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BANIAS AND BEYOND: THE DYNAMICS OF CASTE AND BIG BUSINESS IN MODERN INDIA

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ABSTRACT

Banias and Beyond: The Dynamics of Caste and Big Business in Modern India

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This paper focuses on the ethnic composition of Indian capitalists and how it has undergone changes particularly since Independence. Traditionally, business was an occupational silo in the caste system, with businessmen predominantly 'Banias' drawn from the *Vaishya* or mercantile order of the classical Hindu *chaturvarna* (four-order) hierarchy. So close was this association that the term 'Bania' over time acquired a generic connotation referring to practically any village grocer, moneylender, wholesaler or large factory-owner and banker. But in recent times, the picture has been transformed with the entry of entrepreneurs from diverse community backgrounds and of groups with no established pedigree of trading or finance. The paper looks at three broad routes through which the journeys to the boardroom have taken place. The first, 'Shop to Factory', is the familiar passage of *Vaishya*-plus mercantile castes into industry. The second, 'Office to Factory', relates to Brahmins, Khatris, the Bengali *bhadralok* and similar scribal castes, who were historically conditioned to the various administrative and white collar professions. The third, 'Field to Factory', is that of the so-called *Shudra*s or castes having roots in farming and allied activities (Kammas, Patidars, Gounders, Nadars, etc). In examining the three transition trajectories, especially the last two non-conventional ones, the paper aims at capturing the expansion of the social base of Indian capital 'beyond the Bania', while, at the same time, highlighting the regional variations and limits to this process.

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THE OLD GUARD

Historically, India's business class has been recruited from particular ethnic communities or castes:

- Banias/Jains of Gujarat
- Banias/Jains of Rajasthan (often referred to as 'Marwaris')
- Banias/Jains indigenous to Punjab and Haryana, and the greater Hindi heartland outside of Rajasthan
- Lohanas and Bhatias, both of Sindh and Gujarat (mainly Kutch and Kathiawar)
- Nattukottai Chettiars, hailing from the Sivaganga and Pudukottai districts of Tamil Nadu
- Parsis
- Memons, Khojas and Bohras, the three Muslim commercial communities of Sindh-Gujarat who are converts from Lohanas and other Hindu trading castes.

The principal elements among these – the first three – are united under a common Bania cluster, owing allegiance to either the Jain or the Vaishnav faith of the early 16th century saint, Vallabhacharya. This cluster conforms closest to the ideal type of *Vaishya* or mercantile community in the Hindu *chaturvarna* (four-order) hierarchy. There is no such consensus with regard to the next two groups: while the Gujarati Lohanas and Bhatias adhere to the Vishnu-worshipping sect and profess vegetarianism, the Sindhi Lohanas worship Shiva and are not averse to eating meat. The Chettiars have even fewer pretensions to being vegetarian (proof of which is the delicious Chettinad cuisine!) and their names are typically Shaivite and non-Sanskritic: Alagappan, Meiyappan, Murugappan, Palaniappan, Vellayan, Muthia, et al. In this sense, then, the received notion of the Chettiars being the 'Banias of the South' does not really hold.

Part of the ambiguity over classifying the Lohanas, Bhatias and Chettiars as *Vaishya* arises from the absence of a well-defined, spatially or numerically significant *Kshatriya* (warrior) order in either Sindh and Kutch-Kathiawar or Tamil Nadu (or even the whole of Southern India, loosely comprising the states of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala, for that matter). That leads to an imperfect articulation of the classical *varna* system in these regions. This is in direct contrast to mainland Gujarat or the Hindi-speaking belt, where the Rajputs/Thakurs can claim an undisputed *Kshatriya* legacy and, by natural association, be counter-posed to the *Vaishya*, *Brahmin* (scholar) and *Shudra* (cultivator/artisan). The *Vaishya* order, in that sense, is more or less fully realized in accordance to what is laid down in the *shastra*s or classic texts.[1] As far as the Parsis or Memons, Khojas and Bohras go, there is no ambiguity: by not being Hindus in the first place, they do not fit into the *Vaishya* category at all.

But for our limited analytical purposes, we may still club the above communities -- the Banias as well as their non-*Vaishya* and non-Hindu extensions -- under a general appellation: the 'old,' 'traditional,' 'mainstream,' or '*Vaishya*-plus' mercantile class. This, in turn, is based on two broad characteristics distinguishing them from other 'business communities.' The first is cultural, relating to the superior caste status enjoyed by them vis-à-vis the Banjara pack-bullock traders, Telis (oil-pressers), Kalwars (liquor distillers) and the throng of local peddlers, vegetable sellers, butchers, fishmongers and cattle dealers. The *Vaishya*-plus groups tend to be ritually more orthodox and conservative in social values, whether manifested in vegetarianism (not always), rigid rules of marriage and commensality, undertaking of fasts and pilgrimages or conspicuous endowment of religious and charitable works.

1 This point is well brought out by Ray 1984. Also see Iyer 1999

The more defining feature, however, pertains to the scale and spread of business operations which, for the *Vaishya*-plus communities, has historically extended over widely dispersed territories beyond their home bases. Consider first the Marwaris, a desert diaspora originally from the Marwar (Jodhpur), Bikaner and Shekhavati areas of Rajasthan who, by the middle of the 19^{th} century, had functioning trading and banking networks spanning virtually the subcontinent: from Delhi to western Uttar Pradesh and along the Ganges up to Kolkata and Bangladesh, and from there, up the Brahmaputra valley into Assam and across the Bay of Bengal into Burma. Within this overall eastern direction, they also made sideward forays into northern Bihar, Nepal, Jharkhand, Orissa and the highlands of Jalpaiguri, Darjeeling and Kalimpong. Another major migration stream was to Central India (Indore, Bhopal, Gwalior, Jabalpur and Chhattisgarh), Vidarbha, Bombay and the Maratha countryside, spilling over to the Deccan (mainly Marathwada and Hyderabad city) before tailing off to a trickle at Mysore and Madras.[2]

Likewise, we have the Parsis, who till the late 17^{th} century largely inhabited the Surat-Navsari stretch of southern Gujarat. By the turn of the subsequent century, the community had made Mumbai its home, owning practically half of the city that was consciously promoted as a premier port and financial metropolis by the British. From their new headquarters, they established base at the port cities of Karachi and Canton, becoming big players in the opium-cotton export trade to China in collaboration with English mercantile houses. Even further ‘globalized’ were the other communities. The Gujarati Vaishnav Banias/Jains, even prior to the arrival of the British, had trading stations in the Red Sea ports of Mocha and Aden (Yemen), Berbera (Somalia) and Massawa (Eritrea), and subsequently the East African inland of Ethiopia, Zanzibar (Tanzania), Uganda and Kenya. The Kutchi Bhatias were initially traders operating out of the ports of Mandvi and Jamnagar. From the 18^{th} century, they began spreading out to East Africa and the

2 For regional details of Marwari migration, see Timberg 1978, pp. 179-228.

Persian Gulf, and also to Mumbai and along the Malabar Coast right up to the spices-coconut territory of Kerala. Their counterparts from Thatta in Lower Sindh, too, developed a significant presence in West Asia, especially financing the lucrative pearl trade at Muscat and Bahrain. The diasporic networks of the Memons and Khojas extended beyond the ports of the Red Sea, the Persian Gulf and East and South Africa to even Ceylon, China and the Far East. The Memons further had a stranglehold over the rice trade of eastern India, from Orissa and Bengal to the Arakan coast of Burma. And finally, the Chettiars and the Sindhi Lohanas of Shikarpur: both predominantly money-lending communities who exported capital much in excess of what they invested at home. The Chettiars' favorite hunting grounds were Burma, Ceylon, the Straits Settlement (Singapore, Malacca and Penang) and Indo-China (Vietnam, Laos and Cambodia). The Shikarpuri Lohanas' financial wires ran into Russian Central Asia (particularly Uzbekistan), Chinese Turkestan (Sinkiang) and southern Iran (Bandar Abbas and Kerman), not to speak of their extensive banking networks within the subcontinent from Karachi and Bombay all the way to South India (under the denomination of 'Multanis'). Equally, if not more, spectacular were the Sindhi Lohanas of Hyderabad, also called 'Sindworkies'. Starting off as craft products and curio dealers targeting a narrow European clientele in Mumbai in the 1850s, the Sindworkies took advantage of the steamship revolution and the opening of the Suez and Panama canals to set up shop in every conceivable port of call outside of mainland Europe and North America: from Egypt and the Mediterranean to Africa, Latin America, China and the Far East.[3]

The above *Vaishya*-plus communities, with their long-distance networks of trade and finance, represent the Old Guard 'big bourgeoisie' who, to quote Karl Marx, "nestle everywhere, settle everywhere, establish connections everywhere".[4] One could clearly distinguish them from not just the multitudes of small-time itinerant traders but even the bigger and entrenched regional business groups. These would include the Lingayat Vanis and Jains of Maharashtra-Karnataka,

