

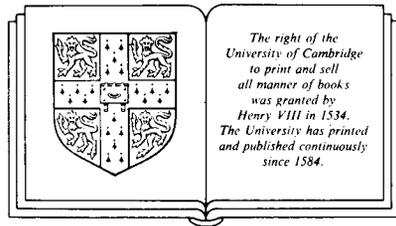
# INDIAN BUSINESS AND NATIONALIST POLITICS

1931-1939

*The Indigenous Capitalist Class  
and the Rise of the Congress Party*

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## CONTENTS

<i>Preface</i>	ix
<i>Abbreviations</i>	xi
<b>Introduction</b>	<b>I</b>
1 Indian capital	7
2 Crisis and opportunities	41
3 Business, Civil Disobedience and the reforms 1931-1935	68
4 The turning point: capitalists and Congressmen 1935-1937	101
5 Business, the central government and the Congress 1937-1939	128
6 Indian business and the Congress provincial governments 1937-1939	150
<b>Conclusion</b>	<b>179</b>
<b>APPENDICES</b>	
1 Top business groups in India in 1931-1939	190
2 Largest public companies in India 1932-1939	196
3 Holdings of controlling group in selected companies 1926-1927	197
4 Main groups in the cotton-textile industry 1931-1939	198
5 Sectorwise distribution of companies under the control of major Indian and British groups 1931-1939	199
6 Profits in selected industries 1928-1939	200
7 India's balance of commodity transactions (merchandise and treasure) on private account 1929-1939	201
8 Final balance of India's international transactions on current account 1929-1939	202
9 Principal countries in India's foreign merchandise trade 1929-1939	203
10 Most significant items in India's foreign merchandise trade 1929-1939	204

II	A Bombay manifesto of twenty-one businessmen	206
	<i>Biographical notes</i>	207
	<i>Bibliography</i>	214
	<i>Glossary</i>	222
	<i>Index</i>	224

## TABLES

1	Growth of the corporate sector 1884-1931	15
2	Directorships held by certain individuals in Bombay in 1924 and 1932	16
3	Major factions in some cities	38
4	Index number of wholesale prices in India, UK and the USA 1929-1933	42
5	Index number of Indian import and export prices 1929-1933	42
6	Indo-British merchandise trade 1929-1939	55
7	Results of 1937 provincial elections. Seats reserved for Indian commerce	122
8	Industrial disputes in selected provinces in 1937-1938	156

## INTRODUCTION

In recent works on the history of Indian nationalism, there is a perceptible shift away from ideological generalizations towards detailed studies of the political processes on an area basis. One school of historians<sup>1</sup> has emphasized the role of the local and regional elites in the growth of political organization and tended to question traditional assumptions about the existence of a unified nationalist movement cemented by a common ideology. Other historians have sought for a broader concept of nationalism encompassing the specific politics of the non-elite elements in society, the 'subaltern'.<sup>2</sup> Most of the research done by both schools has been focused around the politics of the rural areas, a fact which is easily accounted for by the predominantly agrarian character of the Indian colonial economy. The specific politics of the urban areas and in particular the role of the capitalist strata have not yet received all the attention they deserve. One of the few in-depth studies of urban politics, by Bayly,<sup>3</sup> is concerned with Allahabad, a city with practically no modern industries, whose wealth was largely based on regional trade and the exploitation of links with the neighbouring countryside. The politics of the more industrialized urban areas in the twentieth century have been a neglected field of study. Some attention has recently been paid to the urban working class and its political attitude<sup>4</sup> but only Gordon's work on Bombay<sup>5</sup> deals with the interven-

<sup>1</sup> The so-called 'Cambridge school' represented, among other works, by J. Gallagher, G. Johnson and A. Seal (eds.), *Locality, Province and Nation. Essays on Indian Politics 1870-1940*, Cambridge, 1973; C. J. Baker, *The Politics of South India, 1920-1937*, Cambridge, 1976; and D. A. Washbrook, *The Emergence of Provincial Politics. The Madras Presidency 1870-1920*, Cambridge, 1976.

<sup>2</sup> For a general statement of this view, see R. Guha, 'On Some Aspects of the Historiography of Colonial India' in Guha (ed.), *Subaltern Studies I*, Delhi, 1982, pp. 1-8. For regional case studies, see G. Pandey, *The Ascendancy of the Congress in Uttar Pradesh 1926-1934. A Study in Imperfect Mobilization*, Delhi, 1978, and D. Hardiman, *Peasant Nationalists in Gujerat. Kheda district, 1917-1934*, Delhi, 1980.

<sup>3</sup> C. A. Bayly, *The Local Roots of Indian Politics: Allahabad 1880-1920*, Oxford, 1975.

<sup>4</sup> See in particular R. Chandavarkar, 'Workers' Politics and the Mill Districts in Bombay between the Wars', *Modern Asian Studies* (hereafter *MAS*), 15(3), 1981, pp. 603-47.

