

Indian Business History
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Lecture - 11
Impact of the Second World War (WW II)

Welcome back to Indian Business History, I am Dr. Vipul Dutta and this is lecture number 11. The title of this lecture is going to be, “the Impact of the Second World War”.

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This is Week 5

- Week 5: Indian Business and Economy during the First and Second World Wars, 1914-1945

- **Lecture 10:** Indian Economy and Business during the First World War (WW I)
- **Lecture 11:** Impact of the Second World War (WW II) **We are Here**

- **Lecture 12:** Global wars for India; Case Study: Hindustan Aeronautics Limited (HAL)

Just to give you a brief heads up of where we are located in the course right now. This is week five as you know and the thematic focus of week five will be Indian business and economy during the first and second world wars. So, this will range roughly from 1914 till about 1945. Week five consists of three lectures.

So, the first lecture in week five, which was lecture number 10 examined the Indian economy and business during the First World War the next lecture which is lecture 11 which is where we are today is the impact of the Second World War on the Indian economy and business. And the subsequent lecture in this week which is going to be lecture number 12 will be a more analytical discussion of what the global wars have meant for India.

We were also combined this lecture with a discussion of a particular case study and this will be the Hindustan Aeronautics Limited and its crucial contribution in the makings of India's

aircraft industry. Now in the previous lecture we examined the impact of the First World War on India's economy and India's business and we discuss some of the trends, features, structures and ideas that governed the growth and expansion of India's business story in those years.

We discussed that there was a rapid emergence of industries that were focused purely on service in the war effort which is the First World War in that case. And we discussed that there was a continuity of trends such as speculation and short-term industrial growth during these years. The total war which is also another name given to the First World War meant that there was an all-encompassing need to bring together resources, strategies, institutions and manufacturing units together to prosecute this war effort.

So, the wholesale combining of societies, polities, people and agricultural lands and industrial manufacturing meant that the First World War represented its global impact on wherever it touched it shows. With the end of the First World War there was a fundamental transaction in global politics of this point. So, today our starting point for this lecture will be the assessment of the consequences or developments that flowed from the First World War, because an examination of those developments will help us understand the context for the Second World War.

It is in the context of the Second World War that in this lecture we will examine some of the significant and unique business developments in the Indian subcontinent. So, in order to understand the Second World War more comprehensively and more analytically we have to start a story with the end of the First World War and chart some of the important political economic developments that dotted not just the world, but also more specifically in the Indian subcontinent. So, one of the most important consequences or developments after the end of the First World War was the rise of nationalism.

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Consequences/ Developments post WW-I

- **Rise of nationalism:** Europe, China, India, Africa
- **German Revanchism:** Desire to avenge Treaty of Versailles, gain lost territories
- **China:** Civil War, KMT Party in nominal control. Fighting Japan.
- **Japan:** Increasingly aggressive, militaristic, autarkic. Wants to colonise China.
- **Russia:** Proclaimed as USSR

This was by no means an Indian affair or an African affair, but it had global presence during this period. So, the rise of nationalism or anti colonial movements happened in China India and Africa, but also within the European continent there was a resurgence of a wave of nationalism or self-assertion by different kinds of people or groups of communities and individuals.

So, the joint political movements across the world was a distinctive feature of the post First World War scene in the world. In addition, to the rise of aggressive nationalism in different parts of the world with varying consequences. There was also the spectacle of what is now known as German revanchism. This was a desire felt by particular constituencies in Germany to avenge the treaty of Versailles and gain lost territories.

The treaty of Versailles was an important treaty that brought the end to the First World War and certain sections in Germany believed that some of the terms of this treaty were unjust and the subsequent emergence of revanchism in Germany see its historical origins to this treaty.

So, revanchism as a political sentiment or as a political movement had its origins in the end of First World War, where particular communities within Germany and in a round Germany felt that Germany had to avenge the unjust terms of this treaty and gain lost territories and gain its lost the preeminence in the economy, society and polity of the European state system at this point.

So, German revanchism then became a subset of this rise of aggressive nationalist waves in the European continent during this period. In addition, to the waves of nationalism sweeping across Europe there was also civil war growing in China and the KMT party was a nominal control during this period. China was also in active combat with Japan, which at this point was also becoming increasingly aggressive bellicose and also had designs on further colonization of Chinese territory during this period.