3 Recommended readings here include Guha 1984, Gupta 1979, Mahadevan 1978, and Markovits 2000.

4 Marx and Engels 1977, p. 112.

Komati Arya-Vysyas of Andhra, Nadars and Balija Naidus of Tamil Nadu, Subarnabaniks and Sahas of Bengal, Syrian Christians of Kerala, Chinioti Sheikhs of western Punjab and assorted Muslim trading communities along the Konkan-Malabar coast descended from immigrant Arab mariners. One may, perhaps, add to the latter category the Khatris/Aroras of Punjab as well. The Khatris were, no doubt, Punjab's preeminent business community and also active in the overland trans-Asian trade in dry fruits, carpets and fur (even if not as big as the Shikarpuris). Further, there were a few Khatri families who had, since the late 18th century, established themselves in the Gangetic valley cities as bankers (e.g., Lala Kashmiri Mull in Varanasi) and military contractors for the Raj (e.g., Joti Prasad of Agra and Sheo Prasad Tanti Mull of Kanpur).[5] Yet, this migrant capital was mostly supplementary to the omnipresent and fluid Bania-Marwari bazaar capital. As we shall argue, the Khatris/Aroras, well until Independence, were by and large confined to Punjab (which was itself an industrially underdeveloped region), and far from being part of the 'big' or 'national' bourgeoisie. That position was occupied by the *Vaishya*-plus communities.

The organization to have truly epitomized this pan-Indian (even global, to a degree) capitalist class was the Federation of Indian Chambers of Commerce and Industry (FICCI). Its leading lights were G.D. Birla (Marwari), Purushotamdas Thakurdas (Gujarati Bania), Lala Shri Ram (Punjabi Agarwal Bania), Dinshaw Petit (Parsi), M.C.T. Muthiah (Chettiar) and Kasturbhai Lalbhai (Gujarati Jain). When, on December 07, 1923, Birla wrote to Thakurdas "it would be a great glory to see merchants from all parts of India standing on one platform," he was not merely drawing a blueprint for FICCI, he was reflecting the aspirations of the mainstream indigenous trading communities to carve out an autonomous national space for capital accumulation – something that the prevailing imperial framework denied. As is well documented, this class did achieve its objective by closely liaising with the top leadership of the

5 Bayly 2002, pp. 383-4, 443, 448 and Grewal 1984.

Indian National Congress.[6] On the other side were the Memons and Khojas, who, fearing the prospect of being subsumed by Bania-Marwari capital in an Independent India, bankrolled the Muslim League to realize their own captive 'Muslim' nation space called Pakistan. The Memon magnates, Adamjee Haji Dawood and Haji Abdullah Haroon, were in many ways to the Muslim League what G.D. Birla and Jamnalal Bajaj were to the Congress.[7]

II. Office to Factory

Well until Independence in 1947, business in India was overwhelmingly in the hands of the *Vaishya*-plus communities, whose passage into industry can be termed 'Shop to Factory'. However, in addition to this familiar route of capital accumulated in trade and finance getting deployed in industry, we may identify two other transitions: 'Office to Factory' and 'Field to Factory.' The first relates to communities traditionally engaged in the various administrative and white-collar services professions like the bureaucracy, law, accountancy, teaching, engineering, medicine and journalism. These were historically the monopoly of certain *savarna* (upper caste) Hindus with distinct 'middle class' orientation and cultural values, and who benefited from early access to western education. Among them are the Brahmins, Khatris, Kayasthas, the Bengali *bhadralok*, Nairs, etc. For simplicity's sake, we may label them '*Brahmin*-plus' communities as opposed to the *Vaishya*-plus Old Guard. The 'Field to Factory' trajectory covers agricultural and allied occupational castes such as the Kammas, Reddys, Rajus, Kammavar Naidus, Gounders, Nadars, Ezhavas, Patidars, Maratha-Kunbis, Jats (Hindus and Sikhs), Ramgarhias, Yadavs, Kurmis and Gujjars. In the classical *varna* scheme, they would loosely fall under the *Shudra* order, though this formulation does not easily apply to the South (the Rajus, for example, are considered *Kshatriya*, while being predominantly agriculturalists).

6 On this, see Markovits 1985, Mukherjee 2002, and Ray 1979, pp. 292-338. The quote from the letter is taken from Ray 1979, p. 304.

7 The Father of Pakistan, Mohammad Ali Jinnah, was a Khoja. So too were the Habib brothers. Family friends of Jinnah, their Habib Bank lent Rs 8 crore to the Pakistan government in 1948, when the nascent state did not have a central bank.

The large-scale entry of the *Brahmin*-plus and *Shudra* groups into industry, we shall see, is a post-Independence phenomenon.

The Brahmins and Khatris, in spite of not being formally part of the *Vaishya* order, were not complete strangers to the world of business. The moneylenders and financiers to the 18th century Maratha state under the Peshwas included many Deshastha and Chitpavan Brahmins (the Peshwas were Chitpavans themselves). The East India Company's first official bankers at Surat -- the house of Arjunji Nathji Travedi -- were Nagar Brahmins.[8] Another Nagar, Ranchhodlal Chhotalal, started Ahmedabad's first textile mill in 1861. The South, too, had a tradition of Brahmin moneylenders, notably the Iyers of Kallidaikuruchi in southern Tamil Nadu and Monkombu in Alappuzha (Kerala). Khatri association with business went still deeper, though the fact remains that the majority were ordinary moneylenders and shopkeepers, when not employed as lawyers, teachers, *munshi*s or revenue officials.[9] Their operations were, moreover, localized to the towns of Punjab. Pre-Independent India could boast of only two 'great' Khatri industrialists: Karamchand Thapar and the sugar baron Gokulchand Narang. Even the 1965 Monopolies Inquiry Commission's list of the country's top 75 business houses had two Khatri names: the Thapars at No. 6 and the Mahindras at No. 33. And when it came to the Maratha Brahmin bankers, whatever influence they wielded in Pune waned with the decline of the Peshwas; the Chitpavans and Deshasthas were nowhere in the thick of action when Mumbai, from the second half of the 19th century, grew to be India's financial capital. The conspicuous movement of Khatris and Brahmins into industry -- as against isolated ingressions -- is a post-Independence occurrence.

8 Divekar 1984 and Tripathi and Mehta 1984, p. 155.

9 In 1890, Brahmins accounted for 67 per cent of the university graduates in Madras Presidency; the proportion was the same even some thirty years later (Washbrook 1977, p. 275). Similarly, literacy levels among Khatris had crossed 25 per cent by 1911 and eight per cent of them knew English, a reasonably high figure for that time (Grewal 1984).

Besides the Brahmins and Khatris, we must mention the Bengali *bhadralok* -- an urbanized *savarna* cluster of Brahmins, Kayasthas and Vaidyas that dominates Bengal's cultural and political, but not business, life. True, even much before Independence, there were some remarkable *bhadralok* business personalities: Dwarkanath Tagore (who owned the Ranigunj colliery and promoted a steamboat service between Kolkata and Allahabad, a floating ferry across the Hooghly, and, most ambitiously, a 160-km rail line connecting Kolkata to his coal fields); Rajendra Nath Mookerjee (of the engineering conglomerate Martin Burn, and the Indian Iron & Steel Company or IISCO); Prafulla Chandra Ray (Bengal Chemicals and Pharmaceuticals), and a host of entrepreneurs born out of the *swadeshi* (indigenous production) movement in the early 20th century. But *bhadralok* enterprise couldn't really flower in British India, as Bengal, unlike other regions, was a classic colonial enclave, with nearly all its jute mills, tea plantations and joint-stock coal companies controlled by British managing agencies. Indigenous industry in the region had to contend with the indifference, if not open discouragement, of the authorities, as was the case with Tagore's Great Western Bengal Railway and other ventures that passed into British hands after he died in 1846. As for Bengal Lamps, Bengal Immunity, Calcutta Chemical Company, Bande Match Factory and similar *swadeshi* concerns, they could not take on competition from the technologically and financially stronger new European and American multinationals -- the likes of Unilever, Philips, GE, Swedish Match and ICI -- that had started Indian subsidiaries by the 1920s and thirties.[10] The only major *bhadralok* group (not a product of *swadeshi* per se) to have emerged unscathed after Independence was Martin Burn.

