

## IMPACT OF COLONIAL RULE ON INDIAN ENTREPRENEURS AND BUSINESSES

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### **Abstract**

The common narrative is that during the colonial rule, Indian businesses and industries did not flourish, but rather went into a state of decline. This paper seeks to explore various players in Indian business that seemed to have gained and benefitted from the colonial rule. Another contributing factor to this were the two World Wars. The Banias (which remain a relevant business caste even today) not only benefitted but also changed their method of earning. The Birlas and Tatas were already prominent figures in Indian business, but owing to colonial rule they seemed to make further leaps and bounds. Lastly, foreign pharmaceutical MNCs and other companies also staked their claim in the bustling business environment that existed in early 20<sup>th</sup> century India.

Keywords: Colonial Rule, Indian Business, Birlas, Tatas.

### **Introduction**

The British came to India with the intention to trade and they formed the East India Company in 1600. Though the intentions of the British may have been noble in the beginning, they soon turned malicious and more than often did not benefit any party other than the British themselves. The British were often unaware of the ground realities of the Indian society and what the people actually wanted. This disconnect between what the British thought was correct and what the Indians actually wanted, gave the British a certain sense of leeway to reconstruct social forms like economic relations (Wilson 2007, 967-970). This was reflected in the policies that they implemented and when it came to business terms, the colonial rules and laws seemed to benefit only the upper class; which could be said to be intentional as the British who settled in India seemed to occupy positions in the higher strata of the society (Maddison 1971, 1). In addition to the statement previously made, there is evidence that suggests that Protestants have a greater motivation for social modernization, which is seen through the fact that they helped the lower

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caste and women in their economic development through education (Lankina and Getachew 2013, 108).

Trade and industry in India after the advent of colonialization was dominated by the Europeans. The Europeans not only had a major stake in India's trade, but they also were dominant figures in Indian industries like jute, tea, etc. It is only after the World Wars that big Indian players started becoming significant players in the field of Indian industries. Morris argues that this is because there existed two rates of earning profits in India, (1) lower rates and (2) higher rates. The Europeans seemed to be satisfied with the earning profits at the lower rates – this could be because they had a steady flow of profits coming in from the colonies – and the Indians seemed to be more interested in earning profits at the higher rates (Chakrabarti and Chatterjee 2006, 904). The World Wars brought great economic opportunities for India as even though India wasn't directly involved in War, it became a major hub for the production of raw materials like steel, jute, cotton, etc., as well as finished goods.

### **Indian's in Business**

Organically the higher strata of the society composed of the upper caste Brahmins and to some extent the business class which is often called as the *Banias*. For the purpose of this essay, we will narrow down further into the Marwari subset of the Bania caste. The Marwaris hail originally from Rajasthan and this is one such part of the society that actually benefitted from the colonial rule (Tripathi, Marwaris: From 'Community' to 'Class' 2011). The Marwaris were never a poor class, as traditionally they were involved in moneylending and trade, but during World War I they gained a lot, economically and socially. They saw the changing times and figured out that during this period, their traditional forms of making money, that is trade, won't benefit them as much and as a consequence of this, they shifted their focus to industry (Goswami 1989). Even though they had their roots in business even before colonial rule, the colonial rule especially the World Wars were opportunities where they benefitted the most from (Tripathi and Jumani, During the War and After 2010). This is evident from the fact that most of the Calcutta market was dominated by the "big banians" (Timberg 2015).

Some of the most well-known people to have benefitted from the World Wars are the Birlas and the Tatas. These names are popular even today as one of the big industrialists and they managed to make great jumps ahead in their business owing to the surplus demand that the World Wars has

bought in. The Tatas were already established in the textile industry and this industry boomed even more with the onset of the War, but by the 1930s, the Tatas were more recognised for their steel industry, which also owed its huge success to the War. Soon after the War, Tata expanded its reach and started Tata Chemicals which was supposed to be “a decisive phase in the development of the Indian Chemical industry”. Apart from all the different sectors of the economy that Tata was expanding its fold in, it also has its claws in Air India that was a public limited company and was also the first enterprise that promoted air travel in the country (Tripathi and Jumani, *During the War and After 2010*).