So, the First World War may have had its origins in Europe and then gradually became international. In the case of the Second World War, the origins of this conflict were partly in Europe, but also partly in Asia. So, the active war that began between China and Japan in 1937 is often seen as a precursor to the more bloody battles of the Second World War 2 years later that broke out in Europe. So, the crucial difference between the First World War and the Second World War was that on the one hand the First World War was European in origin and gradually became more international as it would as it started involving more colonies within its fold.

The Second World War also international and global in scope had partly European origins, but it also had definite solid origins within Asia. Russia at this point was also after the end of the First World War proclaimed formally as the USSR this was the first instance where communist ideas have been put into practice into the making of a nation state.

So, different kinds of state systems had begun to emerge on the global platform at this point, which also makes the study of the Second World War a lot more complicated in political terms and its significance and consequences for the global economy and business also therefore, is complicated. So, the multiplication of different political actors, political systems, governance and different kinds of communities coming together to articulate different political economic and social ideas for themselves makes the Second World War not just a global event, but also intellectually and politically of a fascinating period for researching study.

The inter war years which is basically the phrase between the end of the First World War and the beginning of the Second World War also was an eventful period in the history of the world in this period. One crisis was merging into the other and there was a gradual merging of political crisis with evolving economic troubles and disputes.

So, the Second World War represents the coming together of political tensions, with economic disputes and the result of this fusion of political tensions with economic disputes and economic

discontent resulted in making this war not just global, but formed by lither and informed by notions of technology and advanced warfare to a great degree.

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Inter-War Years (1919-1939)

- **Emergence of the US and USSR (Allies briefly during WW2) + UK & France**
- **Secret Treaty: USSR + Germany = Invalid in 1941**
- **Adolf Hitler: Nazism (Chancellor in 1933)**
- **Complex International Environment: Trade Wars merging with Political Wars**
- **Rise of Imperialist Japan = Allies with Germany (Axis)**

The inter war years also saw the emergence of the United States and USSR as powerful allies they were allies only briefly during the Second World War because this was followed by the phase of the cold war. But named over years saw the gradual, but brief coming together of the United States with the USSR who fought many battles of the Second World War together. They were also joined by the forces from Britain and France to target a common for which was Germany and its rising expansionist tendencies.

So, the just as the First World War was marked by alliance building in Europe which started making impressive posters against each other's alliances and their aims and strategies. The Second World War was also a period marked by the making of different alien systems, the articulation of different strategies and the resulting posturing of one alliance vis a vis the strategic military and foreign policy aims of the other alliance.

So, the general grammar of global politics remains the same, but the inner working of state systems and the intricacies of economic systems and the business landscape become far more complicated during this period. The inter war years also see the emergence of dictatorial leaders like Adolf Hitter in Germany and the rise and expansion of the Nazi ideology the complex international environment of the inter war years meant that trade wars were now merging with political wars.

So, ideas like revanchism and other nationalist waves of self-assertion for the manifestation ethnic social and political tensions merged with longstanding economic tensions and problems that were witness by different people in the world during this period. So, the breaking out of the Second World War was not just an accumulation of political tensions it was also the accumulation of long standing economic, social institutional and cultural factors.

Another feature of the inter war years was the rise of imperialist Japan and just as different countries in the European continent were making strides in industrial production and manufacturing and were making great advances in science and technology. Japan also was one of the first countries in Asia to develop itself along modernist clients. The rise of imperial Japan also coincided with the rise of industrial Japan.

So, the rise of militaristic tendencies and the need to control greater resources and overseas markets also transformed the Japanese political system into an imperial one. The rising tendencies of the imperialist Japan were merged and matched with the tendencies of Germany in this period. So, Japan and Germany came across as allies and made up an alliance which was put it against the alliance made up of the British, French and also briefly the American and the soviet forces in this period.

Just to give you a brief political outline of what were the triggers for the Second World War as I mentioned before there were significant economic, trade, political, social and cultural issues at hand which makes the Second World War an extremely international and significant event of this century. But in order to offer more historical milestones for you to be able to comprehend the build up towards the actual war in 1939.

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Countdown towards War: Failure of Appeasement

- **1936: Germany takes Rhineland**
- **1938: Germany takes Austria**
- **1938: UK, France agree to let Germany annex Sudetenland (Czechoslovakia) ; Treaty of Munich**
- **1939: Germany takes entire Czechoslovakia**
- **Aug 1939: USSR + Germany secret treaty of non-aggression. Division & Annexation of Poland.**
- **September 1939: Germany Invades Poland = UK + France declare War**

You can remember this timeline that is visible to you in this slide. So, the countdown towards the Second World War is often seen as a failure of appeasement. In 1936 Germany annexed an occupied portion of France this was followed by Germany's position of Austria.