The Monopolies Inquiry Commission report of 1965 had five Brahmin-owned industrial houses out of a total of 75: Martin Burn (at No. 3), Seshasayee Brothers (24), T.V. Sundaram Iyengar (27), Amalgamations (28) and Kirloskars (36). The backgrounds of their promoters are

10 Goswami 1989.

instructive. Rajendra Nath Mookerjee was an engineer from Kolkata's Presidency College, who presided over the Indian Science Congress and the Institution of Engineers (India) during the 1920s. Laxmanrao Kirloskar worked as a mechanical drawing instructor at Mumbai's Victoria Jubilee Technical Institute before becoming an entrepreneur. The Seshasayees and T.V. Sundaram Iyengar -- even T.T. Krishnamachari and Kasturi Ranga Iyengar of *The Hindu* -- were again from 'normal' educated middle class Tamil Brahmin families, whose fathers were neither merchants nor moneylenders. A rare exception was the founder of India Cements, S.N.N. Sankaralinga Iyer, who had a Kallidaikuruchi banking connection. More interesting is S. Anantharamakrishnan, a trained auditor and company secretary who was inducted into the board of Amalgamations, the holding company for a bunch of mid-sized English firms (Simpson & Co, Addison & Co, T. Stanes & Co, George Oakes, Higginbothams, etc). In the early '50s, when the expatriate promoters decided to exit, they handed over the management to Anantharamakrishnan, who later steered the group into manufacture of tractors (TAFE) and auto components (India Pistons). We know of two other cases of Brahmins working for British companies and ending up to be owners around the same time: Vittal Mallya of United Breweries (today's UB-Kingfisher group) and Narendra Nath Mohan of Dyer Meakin (now Mohan Meakin of 'Old Monk' rum, one of India's leading brands in domestic spirits).

This tradition of educated, white-collar Brahmins making it big as first-generation businessmen has been replicated in more recent times, too. Prominent among them are N. R. Narayana Murthy of Infosys; Kiran Mazumdar-Shaw of Biocon; G.R. Gopinath of Air Deccan; Kailsam Raghavendra Rao of Orchid Chemicals & Pharmaceuticals; Rajnikant Vyas of Dishman Pharmaceuticals; Tushar Jani of Blue Dart Express (recently taken over by DHL); Jaiprakash Gaur of Jaypee group (a cement and construction major); R. Thyagarajan of Shriram group (India's leading truck financier and chit-finance company); Anurag Dikshit (of the Gibraltar-based online casino company, PartyGaming); and Ramaswami Subramanian (founder of the

Subhiksha retail chain). Other well-known Brahmin-owned groups include the Garwares, the Dempos and Salgaonkars (major iron ore exporters and ship-owners of Goa), the Manipal Pais (pioneers of private education enterprise in India), D. P. Dandekar's Camlin Ltd (makers of writing instruments and other stationery products), K. V. Pendharkar ('Vicco Vajradanti' toothpaste), G. D. Gokhale ('Tortoise' mosquito coils), and Suresh Kalmadi (a politician, whose Sai Service Station is one of the biggest dealers of 'Maruti' cars and 'Bajaj' two-wheelers).

About the Brahmins, it can be said that they did not have the upcountry trading and money market networks of the sort operated by the Marwaris and other *Vaishya*-plus communities. These were indispensable for sustaining commodity businesses in cotton, jute, grains, sugar and vegetable oils -- where skills in sourcing raw material and selling final product, and the deep pockets to finance the holding of stocks, counted far more than any acquaintance with the technical aspects of manufacturing. But what they lacked in capital (both financial as well as cultural, in term of inherited commercial acumen), the Brahmins made up for with their knowledge of English and the technical disciplines, and not least important, an entrenched presence in the civilian and political establishment. These proved to be invaluable ingredients in establishing connections and starting more complex industries (engineering, auto and ancillaries, IT, pharma, biotech etc), often through foreign collaboration and licensing arrangements.

The above pattern, to some extent, also fits the Khatris/Aroras. Before he ventured into business, Gokulchand Narang had built a successful law practice in Lahore. This uncrowned sugar king of pre-Independent India – he served as Local Self-Government Minister in undivided Punjab – even authored a book on the history of Sikhism. The Mahindra brothers, Jagdish Chandra (J. C.) and Kailash Chandra (K. C.), were educated at Cambridge and Oxford, respectively, following which the former worked with the Tatas and the latter with Martin Burn.

With this early exposure to the steel industry, they joined the government. J. C. Mahindra, in 1941, became the first Iron & Steel Controller of India, while his brother headed the India Supply Mission, Washington (the official body that issued tenders for steel imports against American aid). At the end of the War, the two had set up their own steel import business, which was the precursor to the Mahindra Ugine Steel Company and the tractor-cum-utility vehicles giant, Mahindra & Mahindra. The other Khatri house to have made its early fortune from steel imports during the Iron & Steel Controller era was Amin Chand Pyare Lal or the Apeejay group, of which the London-headquartered Caparo group of Swraj Paul is an offshoot.

The Mahindras, Pauls and before them the Thapars were from the Ludhiana-Jalandhar belt of the now-Indian part of Punjab. However, the Khatris' full-fledged emergence on the national corporate map came after Partition, bringing those from the western Punjab side of present-day Pakistan to Delhi and its neighborhoods. This forced exodus marked an unparalleled human tragedy, but it also opened up new avenues for a middle class that had sound moorings in education and trade but which was driven to the wall. Proximity to the seat of power provided a vantage point from where they could be heard and could influence policy. As Delhi grew in importance – by becoming a growth center in its own right and stimulating industrial activity in towns straddling the Sutlej-Beas and Yamuna basins – so did the economic, social and political profile of its Punjabi refugee community. We can list a number of Khatris, whose meteoric rise followed the migration of their families from across the border: Hari Prasad Nanda of the tractor maker Escorts; the three bicycle majors – Munjals (Hero group), Kapurs (Atlas) and Pahwas (Avon) -- of which the first is also the world's largest two-wheeler manufacturer in terms off volume; Raunaq Singh of Apollo Tyres; Bhai Mohan Singh of the pharmaceutical major Ranbaxy; and Harbans Lal Malhotra (of 'Topaz', 'Laser', and 'SuperMax' razor blades fame). The hotel magnate, Mohan Singh Oberoi, too, hailed from Rawalpindi, though his move to India predated the Partition. There are Khatris/Aroras galore in a wide range of industries today: from rice milling ('Kohinoor', 'Daawat' and 'Lal Qila' basmati brands) and garmenting (Sudhir Dhingra's Orient Craft, Harish Ahuja's Shahi Exports, Deepak Seth's Pearl Fashions, Davinder Kohli's Koutons Retail) to media (Aroon Purie's Living Media group which owns *India Today* magazine and *Aaj Tak* television channel, Raghav Bahl's Network Eighteen and the Lala Jagat Narain-founded *Punjab Kesri*); films (Raj Kapoor's RK Films, Dev Anand's Navketan, B. R. Chopra's BR Films, Yash Chopra's Yashraj Films, Subhash Ghai's Mukta Arts and Ekta Kapur's Balaji Telefilms, besides production houses owned by Shekhar Kapur, Vidhu Vinod Chopra, Prakash Mehra and Karan Johar); and electronics/IT (Satish Kaura's Samtel, Deepak Puri's Moser Baer, and Silicon Valley entrepreneurs like Sabeer Bhatia of Hotmail, Vinod Khosla of Sun Microsystems and the venture capitalist, Kanwal Rekhi).

The advantage of being in the vicinity of the country's political and administrative center -- and a growing commercial hub to boot -- is best exemplified by Maruti Udyog. When the Indo-Japanese automobile joint venture was set up at Gurgaon near Delhi in the early '80s, the government chose Raunaq Singh as its first chairman. Maruti, on its part, spawned an entire auto ancillary industry, whose promoters are mainly Khatris: Sona Koyo Steering Systems of Surinder Kapur (Raunaq Singh's son-in-law), Subros Ltd of Ramesh and Lalit Suri, Motherson Sumi of Vivek Chaand Sehgal, Rico Auto Industries of Arvind Kapur, Amtek Auto of Arvind Dham and Omax Autos of Jatender and Ravinder Mehta. All of them have since evolved into major auto component exporters.

