of expatriate stock after Independence. Older houses, such as the Birlas, acquired a string of companies (including Bally Jute, Rameshwara Jute and Soorah Jute), entered the new areas of tea and tea estates, made forays into stable fibre, aluminium, fertilizers, rayon pulp and even steel.[78]

[73] See M. M. Mehta, *Structure of Indian Industries* (Bombay, 1955), pp. 310–318.

[74] M. M. Mehta, 'Recent trends in the managerial, administrative and financial integration of industrial enterprises in India,' *Indian Economic Review*, February 1954, Vol. II, pp. 21–36.

[75] Omkar Goswami, '*Sahibs, Babus* and *Banias*: Changes in Industrial Control in Eastern India, 1918–1950,' *Journal of Asian Studies*, Vol. 48, No. 2 (May 1989), pp. 289–309.

[76] Thus, the Jatias were linked with Messrs Andrew Yule and Co., the Kanorias with McLeod and Co. and the Bangurs with Bird and Co.

[77] On this see Mehta, *Structure of Indian Industries* (Bombay, 1955), Chapter XII.

[78] On their business expansion, see Medha Kudaisya, *The Life and Times of G. D. Birla* (Delhi, 2003), Chapter 14.

(VI)

By the 1950s, Marwari prominence in private industry was well recognized. This was in sharp contrast to the start of the twentieth century when, as M. M. Mehta, the Director of Statistics of the Government of India, had noted that they held an 'insignificant position' and were 'just making their mark as traders, bankers and stockbrokers.' By 1951, Mehta recorded that they were, along with the Gujaratis, 'the most dominant elements in the Indian entrepreneurial groups' and had 'expanded their spheres of industrial and commercial activities in almost every direction'.

By this time, the Marwaris were stepping into the dominant position, earlier enjoyed by British firms.[79] The community consolidated its economic powers under the new industrial era of Nehruvian socialism which, though it appeared to restrict industrial growth, advantaged large groups that grew in share capital, fixed assets and capital stock.[80] Newer Marwari business players emerged throughout the 1950s. Old traders and share dealers broke into industry to enter challenging areas like steel, power supply and collieries. This trend did not go unnoticed; in fact, it made political figures, economists and analysts anxious about the growing Marwari influence over economic life and their visibility in public life. Economists Wadia and Merchant, writing in 1957, highlighted the Marwari entry into the press, observing that control of *The Times of India* by the Dalmias, *Hindustan Times, Searchlight, Leader* and *Bharat* by the Birlas and a chain of papers by Ramnath Goenka gave the Marwaris an extraordinary grip over public opinion, which was 'further tightened by the subtler methods of hospitality and largesse such as big business knows how to employ'.[81]

[79] Along with the Gujaratis, they now controlled 96 companies out of 619 analysed, and held 618 directorships of a total of 2,622. See M. M. Mehta, 'Recent trends in the managerial, administrative and financial integration of industrial enterprises in India,' *Indian Economic Review*, February 1954, Vol. II, pp. 21–36.

[80] On Marwari expansion in these years, see R. K. Hazari, *The Structure of the Corporate Private Sector. A Study of Concentration, Ownership and Control* (Calcutta, 1966).

[81] See Wadia and Merchant, *Our Economic Problems* (Bombay, 1957), p. 728. By the 1980s, of the 100 'top industrial giants', 28 were Marwari owned with 12 companies belonging to the Birlas. In 1986/87, of the 11 companies with the largest turnovers in India, five belonged to Marwaris. The Monopolies Commission reported in 1964/65 that 75 top business houses owned assets worth Rs 2,605 crore. This trend of Marwari dominance has continued. In 1975, the assets of the top four Marwari houses was estimated at Rs 1,395 crore and, by 1986/87, had grown to Rs 7,654 crore. Of

In contrast, the Chettiars, by the 1950s, had seen their economic presence as well as their power eroded. From being niche players in the region's credit markets and achieving impressive growth in Southeast Asia, they now stood more or less apart from industrial developments. Much of their capital from Southeast Asia and Sri Lanka was repatriated after the Depression and a substantial part of that capital was ploughed into banking, commerce and insurance; while some was invested in plantations. Scholars note that Chettiar investments in the modern sector were restricted to six textile mills, the cement industry, electricity plants, five banks and six insurance companies.[82] This was rather small, compared to their prominence in moneylending in South and Southeast Asia.