So, the rising expansionist tendencies of Germany were ignored over not taken seriously by the other powers in Europe at this point. So, the resulting appeasement of German fascistic tendencies and its expansionist nature and the failure to take adequate steps to limit Germany's expansive posturing in this period is seen as a significant contributor towards the breaking out of the Second World War.

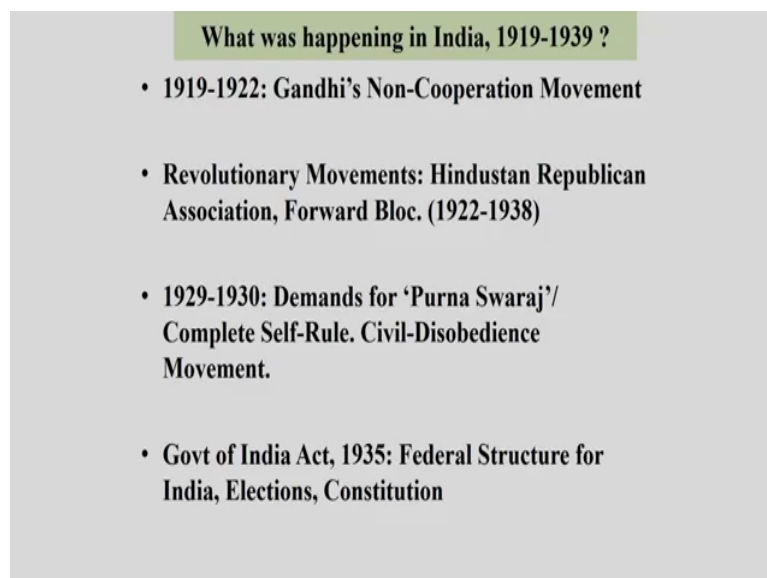
Germany's expansionist posturing continues even in 1938 and in 1939 Germany is also responsible for occupying almost the entire territory in composition with in Czechoslovakia. In August 1939 the USSR and Germany ink a secret treaty of non-aggression this treaty becomes invalid in 1941 when German Nazi forces invade the Soviet Union.

So, the Second World War is not just about the alliance systems which continue from the previous decades, but it is also marked by short term political deals between antagonistic forces which try to come together to achieve short term goals, but these short term political deals also do not survive the time period in which they were struck and resulting tensions and insecurities between one camp vis a vis the other make this decade a largely volatile and unstable one.

Finally, in September 1939 Germany invades Poland and in response to that invasion of Poland and the violation of the territorial in political integrity of Poland, the British and French versus retaliate against the German Nazi forces. So, the image at trigger for the Second World War happens in Europe in the year 1939 in September when German invasion of Poland is the last nail in the coffin of appeasement. Let us shift the gaze towards the Indian politics in this period.

So, just as the European state system was convulsing which short term political deals which were unstable and contributing more towards the aggressive and war like tendencies in Europe in India certain different and unique developments were taking place.

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What was happening in India, 1919-1939 ?

- **1919-1922: Gandhi's Non-Cooperation Movement**
- **Revolutionary Movements: Hindustan Republican Association, Forward Bloc. (1922-1938)**
- **1929-1930: Demands for 'Purna Swaraj' / Complete Self-Rule. Civil-Disobedience Movement.**
- **Govt of India Act, 1935: Federal Structure for India, Elections, Constitution**

Firstly from 1919 to 1922 Mahatma Gandhi's non-cooperation movement was underway this was the first political experiment that was organized in the Indian subcontinent based on the principles of Satyagraha and Ahimsa this was based on the non-violent political principles laid down by Gandhiji. So, 1919 to 22 were roughly the 3 years in which the non-cooperation movement became a largely pan Indian affair. This was suspended in 1922 after a violent episode in Chaurichaura.

But the 3 years between 1919 to 1922 was the unique feature in India's history where Mahatma Gandhi put into practice his ideas of nonviolent resistance against the unjust rule of the colonial stage. In addition to Gandhi's non-cooperation movement which brought long vast majority of people from different regions in backgrounds you also see the rise of revolutionary movements.

