

THE BUSINESS HISTORY OF INDIA & SOUTH ASIA: RECENT TRENDS IN RESEARCH

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The Business History of India and South Asia: Recent Trends in Research

A Conference at Harvard Business School

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Summary Report

Edited by Walter A. Friedman and Geoffrey Jones

“The Business History of India and South Asia: Recent Trends in Research”

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Introduction

This one-day conference brought together leading scholars from Asia, Europe, and the United States to discuss the latest research on the evolution of business in South Asia. Over the course of the day, business historians, economists, political scientists, and others debated the origins of the Great Divergence in wealth and power between South Asia and the West; the role of family business and networks; South Asian businesses and the global economy; and key drivers of change in South Asian business since the 1990s. The conference highlighted new sources available for research, especially digital resources. At the core of the event was Harvard Business School’s Creating Emerging Markets project, which has captured lengthy and in-depth video interviews by the School’s faculty of South Asian business leaders, including Ratan Tata, Prathap Reddy, Ritu Kumar, and Sir Fazle Hasan Abed, the founder and chairman of BRAC, the world’s largest NGO. Striking excerpts from the videos were played at the conference throughout the day. (The Creating Emerging Markets project website can be visited at <http://www.hbs.edu/businesshistory/emerging-markets>.)

The Great Divergence

The first session of the conference focused on new research on the Great Divergence—the process by which the West grew dramatically wealthier than South Asia and China, which were the center of world manufacturing before Britain’s Industrial Revolution in the eighteenth century. The term “Great Divergence” was popularized by Kenneth Pomeranz in a book published in 2000, which put particular emphasis on explaining why China was eclipsed by Britain, while this conference focused on the South Asian experience.

In her paper “Falling Behind: India in the Great Divergence,” Bishnupriya Gupta asserted that in the seventeenth century, Indian weavers had been competitive in world markets, and in terms of living standards measured by grain wage and real wage, the standard of living of an Indian worker was not far behind that of the British worker. She suggested that by the end of the century, however, a gap had opened up and that the difference in living standards further

widened as Britain developed its production technology. She presented pioneering new estimates of GDP per capita for Britain and India that made the case that the Indian economy had started falling behind Western Europe before the Industrial Revolution. Tirthankar Roy further explored reasons for India's lag in the Great Divergence by focusing on the role of geography and climate on financial markets in his paper "The Monsoon and the Market for Money in Late-colonial India." Roy posited that several factors mitigated against the development of long-term deposit accounts in India, including local customs against money-lending and the boom-bust nature of the harvest season based around the monsoon. He noted that seasonal variations in India were far greater than in Britain, and that this resulted in distortions in the organization of the money market that made indigenous banking less effective in promoting saving and financing industrialization. Lastly, Susan Wolcott, in "The Role of Labor and Culture in India's Divergence," explained another possible source for South Asia falling behind, which was stagnant industrial productivity levels in the nineteenth and early twentieth centuries. She revealed data on industrial productivity in Indian cotton textiles, jute textiles, and coal mining that indicated no labor productivity growth between 1900 and World War II. She argued that, while formal labor unions were not powerful, Indian workers felt a strong sense of responsibility toward each other, in part due to caste, and they often acted as in solidarity. Moreover, the British colonial government was primarily focused on protecting property rights and avoided the aggressive anti-labor strategies seen in the contemporary United States.

Business Groups and Families

In South Asia, as elsewhere in Asia and Latin America, family businesses and family-controlled business groups dominate the private sector. The second session highlighted new research on these businesses over three centuries. Sudev Sheth revealed an early instance of a family firm in his talk on elite banking households in the successor states to the Mughal Empire during the eighteenth century. In "The Haribhakti Family and the Social World of Gujarati Bankers," Sheth highlighted a transformational period in which a new class of financiers arose with ties to the local agrarian economy, rather than to the itinerant merchant class that had previously dominated. In 1762, two brothers, Hari and Bhakti, formed the Haribhakti firm, a financial services organization that spread across western India and remained prominent into the twentieth century. Many of the most important family businesses in India today trace their history to the

nineteenth and early twentieth centuries. Two of the businesses featured in the Creating Emerging Markets project, Tata and Bajaj, trace their origins to 1868 and 1926 respectively.

In “Kamalnayan Bajaj, the Architect of the Bajaj Group,” Gita Piramal gave an overview of the development of the Bajaj family’s business from the independence struggle through the group’s rapid growth in the 1960s and 1970s. Kamalnayan, the son of the founder Jamnanal, the subject of a Harvard Business School case, drove the firm’s expansion through the iconic scooter business. Jamnanal had been a prominent supporter of Mahatma Gandhi, and his philosophy also greatly influenced his son, leading to better treatment of labor and a highly nationalist outlook.