Barely a handful of Chettiar firms moved into industry, and that too mainly within Southern India, where their presence remained limited. From the 1920s, the most important industries in Madras Presidency had been cotton and sugar. Enormous opportunities unfolded here in the inter-War period, with Coimbatore swiftly becoming a major hub of the textile industry. The landholding Naidu and Kammas communities took advantage of this and entered the industrial scene; the Naidus went on to become the most active players in both Coimbatore and Madurai. Though two or three Chettiar firms did venture into industry, the community made no significant mark in the sector. This lean interest in industry appears to have prevailed across different sectors, as highlighted by a 1950s study of light engineering works in Madras state, many of which were set up in the 1930s and 1940s. The author noted the diversity of entrepreneurial backgrounds in the 52 medium firms, employing 50–250 workers. Once again, Chettiar participation was limited to merely eight firms, and they were easily outnumbered by communities such as the Naidus and the Brahmans.[83]

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these, the Birlas alone accounted for a staggering Rs 4,772 crore. Similarly, of the 47 presidents of the prestigious Federation of Indian Chambers of Commerce and Industry, 20 have been Marwaris.

[82] Ramdas Menon, 'Banking and Trading Castes in the Colonial Period: The case of the Nattukotai Chettiars of Tamil Nadu', *South Asia Bulletin*, Vol. V, No. 2, Spring 1985, pp. 19–26.

[83] The author notes the 'high proportion of members of the Brahman community among the present group of entrepreneurs. Five of the twelve firms have been established by Brahmans, and these, in turn, are nearly half of all Brahman-entrepreneurs encountered'. James Berna, *Industrial Entrepreneurship in Madras State* (Bombay, 1960), p. 70.

In the pre-1930s, P. Somosonthram Chettiar had attempted to break into industry (circa 1880s) as had others like Karumuttu Thiagarajan Chettiar, who was involved in moneylending and trade in Sri Lanka. Thiagarajan Chettiar established the Sree Meenakshi Mills in 1921 in Madura. By the 1940s, he had expanded his interests to 13 textile companies and also had an interest in banking and finance, with the Bank of Madura and the Madurai Insurance Company Limited as his vehicles.[84]

The Chettiar hesitation to venture into industry is perhaps best illustrated by the story of the well-known Raja Sir Annamalai Chettiar Group. Composed of Annamalai and Muttiah Chettiar, the Group made a limited impact on the industrial sphere but was a major player in banking and within the public life of southern India. The Rajah Group's interest in banking went back to S. RM. M. Muthiah Chettiar, the father of Annamalai Chettiar, who entered moneylending and banking. On joining the family business at the turn of the nineteenth century, Annamalai was responsible for expanding the firm through branches in Sri Lanka, Burma and other parts of Southeast Asia. In 1908, he helped found the Indian Bank with the help of others like Ramaswami Chettiar, V. Krishnaswami Aiyar and Sir C. P. Ramaswamy Ayar.[85] Over the years, as his involvement with public life grew, he came to be well known for his large-scale philanthropy, including the founding of Annamalai University in 1929.[86] In 1923, he was knighted and also conferred the title of Rajah by the British.[87] However, even then, the Group's main interest remained in banking and moneylending. Alongside the Indian Bank, the Bank of Chettinad was incorporated in 1929, with a paid-up capital of Rs 30 million. Headquartered in Ramnad, it had branches all over Southeast Asia and Sri Lanka.

Once the Sir Raja Group repatriated its capital to India following the Depression of the 1930s, there was some expansion in the industrial sphere. One such initiative was the setting up of the South India Corporation in 1935, with its main interest in structural engineering. It took up contracts for structural works during World War II and was

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[84] See H. Kothari (ed.), *Who's Who in Indian Engineering and Industry* (Calcutta, 1962), p. 26.

[85] See *Dr Rajah Sir Muthiah Chettiar and Rani Lady Meyyammai Achi 60th Birthday Commemoration Volume* (Annamalainagar, 1965), p. 81.

[86] See Annamalai University, *Silver Jubilee Souvenir* (Annamalainagar, 1955), pp. 103–112.