The Bengali *bhadralok* haven't succeeded as much as the Khatris or Brahmins of southern and western India in making the transition to industry. In the colonial period, they were hemmed in by the British managing agencies and the new European and American MNCs. After Independence, when the expatriate owners of the old agency firms started their own exodus, the gap was filled by their cash-rich Marwari brokers and financiers. Among others, Keshav Prasad

Goenka acquired Duncan Brothers and Octavius Steel, while Brij Mohan Khaitan bought out McLeod Russel and Williamson Magor. Some like Ramnath Goenka (of *Indian Express* newspaper) and Haridas Mundhra even mounted takeover bids for the Mookerjee family's Martin Burn and IISCO, which culminated in a series of labor unrests and the eventual nationalization of these companies by the early '70s, ending the reign of Bengal's most distinguished industrial house that was till then India's third largest after the Tatas and Birlas.[11]

Today's big Bengali entrepreneurs are primarily those with operations outside their region of origin: Subroto Roy of Sahara India Pariwar, the Burmans of Dabur (they are actually 'Bengali-ized' Punjabis settled in Kolkata for generations), Prannoy Roy of New Delhi Television, or even more remotely in Massachusetts, Amar Gopal Bose of Bose Corporation (the byword for audio reproduction technology) and Bicky Chakraborty (owner of the Elite Hotels chain in Sweden). Some of these émigré businessmen have sought to repatriate their capital back home -- notably Purnendu Chatterjee. The latter, an associate of the hedge fund investor George Soros, is the chief promoter of Haldia Petrochemicals, a showpiece for the ruling Left Front in its recent attempts at projecting an industry-friendly image. At the same time, there are a few 'homegrown' *bhadralok* capitalists too: from the venerable ABP group of the Sarkars (*Anandabazar Patrika* and *The Telegraph* dailies), Peerless General Finance of the Roy family, G.D. Pharmaceuticals of the Duttas ('Boroline' antiseptic cream), Dey's Medical ('Keo Karpin' hair oil) and the Mazumdar family's Tractors India (makers of earth-moving equipment) to the IFB group of Bijon Nag (washing machines and liquor), Sreeleathers of Suresh Dey and the newest kid on the block, Santanu Ghosh (whose Xenitis group manufactures computer components and PCs). But all these, barring ABP and Peerless, are mid-sized enterprises at best. The fact is Kolkata since Independence has lost its preeminence in business and politics to Mumbai and Delhi, with even the big Marwari groups that had originally accumulated capital in

11 Till about 1966, IISCO was producing one million tones of steel annually and declaring higher dividends than even Tata Steel. See Srinivasan 1983.

the by-lanes of Burrabazar and the floors of the Calcutta Stock Exchange gradually shifting base. And with an indigenous *bhadralok* capitalist class not sinking deep enough roots, there has been no effective countervailing force to arrest the flight of capital and de-industrialization, which had attained a life of its own by the time the Left Front had permanently ensconced itself at Writer's Building, the administrative seat of the state.

III. Field to Factory

We now come to the third route of capitalist transformation, from 'Field to Factory.' The striking aspect is the scale at which this process has unfolded in southern (and western) India, much more than in the North and other regions. Let us first look at the South.

The South

In the South, the first to get off the bloc were the rich Kammavar Naidu landlords of Coimbatore, who prospered by cultivating high-yielding long-staple 'Cambodia' cotton from the early years of the 20th century. As writers like Christopher Baker[112] have pointed out, the Coimbatore or Kongunad region of Tamil Nadu was generally dry and marked by poor rainfall, even while having an abundance of heavy black soils suitable for growing cotton, groundnut and other cash crops. The heavy soil texture demanded a style of capital-intensive farming centered around well-irrigation that was – in contrast to the lush alluvial paddy lands of the Cauvery delta – not conducive to absentee landlordism. Even the big *mirasidar*, therefore, tended to be a hands-on manager who took a close interest in his tenanted holdings. Operating at higher levels of capitalization also made him more involved in the marketing of his crop, so as to fetch returns commensurate with the investments made in wells or oil engines to draw water (in place of the conventional bullock-powered lifts). The more enterprising *mirasidars* began selling their raw

12 Baker 1984.

kapas (cotton) directly to the ginners, realizing more than what they would otherwise have by marketing to local cotton merchants. Soon, a section became commission agents, handling the produce of not only their own but even their neighbors' fields. From there, they went on be traders, then ginners and finally mill-owners. The first Kammavar Naidu magnates --- belonging to three prominent *mirasidar* families, namely PSG, Lakshmi and Rangaswamy Naidu – had established mills by the mid- and late-'20s.

The other industry that the Naidus took to – light engineering – was also linked to agriculture. Narayanaswamy Naidu, who set up Coimbatore's first foundry, started with a workshop for repairing cotton gins and sugarcane crushers. Procuring castings at the time wasn't easy, so he is said to have gone all the way to Kochi (Kerala) to study the operations of the crucible furnace at the shipyard there.[13] In 1924, the Dhandayuthapani Foundry (DPF) was born and, four years later, it had produced Coimbatore's first belt-driven pump. The city has since come to be known as the Manchester of the South and the Light Engineering Capital of India, with more than 600 foundries. Its Rs 15 billion ($357 million) pump-sets industry is dominated by Naidu-owned firms like CRI Pumps, Fisher Pumps, Mahendra Pumps, Suguna Industries, Ellen Industries and Perfect Engineers. Some groups have stakes in both textiles and engineering. The Lakshmi Mills family controls LMW (Lakshmi Machine Works), India's top textile machinery company. The Elgi group, started in the thirties by L. R. G. Naidu as a bus transport operator, is a leading engineering combine manufacturing auto and industrial chains (through LG Balakrishnan & Brothers), dashboard instruments and accessories (Pricol Ltd), compressors and garage service station equipment (Elgi Equipments), tyre re-treading machinery (Elgitread) and wet grinders (Elgi Ultra). The group has also promoted a number of spinning mills (Super Spinning and Precot Meridian). Likewise, we have the KG group – named after K. G. Naidu --- whose textile operations straddle the entire operations spectrum from ginning, milling, weaving and knitting

13 'Coimbatore's wealth creators', The Hindu, 2 February 2004, Coimbatore.

to production of terry towels, denim fabric and jeans-wear ('Trigger' jeans). The group also owns CPC Ltd, an exporter of gray iron castings and machined components. The founders of Aravind Eye Care System (world leaders in cataract eye surgeries and manufacture of intraocular lens) and Suguna Poultry Farm (the country's second largest poultry enterprise) are also Naidus. The significant point to note is that the majority of Naidu industrialists following the pioneering three *mirasidar* families have been from ordinary middle-level peasant backgrounds.

Even within the Kammas of coastal Andhra Pradesh, the first lot of entrepreneurs belonged to the landed gentry: Velagapudi Ramakrishna (a retired civil servant who, in 1941, acquired a sick cooperative sugar mill started earlier by a few wealthy Kamma *zamindars* and laid the foundations of the diversified KCP group), Mullapudi Harischandra Prasad (in whose Andhra Sugars initial investment came from Ramakrishna) and Yarlagadda Sivaramaprasad (the so-called Raja of Challapalli). The last-mentioned, apart from providing the seed money for Andhra Bank and the Andhra Scientific Company manufacturing precision measurement instruments, promoted Sarathi Films in 1938. From then on, the Telugu film industry has been a Kamma preserve, with producers like L. V. Prasad, Daggubati Rama Naidu (who holds the *Guinness Book* record for making 125-odd movies) and Atluri Purnachandra Rao, and superstars from Nandamuri Taraka Rama Rao (NTR), Akkineni Nageswara Rao, Ghattamaneni Krishna and Mohan Babu. All these matinee idols also have their own production houses. Another industry that the Kammas embraced early on was tobacco. It started with the British American Tobacco (BAT) introducing contract farming of cigarette-grade flue cured Virginia (FCV) tobacco in Guntur during the twenties. Over the next couple of decades, its Kamma farmers had fully mastered the technique of growing and curing the tobacco. Some had erected sizeable barn capacity to cure the green leaf of other growers as well, paving the way for their becoming commission agents to BAT and other exporters. In a few cases, the rural 'curer capitalists' would not simply cure, but fine grade the leaf and have it further processed, packed and baled ready for exports. Till Independence, the FCV export business was practically a BAT monopoly, which changed as new markets in the Soviet Union and Eastern Europe were developed through government-assisted bilateral trading arrangements. In 1982, out of the Guntur region's 92 registered exporters, over 60 per cent were Kammas, with half of them established since the late '50s.[14] A prominent name here was the Congress politician, Rayapati Sambasiva Rao. Prior to the Soviet Union's disintegration, his Jayalakshmi group had a 35 per cent share of India's tobacco exports to Russia and a quarter of its tea market. By the early eighties, the Kammas had penetrated a range of businesses from sugar, tobacco and rice milling to government contracts, transport, films and even textiles (Andhra Sugars, Jayalakshmi, etc) and ferroalloys (KCP and Nava Bharat Ferro Alloys, whose promoter, Devineni Subba Rao, was instrumental in setting up KCP's ferromanganese division).