In “The Emergence of a Tata Group Identity in the 1950s,” Mircea Raianu similarly detailed the efforts of a family-owned business to grow in the mid-twentieth century. Tata was already a diverse business group in 1947. Raianu’s paper focused on how the family sought to build a stronger and more coherent management identity and culture through the creation of institutions such as the Tata Staff College, the Tata Management Training Center, and Tata Administrative Services. While family business groups dominated many sectors of India’s industrial economy, smaller provincial merchants also sought to participate in the post-independence Indian economy. They typically lacked access to the politicians of the ruling Congress Party, and as Ben Siegel noted in his paper “The Indian Merchants’ Chamber and the Idioms of National Development,” faced difficult political and regulatory situations that stifled entrepreneurial efforts. They responded, Siegel argued, with their own political strategies, including support for the conservative Swatantra Party.

International Networks and Institutions

The third session focused directly on the efforts of South Asian businesses to go abroad and, conversely, on the impact of foreign business on this region. Some of the most dynamic overseas efforts of Indian entrepreneurs have been on the neighboring continent of Africa. Gijsbert Oonk’s paper on “The Global Indian Family Firm” provided a detailed account of one family business that has persisted over seven generations. The Karimjee Jivanjee family business originated in North West India (Gujarat) and established operations on the coastal area of East Africa. From East Africa, eventually, their trading and business network expanded across Africa,

Asia, and Europe. Oonk explored how they created an efficient family network even as new national states emerged from colonial empires.

The session also explored India's efforts to modernize, in technology and in agriculture, by importing foreign technology. Nikhil Menon discussed how India used ties with the Soviet Union to aid in its quest to obtain computers in the 1950s and 1960s in his paper "Planning and the International Hunt for Computers." The statistical institute, founded in 1949, identified the need for a computer for calculations to assist economic development. The government of the newly independent India had decided to follow the model of the Soviet Union and engage in central planning, which required processing large amounts of data. The scientist and statistician P.C. Mahalanobis's efforts brought India a computer in 1956, the first in Asia outside Japan. In "American Links in India's Agricultural Modernization Projects, 1947–71," Prakash Kumar described how ties with the United States benefited India's agricultural industries starting in the 1920s in three key areas: tractors, well-drilling equipment, and fertilizers. Finally, Jason Jackson looked at foreign direct investment in the petroleum and automotive sectors in his paper "Colonialism, Nationalism, and Foreign Direct Investment." Jackson explored an apparent puzzle that post-colonial India restricted FDI in manufacturing industries like automobiles but allowed multinationals to establish dominant positions in natural resource-based sectors like petroleum. The paper argued that policymakers' preferences were shaped by powerful historical narratives and by nationalist beliefs about the role of foreign capital in industrial development. Indian economic nationalism, for instance, was rooted in the idea that British free trade policies deindustrialized India by destroying pre-colonial manufacturing skills.

The Post-1990s

In the last quarter-century South Asian firms in a number of industries achieved rapid growth at home and abroad. But the period also highlighted how persistent social and cultural legacies, such as the role of caste in India, continued to shape economic development. In "Evolving State Capitalism: The Indian Coal Sector," Rohit Chandra examined India's efforts to privatize key industries. In 1975, for instance, the government nationalized the coal industry and created Coal India Limited (CIL), which employed 600,000. CIL became the largest coal producing company in the world and controlled over 80 percent of the industry in India. Ravi Ramamurti discussed the successful global strategies of Indian firms such as Tata Consultancy Services, Infosys,

Wipro, Bharti Airtel, and Tata Steel. In his paper “The Competitive Advantage of Indian Multinationals,” Ramamurti examined the drivers behind their international activities and compared Indian companies with Chinese ones. While Indian multinationals sought foreign locations to exploit their advantages, their Chinese counterparts often sought to acquire capabilities abroad while still using China as a base from which to compete internationally. Despite these efforts of large firms to become key participants in the global economy, elements of India’s economy have failed to modernize. In “Caste and Entrepreneurship in India,” Lakshmi Iyer examined the role that caste continues to play in entrepreneurial activity and success in India today despite decades of affirmative action. Iyer found that policy has had mixed results, and even no positive results in education. Using data from the Economic Censuses of 1990, 1998, and 2005, Iyer documented longstanding caste differences in entrepreneurship across India. Another area where policy might still be used to make a beneficial difference to the Indian economy is in the area of remittances. In “Remittances and Migration,” Dilip Ratha noted that overseas Indians were estimated to transfer \$73 billion to the home country—a much larger number than private debt and equity. But the cost and time of getting money to families in India remains a major issue. While the technology is available to simplify the process, Ratha suggested that current regulations continue to get in the way of efficient transfer.

Conclusion

Professor Tarun Khanna concluded by emphasizing the importance of studying history to understand the present and future of South Asia, praising the diversity of subjects discussed, and urging historians to engage ever more closely with management scholars and policy makers. Historical research is especially important because of the role of context in business decisions. He critiqued the view of some researchers who had maintained the applicability of managerial practices and models uniformly across all countries. Contextual variation is key and scholars should question, and reject, such notions as technological determinism. Going forward, Khanna stressed the importance of the digital resources being generated by the Creating Emerging Markets project for taking research and teaching on South Asia to a new level.