[87] On their leaving Burma, see K. Nagaranjan, *Rajah Sir Annamalai Chettiar* (Annamalainagar, n.d.), esp. chapter entitled 'Burma chapter closed', pp. 79–80.

involved with transport, clearing and shipping, stevedoring operations and steamer agencies while acting as the agent for larger firms, such as Tata Chemicals and Travancore Cements and Iron and Steel.[88] Another relevant initiative was the takeover of Lotus Mills in Coimbatore in the early 1940s. Then, in 1945/46, Muthiah Chettiar set up Travancore Rayons, India's first synthetic yarn factory. The desire for increased Chettiar participation in industry made K. Kamaraj, the then Chief Minister of Madras, persuade Rajah Sir Muthiah Chettiar to enter the cement sector. In 1962, the Chettinad Cement Corporation was incorporated, with a projected capacity of 4 lakh tonnes of cement per annum and a capital cost of Rs 5.73 crore. Two plants were started, one in Kanur district that commenced production in 1968 producing 600 tonnes a day, and another plant in 1970.[89] Another venture was Madura Coats, which had close contact with the British firm set up by Messrs A. and F. Harvey—the Spinning and Weaving Mills—that later merged with Madura Coats.[90] Muthiah Chettiar first became its Director and was then elected Chairman in 1974.

Another group to venture into industry was headed by M. C. T. Chidambaram Chetty, who had a major interest in finance and insurance companies until the beginning of World War II. In 1924, he took over the United Life Insurance Company, the first Indian-owned insurance company in south India. The Group's interests expanded to general insurance with the United India Fire and General Insurance Ltd and to banking with the Indian Overseas Bank in 1937.[91] In the 1940s, Chidambaram was involved in the takeover of the famous Elphinstone Mills in Bombay and the setting up of the Travancore Rayon and Padukottai Textiles.

Similarly, the Murugappa Group arose out of a family firm involved in banking and moneylending in Sri Lanka and in Southeast Asian operations in Burma, Malaya, Indonesia and Vietnam. Comprising three brothers—A. M. M. Arunachalam, A. M. Murugappa Chettiar and Ramanathan—it repatriated large amounts of capital in the 1930s in the wake of the Depression. It then set up a minor sandpaper plant,

[88] K. Nagaranjan, *Dr Rajah Sir Muthiah Chettiar* (Annamalainagar, 1989), pp. 251–252.
[89] K. Nagaranjan, *Ibid.*, pp. 249–251.
[90] K. Nagaranjan, *Ibid.*, Chapter 17, 19.
[91] The Indian Overseas Bank developed the reputation of helping overseas Indians as a priority. Launched with a capital of Rs 2.5 million, it commenced operations simultaneously in Southern India and Burma in 1937. Over the next few years, it opened branches in many parts of Southeast Asia.

a storage equipment manufacturing unit called Ajax and an insurance company, and also bought a rubber plantation. Thereafter, the family moved into manufacturing bicycles and steel safes and later into light engineering, office and security equipment and coated abrasives. Following a major diversification, fertilizers became another major field of the group's focus. Another important businessman, R. M. Alagappa Chetty, originally involved with rubber plantations in Burma and tin in Malaya, made substantial investment in textiles in the princely state of Travancore and Cochin. In 1937, he launched Cochin Textiles (later called Alagappa Textile Mills) at Paddukaddu in Kerala. He also had interests in insurance. However, 'overtrading and speculation led to the complete obliteration' of his business interests after the war.[92]

From the trajectories of these firms, which stood at the forefront of Chettiar commerce, it is apparent that the community's foray into industry was limited even as banking interests dominated their agendas, even in the 1940s. Such dominance affected the modern banks in which the Chettiars had interests. For instance, a study of banking with data collected in the 1930s and 1940s notes that the Chettiar holding of a majority of shares in the Indian Bank affected the bank's lending policies. Not only were more advances made to community members but often advances made on personal credit were as large as banks deposits, whereas advances for trade or against goods could be about one-thirteenth or one-tenth of the total advances made.[93]

(VII)

It is not easy to speculate on what lay behind the reticence of Chettiar capital to make the transition to industry. Due to limited archival sources, it may not even be possible to put forth a definite explanation, but here are some tentative reasons for the failure of Chettiar enterprise.

[92] Dwijendra Tripathi, *The Oxford History of Indian Business* (Delhi, 2004), p. 238.
[93] It was reported: 'The Chetty firms themselves engage almost exclusively in banking and not in trade. In other words, the funds of the Bank are not available directly for trade of the country but only indirectly through the lending operations of the Chetties... The Bank prefers the security of the Chetty intermediary to that of goods or assets and earns perhaps a higher rate of interest. This should explain why the Indian Bank avoids investments and holds such a large proportion of funds in loans, advances and bills.' See S. K. Muranjan, *Modern Banking in India* (Bombay, 1952), pp. 228–233.