<sup>5</sup> A. D. D. Gordon, *Businessmen and Politics. Rising Nationalism and a Modernising Economy in Bombay, 1918-1933*, Delhi, 1978 (hereafter Gordon).

tions of Indian businessmen in the political life. Given the increasing role played by these businessmen in the Indian economy, it appears that a more general and systematic study of their political behaviour is needed.

This work is therefore an attempt at analysing the response of Indian capitalists to the rise of political nationalism and at evaluating the impact which the growing participation of businessmen made on the course of nationalist politics. Business is equated here with 'big business', for it was mainly the upper strata of the business world which was capable of influencing political developments in a significant way. Smaller businessmen could be very active in local politics but rarely intervened on the national scene. Big Indian capitalists formed an easily identifiable group, almost exclusively located in a few cities such as Bombay, Calcutta, Ahmedabad, Cawnpore or Coimbatore where most of India's large-scale mechanized industry was concentrated. However, they were not purely a class of industrialists but also had a large stake in trade and finance. They were distinguishable from the mass of small traders and entrepreneurs which formed the bulk of the commercial classes by the size of their financial resources, the range and scale of their activities and their organizational skill. They provided leadership to most of the regional business associations and in 1927 they had established the first indigenous pan-Indian business organization, the Federation of Indian Chambers of Commerce and Industry (FICCI).

Although these big capitalists played an important role in the economy of the major cities and of some agricultural regions, they had no overall control over the Indian economy. The dominance of foreign (mainly British) capital over most of the 'modern' sector and a predominantly pre-capitalist agrarian structure were two major constraints limiting the role of Indian capitalists. The Indian business class as a whole did not have very strong rural connections. A clear distinction should be made here between social and economic relationships. Caste and kinship networks often linked urban capitalists to the rural areas but they were not necessarily congruent with trading networks. Thus *Marwari* kinship networks often connected big capitalists in Bombay or Calcutta with medium-scale merchants in *mofussil* towns and small traders in villages of Rajasthan,<sup>6</sup> but in such networks flows of men (village relatives coming to work with the family firm in a big city) were more significant than flows of goods.

<sup>6</sup> An analysis of *Marwari* networks in a more recent period is found in C. Cottam, 'City, Town and Village: The Continuum Reconsidered' in K. Ballhatchet and J. Harrison (eds.), *The City in South Asia Premodern and Modern*, London, 1980, pp. 324-42.

Conversely the raw cotton trade centred on Bombay was not primarily organized along kinship lines and the big capitalists in Bombay, both millowners and exporters, were never capable of establishing a real control over the entire process from field to factory or port.<sup>7</sup> Even in areas of developed commodity production, either for local manufacture or for export, big urban-based capitalists rarely controlled the marketing of the produce at all the stages. Leaving aside plantation agriculture, cases of capitalist-dominated rural economies were found only in the jute-growing hinterland of Calcutta and in a few sugarcane-growing areas of Northern India,<sup>8</sup> where the need for an immediate industrial transformation of the produce facilitated capitalist control. But even in these areas direct landholding by urban capitalists was not common. More generally, although in the 1920s and 1930s businessmen, mainly in Eastern India, tended to acquire a growing number of *zamindari*, investment in land by urban capitalists seems to have been limited.<sup>9</sup> The reverse flow of investment in industry by landlords and more particularly the Indian princes seems to have been more constant and significant.<sup>10</sup>

While there were some signs of a growing symbiosis between the urban capitalist strata and a section of the landed elite, Indian big business remained on the whole a social group which was relatively divorced from the land. This was particularly true of the capitalists in Western India, although it did not apply as much to those in other regions. In a society in which the possession or control of land was the basis of social dominance, an objective limit was thus set to the social role of the capitalists. However, compared to the landed class, the business class, in spite of its own fragmentation, could more easily establish all-India connections. In an era of growing 'nationalization' of politics, marked by a decline of traditional patterns of patronage,<sup>11</sup> this ability to forge links on a nationwide base was an important asset. In terms of social prestige, the capitalists, most of whom belonged to *bania* castes, could certainly not compete with the upper-caste landed magnates, but no indignity was attached to their occupations which in Hindu tradition were religiously neutral.<sup>12</sup> In striking contrast to the

<sup>7</sup> See Gordon, chapter 3, pp. 85-116.

<sup>8</sup> See S. Amin, 'Unequal Antagonists. Peasants and Capitalists in Eastern UP in 1930s', *Economic and Political Weekly* (hereafter *EPW*), xvi, 42-43, 1981, pp. PE 19-31.

<sup>9</sup> See the discussion on profitability in land investment in A. K. Bagchi, *Private Investment in India 1900-1939*, Cambridge, 1972, pp. 211-15.

<sup>10</sup> Some details about the holdings of Indian princes in industrial companies are found in P. Lovett, *The Mirror of Investment*, Calcutta, 1927.

<sup>11</sup> On this point, see Baker, *Politics of South India*, p. 237, and Bayly, *Local Roots*, pp. 272-3.