So, the Hindustan republic and association and the forward block also emerged during this decade. The rise of great leaders like Bhagat Singh and Subhash Chandra Bose and the articulation of their sophisticated political and economic ideas enriched the India's political landscape in the inter war period. From 1929 to 1930 there is a slight shift in the discourse were by demands for Purna Swaraj start ringing in the Indian political for moment.

Demands for Purna Swaraj or roughly translatable to complete self-rule became the rallying cry of the Indian national congress during this period. And as a result of this greater shift in a more radical form of public protest you also see the starting of the civil disobedience movement. This was a larger disobedience movement aim towards hurting the colonial states economic, political, social, cultural and economic and industrial interests in the Indian subcontinent.

So, just as the Swadeshi movement was tried out as primarily and economic weapon against the interest on the colonial state the civil disobedience movement was more pan Indian in scope and you brought together a wide variety of interests within its fore. After this the fourth major element of Indian politics in the inter war period was the enactment of the government of India act of 1935.

This is one of the most politically significant constitutional acts that were enacted in India's modern history, especially India's pre independence modern history and the government of India act of 1935 envisioned a federal structure for India it also set the context a strong political context for the carrying out of exercises such as elections and the coming of a draft constitutional document for the governments of the Indian subcontinent.

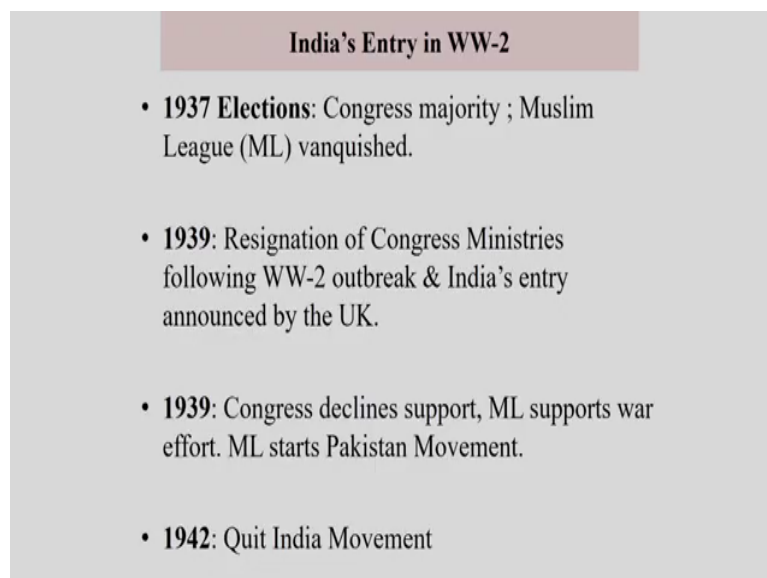
So, apart from the rise of different kinds of political movements which varied in their scope and the degree of their intensity and the articulation of most trident and radical demands like Purna Swaraj and complete self-rule there were also significant legislative exercises like the government of India act of 1935 which set about a more firm political context for the governance of the Indian subcontinent during this period. India's entry into the Second World War the story is likely similar to the one in which we examine India's entry into the First World War.

Because India was still a colony and a lucrative colony for the British Empire if entry into the Second World War was again taken for granted. The ideas of discriminating protection that we discussed in the previous lecture which accorded a safe status or a strategic status to some

industries was done precisely for such a scenario which envisioned that in the future political or economic conflict it would largely be Indian resources and Indian industries that would be used to service the war effort in favor of the British state.

So, the coming of the Second World War then made India's participation in that war a mode question and India's entry into the Second World War was announced unilaterally by the British Empire. The consequences to that declaration were; however, different from the way in which those consequences were in were examined for the First World War. So, there are slight differences in the way in which India responded to its entry in the First World War as opposed to its participation in the Second World War. The Second World War was presided by the 1937 elections in India.

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India's Entry in WW-2

- **1937 Elections:** Congress majority ; Muslim League (ML) vanquished.
- **1939:** Resignation of Congress Ministries following WW-2 outbreak & India's entry announced by the UK.
- **1939:** Congress declines support, ML supports war effort. ML starts Pakistan Movement.
- **1942:** Quit India Movement

As part of these elections the Indian National Congress won a pan Indian majority and the other contending political party which was the Muslim league was vanquished. In 1939; however, when the Second World War adopted an India's entry into it was announced by the United Kingdom this was followed by a mass resignation of the congress ministries in the Indian subcontinent during this period.