One salient feature of Chettiar commerce that perhaps contributed to the unwillingness to invest assets into the industrial sphere was the community's lack of economic diversification. The growth trajectory of Chettiar firms had traditionally been restricted to indigenous banking and moneylending. Over-investment in finance and money lending was a common feature of the portfolios of Chettiar traders. Steeped in banking, Chettiar traders perhaps found it difficult to invest their capital in industry. As a result, banking remained their first preference. Even at the peak of their influence in the 1920s and 1930s, Chettiar operations in Burma primarily consisted of moneylending. In overall terms, the Chettiars showed little interest in extending their operations further into industry, either in Burma, or in the avenues opening up in southern India.

'They do not, as a rule, do much other business,' noted U Tun Wai, the Burmese economist who served on the United Nations Economic Commission for Asia and the Far East. From data collected in the 1930s and 1940s, he concluded that only 'about 5 per cent to 10 per cent might be engaged in wholesale trade in paddy, oil or any other agricultural products in their district of operations' while those owning rice and saw mills numbered about 15–20. While the Chettiars were content to finance trade, they did not themselves emerge as traders in any substantial manner.[94]

That the financing of agriculture was the main preoccupation of the Chettiars was apparent from the fact that as many as 940 out of the 1,100 district firms were based in the 13 main rice growing districts of Burma. Almost all their assets, valued at Rs 6,500 lakh consisted of advances and discounted *hundis*; their main business consisted of accepting deposits, remittance, transferring funds and advancing money to agriculturists. Although the Chettiars did not go bankrupt due to the economic depression, the dominance of moneylending in their business operations meant an end to any financial expansion and a 'winding

[94] Even involvement with trade, U Tun Wai commented, was not out of choice but in view of the 'fact that in depression loans went bad and they were forced to become owners of industrial property'. For the post-War years 1946–48, he observes that 'some have indulged in the purchase and sale of disposal goods and also contract work. Here, too, only about 5 per cent to 10 per cent of the Rangoon firms have been engaged in this business'. When they were involved with trade financing it did not mean retail but wholesale trade between India and Burma.

up of firms' and attempts to 'liquefy their assets or just to keep the old business going'.[95]

The practice of concentrating on the moneylending portfolio may have contributed to the tendency to over-lend, described by Michael Adas as the 'most detrimental aspect' of Chettiar operations in Burma. If a prospective client could offer adequate security, the Chettiars would grant large loans without any attempt to determine the borrowers' actual needs or the commercial justification behind the loan. Evidence suggests that the Chettiars were happy to allow cultivators to over-borrow or to take loans when they had no economic reasons to do so. Borrowing for unproductive reasons did not cause much discontent when agricultural prices were rising but could be disastrous during lean times. Eventually, the Chettiars would be forced to foreclose on the mortgage which the cultivator had offered as security.[96]

This was in contrast to the trajectories of capital investments of other indigenous bankers and traders in the Indian subcontinent. Most indigenous bankers combined moneylending with other activities such as trade and commerce. In the early decades of the twentieth century, they were most commonly involved with a spectrum of 'allied businesses' and were finding a place in almost every aspect of trade, commerce and industry. They had dealings in grain or gold, general merchandise, as commercial agents, goldsmiths, jewellers and in agricultural products they financed, they acted as agents and tried their hand at industry.[97] In the 1920s, these 'allied businesses' were beginning to become more significant because of the challenges indigenous bankers faced due to rapid economic changes. First, with the unification of currency systems, the formation of new financial institutions such as credit societies and the spread of modern banking practices and more efficient means of remittance, indigenous bankers lost ground. Further, the improvement of communications and the rise of industry led to a general movement into new areas of entrepreneurial activities.

Only in rare cases did indigenous bankers continue to concentrate solely on banking and moneylending. In a study conducted in the 1920s, economist L. C. Jain pointed out that the only 'bankers qua bankers' in the subcontinent were the Chettiars in both Madras and

[95] U Tun Wai, *Burma's Currency and Credit* (Calcutta, 1953), p. 44.
[96] *Ibid.*, p. 56.
[97] See L. C. Jain, *Indigenous Banking in India* (London, 1929) and S. K. Muranjan, *Modern Banking in India* (Bombay, 1952), pp. 30–32 & 43–44.