<sup>12</sup> See L. Dumont, *Homo Hierarchicus. Essai sur le système des castes* (French edn), Paris, 1966, p. 125.

Chinese situation, in India there were no deep-seated prejudices against commercial and industrial pursuits<sup>13</sup> and merchants were not eager to escape their condition. Unlike their Chinese counterparts, they did not dream of an official career for their sons.

An overall view of the position of Indian capitalists around 1930 shows that they were a rising group, socially as well as economically. However, their participation in the political life of the country remained limited. The advent of mass nationalist agitation in the 1920s had not left them unaffected, but it will be argued in this work that in the 1930s their intervention in politics acquired a more permanent character. The greater politicization of businessmen in the 1930s was linked to changes in the structure of Indian capital as well as in the pattern of nationalist politics. Regarding the former, a process of diversification occurred as Indian capitalists engaged in new activities, in a context of more rapid industrial progress based on import-substitution. Regarding the latter, the 1930s was a crucial decade, marked by a transformation of the Congress Party from a broadly-based movement with a general commitment to fight foreign rule into a more articulate party capable of aspiring to political dominance. Instrumental in bringing about this transformation was the eventual failure of the Civil Disobedience movement launched by Gandhi in January 1930 and abandoned in April 1934, a failure which resulted in a reorientation in the strategy and tactics of the nationalist movement.

Before outlining more precisely the scope of this work, a point should be made about the sources used. Although a few collections of private papers of prominent Indian businessmen are available for study, most business houses are understandably reticent about discussing their political dealings, past as well as present. Therefore the student of Indian business has to rely mainly upon sources external to the business houses. Even old balance sheets are not easy to come by and a lot of information regarding business operations has to be gathered from stock exchange annuals and similar publications. The annual volumes of the various chambers of commerce and business associations contain many speeches by prominent businessmen, which somehow compensate for the paucity of written texts left by business people (with a few exceptions). But this source should be used with caution, as these speeches often reflect more the 'public' image which businessmen wanted to project than their actual preoccupations. The same caution should apply to the use of government records. Official sources, victims of a 'conspiracy' theory of Indian nationalism which

<sup>13</sup> With the exception of those which necessitated contact with impure materials. Dumont, *ibid.*

frequently pervaded official thinking, often tend to overestimate the importance of business support to the Congress and of business influence over the Congress.

Given the nature of the data available and the lack of studies on the topic, this work has been written with the aim of reconstructing a broad logical framework for the interpretation of business political attitudes rather than of producing a very detailed study of the political dealings of businessmen. More in-depth studies of specific episodes will be possible only when more confidential material is available. Since the object of this work is the study of the participation of businessmen in the national political life, the local and provincial arenas of politics have been largely neglected, except for the 1937-1939 period, during which provincial issues had a direct bearing upon the position of big business in national politics.

Another methodological problem is the use of comparative data. It would of course be most enlightening if a systematic comparison between the role of the capitalists in India and the part they played in the independence struggle in other colonial countries could be drawn. But the problem is, firstly, that in no other colonial country was there a capitalist class comparable in size and wealth to the Indian capitalist class and, secondly, that there are very few studies available. Economically, the most meaningful comparisons are with the cases of other great Asian countries, mainly China and Japan. But their political situations were so different from India's that it is difficult to draw very relevant conclusions from a comparative study. Therefore, although attempts have been made to utilize some comparative data, no systematic use has been made of the comparative method.

Two more points should be made about the exact scope of the work. The first one relates to its geographical extension. Most of the data collected concern Northern, Western and Eastern India. Therefore South India, although its business communities were far from negligible and showed specific traits, has not been given all the treatment it would have deserved. A second point relates to the Muslim problem. In this work no attempt has been made at analysing the specific responses of Muslim businessmen to the political situation. It appears that the developing relationship between a section of Muslim businessmen and the Muslim League is worthy of a separate study.

A study of the politics of Indian big business in 1931-1939 must above all aim at explaining the rationale for the division which appeared in its ranks in 1931-1936 and for the growing trend of unity perceptible from 1936 onwards, leading to the establishment of a close relationship with the Congress Party on the eve of the Second World

War. In trying to account for the changes in the political alignments of businessmen, the decisive influence of the economic depression and of the governmental response to it should not be forgotten.

Therefore, while Chapter 1 briefly outlines the main features of the Indian capitalist strata and puts forward a certain number of basic hypotheses, Chapter 2 is a detailed review of the economic situation between 1931 and 1939, of government policy and of their impact upon Indian capital. Chapter 3 examines the political attitude of the capitalists in 1931-1935 with special emphasis on the second phase of the Civil Disobedience movement (January 1932-April 1934). Chapter 4 focuses upon the interaction between business attitudes and internal Congress politics in 1935-1937. Chapter 5 is concerned with the triangular relationship between business, the central government and the Congress in 1937-1939. Chapter 6 is a detailed survey of the connections between big business and the Congress governments which were in power in most of the provinces of India in 1937-1939.