This resignation was a response to India's unilateral declaration into the Second World War by the British authorities and it was seen as the protest move by the congress ministries which had served in India for just about two years at this period. So, just as India's entries was announced unilaterally by the British state of the First World War the same was done even in the case of

the Second World War. There were no wide consultations that were held before it was announced that India was becoming a party of the Second World War.

However, in 1939 the national movement in India had not just become stronger, it had also become institution; parties which had organized a national movement were also now parties in formal governance. So, the official protest that happened which was marked by the resignation of the congress ministries as a response to India's participation in the Second World War is a significant feature of the maturing of Indian politics in this period.

In 1939 while resigning from the Congress Ministries the Indian National Congress also decline to support the war effort, whereas the Muslim league supported the war effort can be conducted by the British at that point. So, 1939 is also a sharp break in the political destinies of the Indian National Congress and the Muslim league because shortly after this the Muslim league also formally starts the campaign for a Pakistan movement or the demand for a separate homeland for Muslims. After this you have the quit India movement which began in 1942.

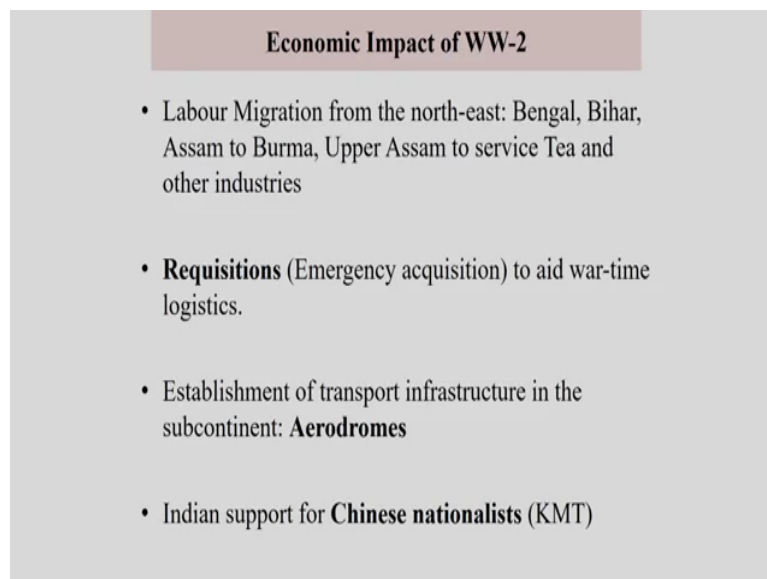
So, while the congress ministries had resigned in 1939 you see a step up in the aggressive potential of the Indian national movement where a significantly more radical, more violent and armed movement took place in India in order to eject the colonial state and its unjust governance as soon as possible. So, the Quit India Movement in 1942 marked a step which contributed towards making the Indian national movement far more radical and vocal than it was ever before.

So, India's entry into the Second World War was marked not just by the entry of the British empires most richest and resourceful colony, it was also marked by maturing in the Indian political landscape during this period. So, the inter war period then is not just an important site to study the political and economic tensions that contributed towards the emergence of a global war it also becomes the site to see the transactions and changes that take place within the Indian political and economic landscape.

So, business history of this period then becomes the function of the study of the larger global politics and trends during this period. Indian business in Indian economy just as economy and business of any other territory in the world was not unconnected from the abs inflow of global politics.

So, just as the global political system was becoming inherently unstable and more prone to violence and interstate war affair the Indian economy and Indian business also responded to those developments in their unique ways and that is what we are going to discuss in this lecture. There are 4 important features to study the economic impact or the precise economic impact that was felt as a result of the battles of the Second World War and as a result of the larger mobilization for the Second World War.

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Economic Impact of WW-2

- Labour Migration from the north-east: Bengal, Bihar, Assam to Burma, Upper Assam to service Tea and other industries
- **Requisitions** (Emergency acquisition) to aid war-time logistics.
- Establishment of transport infrastructure in the subcontinent: **Aerodromes**
- Indian support for **Chinese nationalists** (KMT)

And the first important feature as part of that study is that here was greater labour migration from the northeast there was migration and immigration both that was witnessed in this part of the subcontinent.