The community's real industrial surge, however, took place in the post-Telugu Desam Party (TDP) phase and its most obvious symbol being Cherukuri Ramoji Rao, the 'Rupert Murdoch of the South.' His fledgling daily, *Eenadu*, became the main propaganda vehicle for the TDP and its charismatic actor-turned-politician, NTR. Ramoji Rao was representative of a new Kamma entrepreneurial breed that was not from the old gentry (the Challapalli Rajas, KCPs and Andhra Sugars), but from the middle peasantry or rural middle class. We can identify a number of Kamma businessmen who are products of this phenomenon and whose rising fortunes coincided with the TDP's rise in the '80s. They are mainly in sectors such as construction and infrastructure (Lagadapati Rajagopal of Lanco group, Kavuru Sambasiva Rao of Progressive Construction, Nama Nageswara Rao of Madhucon, Vallurupalli Nageswara Rao of Southern Engineering Works); pharma (Nimmagadda Prasad of Matrix Laboratories, Murali Divi of Divi's Laboratories, Venkaiah Chowdary Nannapaneni of Natco Pharma, Ravindranath Tagore Ravi of Krebs Biochemicals, Krishna M. Ella of Bharat Biotech, Venkat Jasti of Suven Life Sciences and

14 Duvvury 1986, p. PE-57.

S.P. Vasireddy of Vimta Labs) and agri-business (Bhuvaneshwari Devi of Heritage Foods[15] and Mandava Venkat Ramaiah of Nuziveedu Seeds). Most of these men have impeccable educational qualifications. Krishna Ella is a doctorate in molecular biology from the University of Wisconsin-Madison. Murali Divi and Nannapaneni are both trained pharmacists who previously worked with drug firms in the United States, while Rajagopal and Sambasiva Rao have engineering backgrounds. Ramachandra Naidu Galla of Amara Raja Batteries, India's No. 2 automotive battery maker ('Amaron' brand'), is an electrical and applied electronics engineer. After a master at Michigan State University and 15 years with US Steel, Galla returned to his home town to float Amara Raja in 1985.

Till about the '60s, there were no Reddys on par with a Velagapudi Ramakrishna or Harischandra Prasad. At the most, there was Bommireddy Nagi Reddy, who, in 1950, founded Asia's biggest film studio, Vijaya-Vahini, at Chennai. Nagi Reddy produced several blockbusters, including *Pathala Bhairavi* and *Maya Bazaar* in Telugu and *Ram Aur Shyam* and *Julie* in Hindi, and also published the popular children's magazine, *Chandamama*. The Reddys, unlike the Kammas or Naidus, were never entrepreneurial farmers; for all their command over men and land, the fabled Reddy landlords of Telangana and Rayalaseema were ultimately bosses in their backyards. Their initial diversification ventures were scant in industries like agro-processing and more in mining and public works contracts, both businesses built more on muscle power than enterprise. Mining in Nellore and the Rayalaseema region was virtually a Reddy landlord bastion. A 1944 study of 146 working mines in Nellore showed the community controlling 55 per cent of their leases. The current chief minister, Y. S. Rajasekhara Reddy, typifies a Rayalaseema Reddy making a fortune from mining of barites (used in petroleum refining) in Kadapa, and investing the profits to execute contracts at Tehri dam in the northern state of Uttarakhand.[16] We know of two other Reddys prospering from irrigation contracts,

15 Bhuvaneshwari Devi is NTR's daughter married to Nara Chandrababu Naidu. The latter took over as TDP supremo and chief minister after NTR died in 1995.

16 Satyanarayana 1992, p. 77 and Balagopal 2004.

particularly the commissioning of the Nagarjuna Sagar project in the ’60s. One is Gunapati Venkata Krishna (GVK) Reddy, who later diversified into power, roads and hotels. The other is the Congress parliamentarian, Tikkavarapu Subbarami Reddy of Gayatri Projects, and whose nephew, Venkattram Reddy, runs the *Deccan Chronicle*, *Andhra Bhoomi* and *Asian Age* newspapers. Unrelated to the Tikkavarapu family is Magunta Subbarami Reddy, again a Congress Party man who, in 1995, was brutally murdered by left-wing Naxalite extremists. His Chennai-based Balaji group had significant interests in liquor, steel, hotels and shipping. But it is the post-’80s that have thrown up many topnotch groups, among them Pratap Chandra Reddy’s Apollo Hospitals, Kallam Anji Reddy’s Dr Reddy’s Laboratories, Penaka Venkata Ramaprasad Reddy’s Aurobindo Pharma and Bandi Parthasaradhi Reddy’s Hetero Drugs in the healtcare and pharma sector, and construction firms IVRCL of Eragam Sudhir Reddy and Ramky Infrastructure of Ayodhya Rami Reddy.

The Rajus and Gounders are two other agrarian castes with a fairly recent record of industrial entrepreneurship. The only significant Raju business family of pre-Independence vintage was that of Poosapati Ramasamy Raja. His Rajapalayam Mills, launched in 1938, is now part of a group, with businesses spanning textiles, cement (Madras Cements), asbestos sheets (Ramco Industries) and software (Ramco Systems). The newer Raju industrialists hail not from Rajapalayam (in Tamil Nadu), but from coastal Andhra, especially Bhimavaram in West Godavari district. The two best-known names here are Kanumuri Venkata Krishna (K. V. K.) Raju and Byrraju Ramalinga Raju. A mechanical engineer from Michigan State University and the University of Minnesota, K. V. K. Raju worked for 15 years at Union Carbide in India. His first venture was a cold-rolled strips facility near Hyderabad (Nagarjuna Steels) in 1974, for which he apparently crisscrossed the state to raise deposits from community members. His biggest project though was a massive urea plant that was commissioned in the early ’90s (Nagarjuna Fertilizers & Chemicals). Ramalinga Raju was from a family of rich agriculturalists in Bhimavaram. In the early ’60s, his father moved to Hyderabad, where he, along with other migrant community members, pioneered commercial grape cultivation in the city’s outskirts. In 1975, Ramalinga Raju went to do a Master’s in Business Administration at Ohio University and on returning dabbled in real estate and textile spinning before incorporating Satyam Computer Services in 1987. It is today India’s fifth largest IT concern after HCL, TCS, Wipro and Infosys. K. V. K. Raju and Ramalinga Raju also had a hand in a couple of other major Raju-floated companies. Nagarjuna Construction Company’s founder, Alluri Venkata Satyanarayana Raju, was an original co-promoter of K. V. K. Raju’s Nagarjuna Steels. Similarly, two others – both US-returned engineers – who contributed immensely to Satyam’s take-off were Dandu Venkata Satyanarayana (D. V. S.) Raju and Chintalapati Srinivas (Srini) Raju. In 1995, D. V. S. Raju quit to start his own company, VisualSoft Technologies. By 2005, he had exited VisualSoft as well, this time to develop a deepwater port at Gangavaram near Visakhapatnam. Srini Raju remained with Satyam till 2000, before becoming a venture capitalist. His firm, iLabs Capital, has invested in assorted software companies (including Megasoft, which has acquired VisualSoft) and *TV-9*, a 24-7 Telugu news channel.

The Gounders of Kongunad, like their Kammavar Naidu counterparts, were drawn quite early into marketing their own crop. But unlike the Naidus, this numerically larger farming community did not venture as aggressively into industrial production. The first Gounder-owned mill – Gnanambikai Mills, started by a 6,000-acre landlord V.C. Vellingiri Gounder[17] -- came up in 1936, by which time the initial Naidu trickle had turned into a veritable flood. The Gounders also tended to concentrate their business in towns adjoining Coimbatore (Pollachi, Tirupur, Annur, Erode, Dindigul) rather than the city itself, which was a Naidu textile and engineering bastion. The founder of Sakthi group – the only Gounder combine of note till the ‘70s – belonged to a modest 10-acre farming family in Pollachi. Nachimuthu Gounder started off by

17 Vellingiri Gounder was the brain behind the Kongu Vellala Sangam, organized in 1921 to advance the interests of his community. For a background, see ‘A simple man who led by example’, The Hindu, 20 August 2005, Coimbatore.

plying 6-7 bullock carts from Pollachi to the Valparai tea estates up the Annamalai hills. In the early '20s, he had moved from hiring out bullock cars to operating taxis and then trucks, before floating the Anamalais Bus Transport (ABT) with 14 buses in 1931. By 1940, this had grown to 40, even as the scope of the business expanded to servicing of buses and trucks, dealership of 'Tata' vehicles and spare parts, a tyre re-treading unit and an automobile hire purchase finance company (Sakthi Finance). The group's manufacturing foray took place under Nachimuthu Gounder's son, Mahalingam, beginning with Sri Sakthi Textiles in 1957, Indo-Swiss Synthetic Gems in 1958 and Sakthi Sugars in 1964. Again, the rise of Gounders as a genuine 'business community' is a development of the '80s, exemplified by Tirupur's Rs 100 billion ($2.38 billion) knitwear export industry. Roughly two-thirds of its exporters are estimated to be Gounders.[18] Some have integrated backwards by putting up mills to secure their yarn supplies. Most of these predictably are in satellite towns around Coimbatore, so much so that Tamil Nadu's preeminent textile tycoon – possibly also one of India's biggest today – is P.S.Velusamy Gounder. His Sri Shanmugavel group controls nine mills in Dindigul with an aggregate spindleage of 400,000. Spinning and knitwear apart, there are important Gounder concerns in engineering and auto-components, including Texmo Industries (the market leader in agricultural pumps), Shanthi Gears and Roots Industries (India's largest supplier of electric and air horns for vehicles). In sugar, in addition to Sakthi, we have Bannari Amman Sugars and Dharani Sugars.[19] Then, there is M. Ramasami, an agricultural science graduate and former extension officer with the state government. The RCH-2 cotton hybrid developed by his company – Rasi Seeds – created a record in the late '90s by being planted over two million acres, a tenth of India's cotton area!