Burma and the Multani bankers of Sindh and Bombay. The Chettiars confined their activities to moneylending and banking and the Multanis to dealings in *hundis*. There was no doubt in Jain's view that of all the indigenous bankers, the Chettiars were the most accomplished and had a 'reputation throughout the land for their spirit of adventure and enterprise, for their natural shrewdness and ability and for their acts of munificence'. However, they were the only ones with such a restricted economic portfolio. All other indigenous bankers functioned as 'bankers-cum-traders'.[98] By this stage, other communities had highly diversified investment portfolios, though they may have dominated certain areas.[99]

Another factor that may have contributed to the reticence of Chettiars to plunge into industry may have been their propensity to work on their own, compared to the Marwaris, Gujaratis and Sindhis.[100] The Marwaris worked closely with British capital, although an element of competition always remained. This was of various kinds and changed

[98] L. C. Jain, *Indigenous Banking in India* (London, 1929) and S. K. Muranjan, *Modern Banking in India* (Bombay, 1952), pp. 42–45 . Also see L. C. Jain, *Monetary Problems of India* (London, 1933), p. 63.

[99] For instance, despite their marginal involvement in Burma, the Marwaris maintained both moneylending and trading interests. For example, Shivbaksh Bagla, an important timber merchant in Calcutta, was involved with both moneylending and rice trading interests in Burma. Though their primary activity was discounting promissory notes, especially those related to piece-goods trade from Bombay or Lancashire, a role they could perform because of close links with European banks was the financing of the wholesale/retail trade in timber and rice. In overall numbers, they did not have a significant presence. According to estimates, there were two to three in Moulmein, two in Prome and five in Akyab. In Akyab, they had cornered 70 per cent of the local financing of wholesale trade and 40 per cent of the retail trade by the 1930s. See *Report of the Burma Provincial Banking Enquiry Committee*, (Rangoon, 1930), *Vol. I, Banking and Credit in Burma*, p. 187 and Usha Mahajani, *The Role of Indian Minorities in Burma and Malaya* (Bombay, 1960), pp. 12–21.

[100] As R. K. Sheshadri points out in his history of the Indian Bank: 'The Nattukottai Chettiars operated mostly as individuals. They had no close association or links with the governments of the day as the indigenous bankers in Murshidabad, Calcutta, Benaras, Surat or Delhi had. Among the many reforms, which Tipu Sultan tried to introduce when he was not fighting the British, was a system of state-sponsored and state-supervised multilateral coties or banking house all over the South. They were to undertake exchange operations and to finance trade; and their activities were to be financed by a central bank at Seringapatnam. The memory of this experiment is preserved in Captain Read's report on the ceded districts north of the Cauvery, written in 1792, but the experiment itself was destined to fail, as the Chettiars and other indigenous bankers cherished their independence and preferred to operate without any restrictions by any external authority'. See R. K. Sheshadri, *A Swadeshi Bank from South India* (Indian Bank, 1982), p. 18.

over the nineteenth and twentieth centuries. In the mid-nineteenth and early twentieth centuries, many acted as *banias* or guarantee brokers to the British.[101] It was from these brokers that many industrial pioneers emerged after World War I. While this was a more formal relationship they forged, others built more informal relations with European traders and managing agencies. For instance, Ramkrishna Dalmia, who had perfected the working of the *fataka* market and speculation, often dabbled in futures to help British managing agents.[102]

Relations with British capital developed at various levels. Even after they broke into industry, Marwari traders maintained close links with British capital. For example, when in 1918, the Birla Brothers along with two other traders, Halwasia and Hukumchand, broke the European monopoly over jute, they were careful to induct British managing agents into their boards. G. D. Birla inducted H. Gavin Wilson and G. L. Allen on to his board despite the fact that he always harboured a grudge against British managing agencies for their 'racial arrogance'.[103] He also recruited European managers to run the mill,[104] overlooking the opposition the Birlas had faced in their debut into industry by managing agencies such as Andrew Yule.[105]

These relations continued well into the 1930s and 1940s. Examining firms during this period, M. M. Mehta was astounded by the close integration of Marwari and British interests and the intermingling of two entrepreneurial groups that were culturally and socially so divergent. The Marwaris also featured more prominently in the directorships of expatriate firms. Once foreign firms were keen to sell off their holdings,