Though the strength and size of Tata Industries is unparalleled during those times in India, another native company that comes close is the one owned by the Birlas (Tripathi and Jumani, *During the War and After 2010*). For the Birlas, financial performance and planning was of the utmost importance and “major effort was to go into financial and commercial matters” (Kudaisya 2011). One of the main reasons for the success of the Birlas was the fact that for them the domestic demand always outstripped the supply. Apart from this, Birlas were also known for their textile industry which boomed during the War periods, as a result of which the profits that they earned during the war provided to be a launchpad for them to boost their activities (Tripathi and Jumani, *During the War and After 2010*).

People and businesses like the Tatas and Birlas were part of the indigenous capitalist class who saw other positive developments which diverged from the classical colonial pattern that had been established. Many writers correlated the rapid economic growth with the policies of colonialism, and some writers even say that India was exploiting England (Mukherjee 2008). The latter argument is for clear reasons not true, but there is some merit in the first half of the argument as Mukherjee states that the Indian capitalist class managed to profit by taking advantage of the economic and political situation that prevailed in India and the world during that time; owing its roots to colonialism, the two World Wars and the Great Depression.

### **Colonial Policies**

If we take a step back from the Indian capitalist class and look at how the colonial policies helped (or did not help) in the development of the Indian economy we need to look at the policies of the British and how they implemented those policies. The logic behind the policies that the British introduced followed the classical economists view and was that “private gain, individual enterprise and the operation of the market” would work together in such a manner that economic

development would take place (Chandra 1991, 94). As Chandra states, the British centred their economic policies around the fact that a modern judicial and police system as well as security from external aggression would imbibe a sense of security and well-being in the citizens, which is a prerequisite of economic development.

While talking about colonial law and its economic policies, we need to consider the Colonial Development Act of 1929. The main aim of this act was to battle the unemployment problem of the United Kingdom and to “aid and develop agriculture and industries in the Colonies, Protectorates and Mandated Territories, and thereby promote commerce with or industry in the United Kingdom” (Meredith 1975, 486). This Act was the first formal move by the colonial government to aid in the economic development of the countries that they had colonised. Till now they had provided aid only when they needed to, for example in case of an earthquake or major crop failure. Aid under this Act was provided through annual grants and loans that would be beneficial for both the colonised and the colonisers (Abbott 1971, 70).

Though the intentions of this Act weren't completely noble, it was a step forward in helping out the colony states even if the motive behind the Act was to eventually make the economic situation in their homeland better. Reports do suggest that British policies were affected by the “geo-strategic and domestic macro-economic concerns” while their implementation faced problems that arose due to contingencies posed by post war austerity, where at the same time, there have been few studies done on how the aid that was supplied to the colonies was actually used and where the aid went at the end (Altink 2011).

### **Pharmaceutical Companies in Indian Business**

To take up another case study of business in India during the colonial times, we can look at the drug trade and pharmaceuticals companies that existed. In the early 20<sup>th</sup> century, the drug trade in India flourished and the urban areas became sites of serious competition and distribution of drugs imported from Germany, Britain, etc. Due to this reason, many pharmaceutical multinational companies also started entering the Indian market as it was becoming “a lucrative area for foreign companies”. Apart from the western owned companies that were setting a mark in the drug market of India, there was also a strong presence of a *bazaar market*, which catered to mainly Indian wholesalers and distributors. These Indian bazaar traders posed a serious threat to the prominent British firms that were in India (Bhattacharya 2016, 69).

The main target audience for the western MNCs were the British that were settled in India the hospitals that catered to the British migrants, and naturally their sale was mainly in areas where they resided, that is, in colonial metropolises, industrial enclaves, district headquarters, hill stations and other commercial hubs. At the same time, the bazaar traders catered to the Indian middle class and lower class that resided in the cities. Seeing this as a booming opportunity to increase their market base, the British Indian firms also started partnering up with the bazaar traders and sold their pharmaceutical goods to them (Bhattacharya 2016, 73-75).

### **Conclusion**

Though the common conception is that during the colonial rule, India suffered through a period of economic depression and that there was little to no development, in reality there were many parties in India that benefitted from colonial rule and the policies that the British implemented. The parties or groups benefitting from this aren't limited to the higher strata of the society as even the Marwaris who were just traders till before entered the formal business game and started setting up their own industries. The World Wars proved to be a turning point for the economic situation of India, and the business community of India recognised this opportunity and derived benefits from it.

The various case studies about the Tatas, Birlas and the and pharmaceutical companies also further elucidates that during the 20<sup>th</sup> century of the colonial rule, business in India was flourished and owing to this period the Indian capitalist class was established which had a significant role to play in the economic development of the country after independence.

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