What Tirupur is to the Gounders and Coimbatore is to the Naidus, Sivakasi and Virudhunagar are to the Nadars. Economic historians have theorized on how communities marginalized by

18 Of the 50 top exporters of Tirupur surveyed by the author in June 2005, 33 were from the Gounder community.

19 Bannari Amman's promoter, S.V. Balasubramaniam, is a chartered accountant and cousin of the Sakthi group's chairman, N. Mahalingam. Dharani Sugars' Palani G. Periasamy taught economics and business management at the University of Baltimore in the US. All these examples testify to the generalized spread of education amongst the dominant farming communities of the south.

society are naturally inclined towards innovation and entrepreneurship because "avenues to social advancement other than the commercial are often closed to them".[20] Moreover, their persecution by other dominant communities fosters a sense of group consciousness and moral superiority manifesting itself in various commercially useful activities. We don't know how universally applicable this 'pariah' theory of entrepreneurship is: it has certainly not shown itself with regard to the Dalits or 'untouchable' castes, but has some validity when it comes to the Nadars and Ezhavas. Their traditional association with alcohol and an occupation – toddy-tapping – that was considered almost as debased as butchery and tanning meant that these two communities were barred from entering Hindu temples or using public wells. Practically, they were condemned to a social limbo somewhere between the *Shudras* and the outcaste Dalits – the lowest among the *Shudra* but a notch above the untouchable. At the same time, this degraded status drove them towards purposive community organization that could be adapted to trading.

Wherever they settled and along their trading routes, the Nadars built a chain of *pettais* (fortified spaces) for warehousing goods and provisioning of other common market infrastructure. The *pettais* were financed by a communal tax (*mahamai*), with control over its proceeds vested with a representative council, the *uravinmurai*. These networks culminated in the creation of apex institutions like the Nadar Mahajana Sangam in 1910 and the Nadar Bank in 1921 (renamed Tamilnad Mercantile Bank in 1962).[21] At the start of the 20th century, the Nadars were Tamil Nadu's premier trading community, specializing in village-level procurement and aggregation of farm produce and supplying to European export houses such as Harveys, Volkarts and Rallis.[22] The Ezhavas focused their activities around the coconut palm -- tapping the sap from its inflorescence and fermenting into toddy and distilled arrack, or extracting and

20 Timberg 1978, p. 26.

21 Hardgrave 1969 remains by far the best written social history of the Nadars.

22 Four Nadar families monopolized kapas supplies in Tuticorin, while 10 such groups operated at Virudhunagar. These families, and others in Sattur and Tirumangalam, were linked through marriage ties (Baker 1984, pp. 255-6).

spinning the coir fiber from the husk of its fruit. A segment among them graduated from toddy-tappers to *abkaris*, granted exclusive rights over vending liquor in a defined area by the state in return for payment of an excise fee. There were coir yarn dealers too, who became commission agents and feeder firms for European exporters and, by the twenties, had set up independent manufactories. Nevertheless, the disconnect between economic power of an emergent bourgeoisie and its impure ritual position persisted: only in the late thirties were special legislations passed allowing the Nadars and Ezhavas entry into temples.

The two communities have subsequently progressed beyond being just produce merchants and *abkari* contractors. The Sivakasi belt today accounts for four out of every five safety match boxes produced in the country and 90 per cent of its fireworks and pyrotechnic materials. It also has an Rs 10 billion-plus ($238 million) offset printing industry that arose from supplying trademark labels to local match and firework units. The Nadars call the shots in all the three industries. No less is the community's presence in vegetable fats ('Idhayam', India's top-selling sesame oil, and 'Gold Winner', a popular regional sunflower-groundnut oil brand), spices and coffee plantations (A.V. Thomas group, Ramesh Exports) and organized retailing (Vasanth & Co, Saravana Stores, Rathna Stores, VGP group). The owners of the largest domestic private sector dairy (R.G. Chandramogan of Hatsun Agro), Saravana Bhavan (a nationwide south Indian vegetarian restaurant chain) and CavinKare (makers of 'Chik' and 'Nyle' shampoos and 'Fairever' fairness cream) are also Nadars.[23] Similarly, there are Ezhava businessmen in sectors as diverse as rice-milling ('Nirapara' brand), herbal soaps ('Medimix' and 'Chandrika'), hotels (Empee group), transport and auto dealership (KTC), chit funds (Gokulam group) and fabric whiteners (Jyothy Laboratories, whose 'Ujala' has bested Reckitt-Benckiser's once-supreme 'Robin Blue' brand). The two highest-profile Nadar names in industry, however, are Shiv Nadar of HCL, India's leading IT enterprise and S. P. Adithanar of *Daily Thanthi*, the largest-selling

23 The brother of CavinKare's C.K. Ranganathan -- C.K. Rajkumar -- was the first to introduce sale of shampoos in small sachets in the early 1980s before Hindustan Lever and the others latched on to the idea.

Tamil newspaper. Their rise captures the educational strides made by the community – a development originally ignited by Christian missionaries in the 19th century. Shiv Nadar is an electrical engineer, who was with the DCM group in Delhi before he started HCL with five other colleagues in 1976. Adithanar took his law degree from London's Middle Temple and practiced in Singapore for eight years. *Thanthi* was launched in 1942, which he modeled on the British tabloid, *Daily Mirror*. The same 'secular' processes of education and modernity –*a la* the 'Office to Factory' route historically denied to them – are also reflected through Ezhava entrepreneurs such as S. D. Shibulal and Ajit Balakrishanan. The former is one of the co-founders of a 'Brahmin' company called Infosys, while Balakrishnanan promoted the ad agency Rediffusion in 1973, and about 20 years later, the online portal Rediff.com.

<u>The North</u>

Our survey of the South highlights the socially diverse base of its capitalists, viz. the incorporation into industry of a wide spectrum of communities drawn from outside the old mercantile *Vaishya*-plus fold. As a result, capital in the region is not identifiable with any exclusive ethnic groups and, as we have tried to show, this deepening of its business class has taken place particularly in the period since Independence. For example, consider the sugar industry, where today we have EID Parry (Nattukottai Chettiar), Sakthi, Bannari Amman and Dharani Sugars (Gounder), Rajshree Sugars (Naidu), Thiru Arooran Sugars (Vellala Mudaliar), KCP and Andhra Sugars (Kamma), GMR Industries (Komati), Gayatri Sugars (Reddy), Ponni and Ugar Sugar (Brahmin), Empee Sugars (Ezhava) and Godavari Sugar (Gujarati Lohana). The same diversity of ownership is evident in media firms: *Eenadu* (Kamma), *Deccan Chronicle-Andhra Bhoomi* (Reddy), *TV-9* (Raju), *Daily Thanthi* (Nadar), *The Hindu* and *Dinamalar*

(Brahmin), *Sun Network* (Isai Vellalar)[24], *Malayala Manorama* (Syrian Christian), *Asianet* (Nair), *Deccan Herald-Prajavani* (Idiga)[25], *Kerala Kaumudi* (Ezhava) and *Mathrubhumi* (Jain).

The North, on the other hand, presents a total contrast. The bulk of its farmers producing sugarcane, wheat, rice, milk, oilseed or cotton are Jat, Ahir (Yadav), Gujjar, Kurmi, Saini, Bishnoi or Koeri, while the industrialists are overwhelmingly Bania/Marwari and Khatri. The top 10 northern sugar groups are Bajaj Hindusthan (Bania/Marwari), Balrampur Chini (Bania/ Marwari), Triveni Engineering (Khatri), K.K. Birla (Bania/Marwari), Dhampur Sugar (Bania/Marwari), DCM Shriram Consolidated (Bania/Marwari), Mawana Sugars (Bania/Marwari), Simbhaoli Sugars (Jat Sikh), U.K. Modi (Bania/Marwari) and Dwarikesh Sugar (Bania/Marwari). Thus, the list has only one name -- Gurmit Singh Mann's Simbhaoli Sugars -- associated with an agrarian caste. Similarly, in the dairy sector, Chaudhary Ved Ram's VRS Foods ('Paras' brand) is the odd one out in an industry otherwise dominated by Khatri (Sterling Agro Industries, Cepham Milk Specialities) or Bania/Marwari (Modern Dairies, JK Dairy, Mahaan Foods, SMC Foods, Bhole Baba Milk Food Industries) enterprises. The big players in the branded rice segment are also either Khatris ('Kohinoor', 'Daawat' and 'Lal Qila' labels) or Bania/Marwaris ('India Gate' of KRBL, 'Shrilalmahal' of Shivnath Rai Harnarain and 'Mr Miller' of REI Agro). In oilseeds, Madhya Pradesh and Rajasthan are the leading cultivators of soybean and rapeseed-mustard respectively. Yet, over 90 per cent of the solvent extraction and refining units in these two states are controlled by Banias/Marwaris with a sprinkling of Khatris.[26] To complete the comparison with the South, let's take the media, where, too, the major houses are Bania/Marwari (*Dainik Jagran*, *Dainik Bhaskar*, *Navbharat Times*, *Hindustan*, *Amar Ujala*, *Aaj*, *Rajasthan Patrika*, Zee Network) or Khatri (*Punjab Kesri*, *India Today-Aaj Tak*, TV-18 group). The exceptions are *The Tribune* (started by Dyal Singh Majithia,

24 Isai Vellalars are traditionally temple musicians and dancers, listed under Other Backward Castes (OBC). Sun Network's promoter, Kalanithi Maran, is the grandnephew of the Tamil Nadu Chief Minister, M. Karunanidhi.