[101] For instance, Nathuram Saraf was *bania* to Hoare Miller and Kinsell, Hariram Goenka was guarantee broker to Ralli Bros, Surajmal Jhunjhunwala to Graham and Co, Onkarmal Jatia to Andrew Yule, Ramdutt Ramkishendas to Rallis and Kettlewell Bullen, Anandilal Poddar to Tototo Menka Kesha, Lakshmi Narain Kanoria to Mcleod and Co., Tarachand Ghanshyamdas to Shaw Wallace and Harduttrai Chamaria to E. D. Sassoon. See D. K. Taknet, *Industrial Entrepreneurship among Shekhawati Marwaris* (Jaipur, 1986), pp. 84–5. The Birla were brokers in the jute and gunny trade and dealt with Bird and Heiglers, Andrew Yule, Jardine Skinner and McLeod and others.

[102] See, for instance, Ramkrishna Dalmia, *A Short Sketch of the Beginning of my Life and a Guide to Bliss* (New Delhi, 1962), pp. 16–17.

[103] G. D. Birla, *In the shadow of the Mahatma* (Calcutta, 1953), p. xv. On the relations between Marwari and British business, see Maria Misra, *Business, Race and Politics in British India 1850–1960* (Oxford, 1999), especially Chapter 5.

[104] This led the Capital to remark: 'Like the Parsees and Bhatias of Bombay, the Marwaris of Calcutta saw the use, nay the necessity of employing in the first instance mill managers from Great Britain.' See *Capital*, 25 May 1922.

[105] See Medha Kudaisya, *The Life and Times of G. D. Birla* (Delhi, 2003), pp. 46–48

especially in the post-World War II boom in share prices and stocks in the run up to the transfer of power, the most certain buyers were the Marwari *banias*. Most commonly, Marwari traders entered those industries in which they had operated as traders.[106] Such relationships continued and leading Marwari industrialists maintained closer relations with British managing agencies than they did with Indian managing agencies.[107]

These relations proved critical, in many ways, in Marwari transitions from *bania* to industrialists. As shown by Omkar Goswami, it was common practice for European firms to allot shares to partners and managers and others in companies under their management. Once share prices rose during the war, the holders of such shares started to sell and the Marwaris with their proximity to European firms started to buy them up. Thus, entering the industry through stock purchases was an important strategy for the Marwaris. The setting up of management agencies and entry into industry by traders, shroffs and moneylenders was somewhat problematic since it meant an interlocking of funds and directorships. In a 1940s study, economist N. H. Thakkar pointed out that 'surplus funds of the mills in Ahmedabad were kept with the shroffs who were either the Managing Agents themselves or their relatives'.[108] This meant that in times of distress many such players sold off their industrial interests to save their banking operations. This interlocking of interests was a characteristic feature of managing agencies in South Asia, and many traders such as the Goenkas made their debuts in industry with the acquisition of expatriate houses after Independence.

Acting as *banias* gave the Marwari traders an insider status. It helped them understand the industry dynamics, gain insights into the market

[106] This held true not only for their first breaks into industry but also for later set-ups. The Seksaias (once 'cotton kings' of Bombay), the Ruias and the Birlas once associated with European managing agencies involved with cotton and having operated as stock brokers and in the raw cotton trade in which they made fortunes in the World War I prosperity then became big players in the cotton industry. See M. M. Mehta, *Structure of Indian Industries* (Bombay, 1955), p. 298.

[107] In the post-War period, Marwaris entered what Mehta called 'new deals'. On these, see M. M. Mehta, 'Recent trends in the managerial, administrative and financial integration of industrial enterprises in India,' *Indian Economic Review*, February 1954, Vol. II, p. 36. The basis of these was that the 'foreign firms are to supply 'technical know-how' and part of the block capital and the Indian firms- part of the capital and the managerial and marketing organization'. Also see his *Structure of Indian industries* (Bombay, 1955), p. 302.

[108] N. H. Thakkar, *The Cotton Textile Industry during Twentieth Century* (Bombay, 1947), p. 226.

and develop their contacts. Exposure to Western businesses also led to a familiarity with new methods of business. G. D. Birla frankly acknowledged the advantages of working as a *bania* to British firms which, he said, led him to 'see their superiority in business methods, their organizational capacity and their many other virtues'.[109] This argument resonates with the view put forth by Tripathi and Mehta in their study of business houses in Western India that one of the critical factors that lay behind the motivation of entrepreneurs to move into a particular sector was their 'direct or indirect exposure to business developments in industrially advanced countries'. Contact with European businessmen or officials provided insights, and encouraged persons of diverse backgrounds to take the plunge into industrial ventures. Further, the formation of managing agencies by the Marwaris allowed their family firms to hold almost unlimited power also facilitated the managerial, administrative and financial integration, which proved to be very important in the emergence of industrial enterprise.