25 The Idigas are a toddy-tapping community from Karnataka analogous to the Ezhavas of Kerala and Nadars of Tamil Nadu.

26 For a full list, see SEA Handbook on Indian Vegetable Oil Industry and Trade 2005, pp. 43-7, Mumbai: The Solvent Extractors' Association of India.

a Jat Sikh) and *Daily Ajit* (a Punjabi paper belonging to a Saini Sikh, Barjinder Singh Hamdard, competing with *Jag Bani* of the *Punjab Kesri* group).

The contrast is clearest when one looks specifically at Punjab, the cradle of India's Green Revolution and whose Jat Sikh peasantry is supposed to be the most progressive, commercial and pampered of the country's farming communities. The fact again is that the famous Sikh industrialists that come to mind immediately – Bhai Mohan Singh, Raunaq Singh, Mohan Singh Oberoi – are all Khatris. The cycle kings of Punjab's industrial capital, Ludhiana, are also Khatris, while its textile and hosiery tycoons – be it the various Oswal factions or the newer groups like Abhishek Industries and Duke India Fashions – are Bania/Marwari. So marked is this contradiction between country and town that instances of the northern agrarian castes doing a Gounder, Kamma or Naidu are few and far between. While there are the odd success stories (Rana Gurjeet Singh's Rana group and Malvinder Bhinder's Agro Dutch Industries), none of them are in the league of the Lancos, GVKs, Sakthis, Nagarjunas, Dr Reddy's or LMWs. The one genuinely big Jat businessman today is the real estate mogul, Kushal Pal Singh of DLF,[27] though the other major northern players in the construction field are Bania/Marwari (Ansals, Omaxe, Parsvnath, Eldeco) and Khatri (HDIL, Anant Raj Industries).

There are a number of factors behind this mixed bag. One of them has to do with the historically entrenched, all-pervading presence of the various Bania castes and Khatris in the northern business landscape. The Bania complex encompasses the entire business chain here: starting from the village grocer-cum-moneylender and aggregator of primary produce to the commission agent at the *mandi* (the procurement market), the big city wholesale broker and financier, and the final-stage manufacturer, exporter or local distributor. Not that there are no equivalent *Vaishya* groups in the South; the difference is that never have the Chettiars and Komatis

27 One could probably also include here Sameer Gehlaut, an Indian Institute of Technology-Delhi product and promoter of the securities brokerage-cum-real estate firm, Indiabulls Financial. But Gehlaut holds just 13.5 per cent in the company, with a major stake lying with foreign and other institutional investors.

exercised so much sway over the commodity and money markets as the ubiquitous northern Bania. In fact, the Chettiars were oriented more towards moneylending and financing of trade rather than trading *per se*. Furthermore, right through the 19th century, there was an exodus of Chettiar capital away from Madras to Ceylon and South-East Asia in response to the higher returns from usury in these new frontiers opened up for colonial rule. Ergo, there existed in the South, unlike in other parts, a considerable '*Vaishya* vacuum' that was filled from time to time by even Syrian Christians and Muslim traders of Arab descent. In a relatively open field of this kind, it was not impossible then for the enterprising Kamma or Gounder 'capitalist-farmer' to turn 'farmer-capitalist'.[28] The business environment was less friendly in the North, rendering the journey from the farm to the boardroom a Herculean proposition. The surpluses from agriculture are, therefore, invested usually in petty businesses like transport, petrol pumps, property, cinema theaters and marriage halls. One does come across Jats, Yadavs and Gujjars who own trucks and buses, but these are invariably small fleet operators and not integrated logistics providers along the lines of the Transport Corporation of India, Gati Ltd and Delhi Assam Roadways Corporation (all Bania/Marwari-owned).

The other factor one cannot ignore is education, particularly exposure to English and the technical disciplines. The intermediate castes in the South have enjoyed better access to modern education right from colonial times – a process key to the integration of town with countryside and familiarizing village families to the mores and values of townsmen. This, more than anything else, led to the formation of a middle class that, even while retaining its rural roots, generated a regular stream of engineers, doctors, lawyers, bureaucrats, writers and accountants. The role of caste-based affirmative action movements in this context is a promising area of inquiry. We do know that the South had a history of non-Brahmin mobilizations and job reservations for backward classes going back to the turn of the 19th century. The region, in that

28 These terms are borrowed from Sau 1988.

sense, was 'mandalized' well before the Mandal Commission's report inflamed passions in the North during the early '90s.[29] Whether, and to what extent, these movements specially helped release entrepreneurial energies is something that requires more detailed investigation. All we can say at this point is that the South developed a more broad-based and socially heterogeneous middle class, and this may have been relatively conducive to the so-called 'really revolutionary' path to capitalism as described by Maurice Dobb.[30]

The West

Western India offers an interesting intermediate case wherein two of its dominant peasant castes -- the Patidars and Maratha-Kunbis -- have managed the transition to industry, despite being in a hostile environment comprising Parsi, Marwari, Gujarati Bania/Jain, Lohana and Bhatia mercantile groups. One route that they deployed to overcome this disadvantage was cooperative enterprise. In pre-Independence India, Maharashtra produced barely 10 per cent of its sugar and its measly 15 mills were basically Marwari, Gujarati Bania/Jain, Lohana or even Brahmin-owned. But by the '80s, Maharashtra had dislodged Uttar Pradesh from its *numero uno* slot to account for over 30 per cent of the country's sugar output, with almost the whole of this coming from cooperatives. In about 140 out of Maharashtra's 175 cooperative sugar factories, the founders were Marathas,[31] just as the key persons behind the formation of 8 out of the Gujarat Cooperative Milk Marketing Federation's (GCMMF or 'Amul') 12 unions were Patidars. In the pre-Amul days, the milk trade in Gujarat was mostly controlled by Bhatias and Parsis; the most prominent player, Pestonji Edulji Dalal of Polson's dairy, was a Parsi. Today, every third liter of milk in Gujarat is processed in a GCMMF union dairy, which is now India's No. 1 food concern. The sugar mills in Maharashtra have further begat a host of other

29 The Commission under B.P. Mandal, constituted in 1979, called for reserving 27 per cent of all central government jobs and college admissions for OBCs, over and above the existing 22.5 per cent quota for Dalits. The report was accepted for implementation by the V.P. Singh government in August 1990.

30 Dobb 1946 (ch. 4) contrasts the process of producers turning into capitalists with the 'less revolutionary' path in which merchants assume control of production.

31 Computed from the List of Sugar Factories in Maharashtra, Mumbai: Maharashtra Rajya Sahakari Sakhar Karkhana Sangh.

cooperatives: from dairies, poultry, consumer and lift-irrigation societies to banks, schools, and medical and engineering colleges. Each such cooperative complex has been linked to an individual baron, nominally elected by the farmer-members of that area but in reality the de facto chief of a quasi-private family fiefdom. Interlocked governance structures and cross-membership of boards, conferring control over a wide network of cooperatives in an area, has been a model common to Gujarat as well.

What are the reasons for the relative success of 'cooperative capitalism' in Gujarat and Maharashtra? One explanation is specific to the two communities that have provided much of their leadership. The Marathas, as per the 1931 Census, constituted 31.2 per cent of Maharashtra's population, while being slightly higher at 36.9 per cent in the Bombay Deccan (covering the state's main western sugar belt). This predominance of a single intermediate caste – mostly comprising independent peasant-proprietors – was congenial to cooperative enterprise under the hegemonic leadership of the more upwardly mobile sections aspiring to 'farmer-capitalist' status. The Patidars, at 12.2 per cent of Gujarat's population.[32] were not as numerically decisive., but being its largest landowning community, possessing highly evolved commercial peasant skills and also reasonable numerical strength, made them natural village leaders. This position got added legitimacy during the historic land revenue refusal campaigns of Kheda (1918) and Bardoli (1928) when, in Mahatma Gandhi's words, "the Patidar peasant came to an unforgettable consciousness of his strength".[33]

But that brings us to the real critical element in the success of cooperatives in western India: political patronage from successive Congress regimes in the post-Independence era. This was partly a reflection of the peculiar character of the Congress in Gujarat and Maharashtra, which, by the thirties, had been practically taken over by the Patidars and Marathas, making it

32 This was behind the 24.2 per cent for Kolis, who were primarily small cultivators and farm laborers, and categorized under OBCs.