Another disadvantage that Chettiar capital faced compared to Marwari capital lay in its loose links with the hinterland. The Marwaris were entrenched in the north Indian hinterland. They had extensive internal trading networks and were interlocked at several levels by complex financial arrangements, which generated the flow of credit. This allowed them to deliver goods at all levels of the economy. Financing of the massive movement of goods and crops occurred under their auspices, as did the production process, which was dependent upon their advancing of loans to the peasants and artisans. L. C. Jain, in his study of indigenous banking in the 1920s, recounts at length how such traders were able to control the indigenous money market and control the flow of goods and credit through the *hundi* network. By moving across to Southeast Asia, the Chettiars were not able to leverage upon the hinterland linkages, which had proven so vital in the case of the Marwaris. In the 1930s, the Marwaris stood out as a community with large interests in almost the entire subcontinent's money markets. A study carried out in the 1920s and 1930s claims that they were 'almost in entire possession' of the money market in Bengal and Assam; in Bihar and Orissa, they shared the trade with Gujaratis and Kachis, and in Bombay with the Multanis and the Shikarpuris. The Nattukottai Chettiars, by contrast, were restricted to Madras, and here too they faced

[109] Medha Kudaisya, *The Life and Times of G. D. Birla*, pp. 43–44.

fierce competition from the Marwaris, and to a less extent, from the Multanis and Kullidaikurchi Brahmans of Tinnevelly. Thus there was no market in the Indian hinterland where Marwari networks did not extend.[110]

This article thus shows that a number of factors accounted for the success of the Marwaris in the industrial sphere and the failure of Chettiar capital. It is important to recognize that attributes associated with caste status and ideology—such as corporate organization, shared code of business ethics, formation of trading 'communities of trust', strong kin and locality networks and a highly flexible nexus between family and firm—gave both Marwaris and Chettiars advantages in commercial pursuits and were instrumental in their entrepreneurial responses. Yet there were also other factors and historical circumstances that played critical roles in shaping their different trajectories. The Marwaris had a highly versatile trading, financial and service portfolio that gave them the flexibility to shift their operations when faced with challenges or new opportunities.[111] In contrast, the Chettiars' over-engagement with agricultural credit and their lack of economic diversification and aloofness from trade meant that it was far more difficult to adjust to changing commercial conditions. It did not allow them the suppleness to move from one area of investment to another with ease. It blocked their capital in such a way that when faced with the challenge of the global economic depression of the 1930s, Chettiar capital was unable to un-entrench itself and move into new areas.

Another aspect that worked to Marwari advantage was their close relations with European capital. As noted, this occurred through different ways: through their being *banias* and guarantee traders to European managing agencies, or being directors of managing agencies, or through business dealings with European firms. This intermingling of interests proved advantageous in various ways by making them 'insiders' in important sectors, providing exposure to business ideas and developments and helping them imbibe knowledge about new businesses.

[110] S. K. Muranjan, *Modern Banking in India* (Bombay, 1952), pp. 145–146.

[111] This was a long-standing trait of Marwari trading practice. Writing about Marwari traders in mid-nineteenth century North India, Chris Bayly points out: 'A notable feature of these firms was their versatility and the wide variety of commodities and services they managed. Some appear first as salt and grain merchants; others were local company treasurers; most became involved with moneylending to zamindars in the towns.' C. A. Bayly, *Rulers, Townsmen and Bazaars. North Indian society in the age of British expansion, 1770–1870* (Cambridge, 1983), pp. 249–250.

The Chettiars lost out because of their weak ties with foreign capital, implying a lack of exposure to Western business. They also grew to be risk-averse, functioning within their comfort zone and remaining faithful to traditional businesses and their methods. The Marwaris, in contrast, honed the ability to organize new forms of business organisation, like managing agencies to enable managerial, financial and administrative integration. This also facilitated interlocking directorships and enabled them to dominate the industrial activity. Thus it was not only their social organization and ways of trading that were important in ensuring success. Clearly, many factors and historical circumstances also played critical roles in shaping their different trajectories.