33 Quoted in Hardiman 1981, pp. 1-2.

"essentially a peasant organization" (again in Gandhi's somewhat exaggerated description).[34] This was unlike the Congress in the North, which remained a Brahmin-Thakur-Bania citadel.

State support to cooperatives took many forms. In Maharashtra, mills were allowed to meet 70 per cent of their project costs through loans from public financial institutions, with the state government standing guarantee for their repayment. Even for the balance 30 per cent, the government undertook to subscribe up to two-thirds of the equity capital, which the mills could gradually redeem at face value by deducting a portion of the cane price payable to growers. For milk cooperatives, substantial funds – including from the World Bank and European Community – were routed through the National Dairy Development Board (NDDB). About 40 per cent of the funds under NDDB's Operation Flood program were invested in GCMMF's unions. Also, NDDB was headquartered a stone's throw from the Amul dairy and its indomitable chairman, Verghese Kurien, held concurrent charge as chairman, GCMMF! Besides gratuitous financial assistance, support came at the policy level, with NDDB being made the official routing agency for import of all milk powder and butter oil. Before the 1990s, it was a declared state policy to reserve all new sugar mills and dairies for the cooperative sector, alongside preferential allotment of cane area and milk sheds. The Maharashtra government's 1961 land reforms also confiscated the captive sugarcane estates of private mills, rending their operations unviable and forcing the closure or relocation of these factories. Needless to add, the benefits from these were cornered basically by the elite Patidar and Maratha peasantry. The Jats and Yadavs were losers in the bargain; not being part of the ruling party's political base and their backing the 'wrong' horses (the Lok Dal and other regional socialist formations) meant there was little state support or patronage for cooperatives to thrive in the North.[35]

34 ibid. Also see Lele 1990.

35 This is again a tentative hypothesis calling for more rigorous examination. Batra 1996 is a good case study of a failed cooperative sugar mill in Uttar Pradesh.

It would be erroneous, nevertheless, to attribute the ascendancy of the Patidars solely to 'cooperative capitalism'. Patidar industrialists existed even in pre-Independent India -- the textile tycoon, Mafatlal Gagalbhai and Bhailalbhai Amin of Alembic Pharma being cases in point. And much before them, there was a certain Bechardas Laskari, who set up Ahmedabad's second mill in 1864 following the Brahmin, Ranchhodlal Chhotalal. Yet, between 1898 and 1964, the number of Patidar-floated mills in the city rose from one to just eight, whereas it was from 22 to 52 in respect of Bania/Jains.[36] The explosion of Patidar private enterprise is a barely three to four decades old phenomenon, with Karsanbhai Patel (of 'Nirma' detergents, which emerged from nowhere to edge out Unilever's 'Surf') and Ramanbhai Patel (the pharma major, Zydus Cadila) being the most quoted examples. Apart from them, one can single out others in different industries: consumer goods (Paras Pharma, which has a humungous portfolio from 'Moov' pain relief ointment to 'Krack' foot cream and 'Set Wet' hair gel); civil construction (Patel Engineering); material handling equipment and industrial gears (Elecon Engineering); plastic storage tanks and other molded products (Sintex Industries); clocks and home appliances (O.R. Patel's Orpat group, the world's largest wall clock manufacturer and which diversified into calculators, telephone instruments, electrical goods and ceramic tiles); vegetable oils (Vimal Oil & Foods, Sanjay Oilcake Industries, Morvi Vegetable Products); and *bidis* or indigenous cheroots (Ceejay group of Praful Patel, the union civil aviation minister, who also runs a chain of education institutions). More recent and equally, if not more, phenomenal are Tulsi Tanti of Suzlon (a global player in wind energy) and Govind Kakadia (whose Sheetal group, along with Vasant Gajera's Laxmi Diamond, the Maldar family's Karp Impex and Jivraj Surani's JB Diamonds, have since the '80sunraveled the Palanpuri Jains' vice-like hold over the diamond trade).[37]

36 Shah 1990, p. 94.

37 Summit Khanna, 'After years, Kathiawaris outshine Palanpuris in India diamond biz', Daily News & Analysis, 18 March 2008, Mumbai.

The Marathas have not shown the same zest for private enterprise. Whatever movement from cooperative to 'pure' private capital has occurred is of pretty recent origin and restricted to fields such as wineries (Shamrao Chougule's Indage group and Rajeev Samant's Sula Vineyards), education (Patangrao Kadam, D.Y. Patil, Kamal Kishore Kadam and Datta Meghe) and public works contracts (Avinash Bhonsle, who first struck gold through the Krishna Valley irrigation projects in the nineties). There are also some new private sugar factories, started by men with past cooperative connections. B. B. Thombre of Natural Sugar & Allied Industries was previously the managing director of the Manjara cooperative, which is part of the present chief minister, Vilasrao Deshmukh's empire. D.Y. Patil and Patangrao Kadam, too, have stakes in cooperative sugar mills, even though these are subsidiary to their standalone education businesses. Cooperatives have been a convenient stepping stone for both Patidars and Marathas, who have leveraged the political and social clout derived from these institutions to make inroads into private industry.

IV. Conclusion

Indian industry has come a long way since 1947. There is greater diversity today in terms of both production profile (no longer confined to cotton textiles, jute, sugar and other old manufacturing industries) as well as the social base of its capitalists. Capital is no longer the exclusive bastion of select communities who rose from the bazaar and formed the top crust of the 'national' or 'big' bourgeoisie at the time of Independence. Business activity has become more diffused throughout society, so much so as to becoming a function of individual entrepreneurial zeal – 'a personality type able to react to economic opportunities'[38] – and less about membership in the right community.

38 Lamb 1955, p. 111.

The above tendency has, however, not demonstrated a uniform pattern, being a feature mainly of the South and, to a certain degree, the West. The socio-business landscape has not been as dynamic in the North, where generation after generation of magnates -- from the Birlas, Shrirams and Thapars of pre-Independence to the Jindals, Mahindras and Munjals in the 1960s-1970s and Sunil Mittal, Naresh Goyal and Kishore Biyani of the post-nineties -- have come from the same Bania or Khatri background. There is, hence, an almost neat convergence of caste and class quite in contrast to the South, which has benefited from a historical '*Vaishya* vacuum'. That, in turn, has conferred a relatively open space for private entrepreneurs, who, under the circumstances, could be Chettiar, Komati, Kamma, Naidu, Gounder, Nadar, Ezhava, Syrian Christian or Moplah Muslim. This process got an added fillip in the period after Independence, which saw an increase in public investments in irrigation, power, transport and other core sectors under successive five-year plans, while also widening access to funds through nationalized banks, term-lending institutions and capital markets. The resulting stimuli spawned contractors, real estate and truck operators, traders, millers and aspirant industrialists recruited from a wide spectrum of communities. A key factor here was the creation of a socially heterogeneous middle class drawn from urban as well as rural backgrounds, and from which a new 'type' of industrialist emerged and flourished: someone whose father may have been agriculturist, teacher, lawyer or bureaucrat and not a merchant or banker.

But the one group that has been bypassed in this whole process of 'democratization of capital' is of the Dalits. The institution of political democracy and affirmative action policies in independent India have enabled these former untouchable castes to become senior bureaucrats, chief ministers, governors and even president (K.R. Narayanan) and chief justice (K.G. Balakrishnan). The day may not be distant when the country also gets its first Dalit prime minister. However, this churning and unleashing of competition in the political space has not extended itself to the business arena. While there is no dearth of businessmen among Muslims and other minorities,[39] a Dalit entrepreneurial class is still far from taking shape.[40] And this reality holds true even for the South, where the capitalist trickle-down abruptly stops at the level of the lower *Shudras*.

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39 A notable trend in Muslim entrepreneurship post-Independence is its widening beyond the old Gujarati-Sindhi merchants to include groups like the Ansaris (traditionally weavers), Qureshis (butchers) and the Moplahs of Kerala (who have prospered from the migration boom to West Asia since the mid-seventies). This aspect has been partly dealt with in Damodaran 2008, pp. 297-310.

40 There is again the odd exception to validate the general picture. G. Vivekanand, the son of a former Congress union minister (G. Venkataswamy) and a doctor by training, is a rare Dalit tycoon. His company, Visaka Industries, started with an asbestos sheets manufacturing facility in 1985 and has subsequently diversified into textiles. For the year ended 31 March 2007, Visaka recorded a profit after tax of Rs 237.37 million on net sales of Rs 3.79 billion.

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