So, people living in Bengal, Bihar, Assam to Burma and upper Assam shifted within this territories and also witnessed an influx of people from the surrounding territories within the territories in order to become part of the working labour of different kinds of industries that have come up in the subcontinent during this period. So, in order to service the tea and jute industries which were producing goods that are rapid place. So, as to provide for the war effort in this period there was a large scale demand that was felt for labour to work in these factories.

So, the migration waves of the inter war period intensified towards 1939 and when the war finally, adopted in Europe and as it spread to different parts of Asia and Africa its distinctive impact was failed in India's Northeast where people from Bengal and Bihar did a more significant northeastern migratory pattern in order to fulfill the demands that were being filled

in the industries of this region. So, the tea industries and jute industries that were headquartered in cities like Calcutta witnessed a greater influx of people from Bengal, Bihar, Assam, Burma and upper Assam into these factories.

So, the large scale labour migration of one part to the other part in the Indian subcontinent was a distinctive modern feature of the war time mobilization that is filled in the Indian subcontinent during this period. The second important economic impact was the feature of requisitions; requisitions largely means the emergency acquisition to aid war time logistics in this period. So, just as the Second World War became a reality for larger parts of the world after 1939. The colonial state with respect to Indian resources and Indian institutions and Indian installations in barked on a formal policy of requisitions.

So, there was a large scale emergency acquisition of different Indian industries for the war effort India's evolving transport network was taken over by the government to service the requirements of the Second World War Indian institutions like industries factories and other manufacturing units including financial institutions like banks and hotels and restaurants are all taken over summarily by the British state in order to fulfill the requirements of this second total war of this century which was the Second World War.

So, just as labour migration was becoming more frequent and the state was acquiring institutions in resources on a war footing in order to supply the troops with logistics men and resources. There was also the establishment of a parallel airport or air infrastructure in the Indian subcontinent. The Second World War is also known for the rise of air power and the consolidation of air forces in different parts of the world, in the context of India and in the aerial combat context of the Second World War battles there was a large scale establishment of an air transport infrastructure in the Indian subcontinent.

Again it is wise to point out that much of these infrastructural developments happened with a clear strategic aim in mind. So, the establishment of aerodromes or air strips in the Indian subcontinent was made purely with the motive of furnishing the British Empire troops with greater mobility and competence in order for them to be able to withstand German aggression and Japanese aggression during this period.

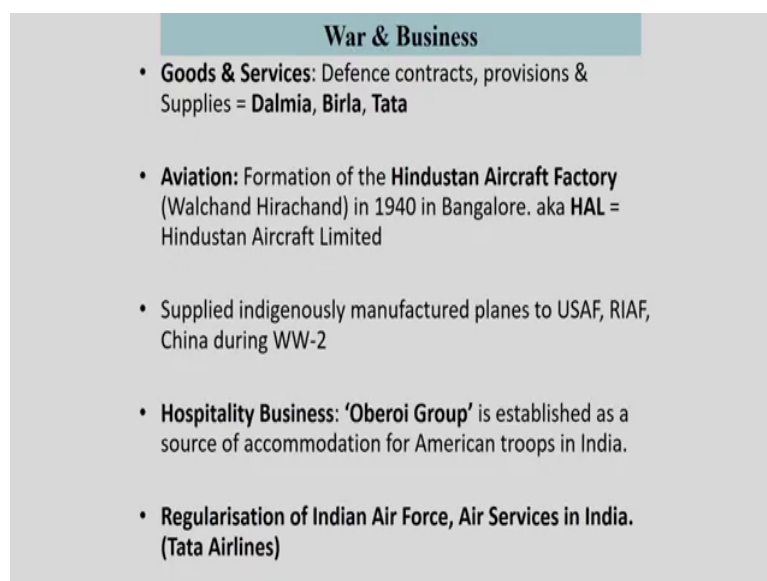
So, the arrival of a formal air transport infrastructure in India again in keeping with a larger history of this period was done purely with the strategic and economic motive in mind, but that strategy and motive was defined according to the principles and world vision of the colonial

state and not necessarily the people of India. There was also the beginnings of a formal relationship between the modern geographical entities that comprised India and China during this period.

So, Indian support for Chinese nationalist during this period marked the beginning of a formal political relationship between India and China. Neither of the two countries concerned were independent at this point and they were suffering the worst excesses of colonial rule during this period, but India's profess support for Chinese nationalist during the events of the Second World War marks the beginning of a formal interaction between India and China during the mid-20th century.

Now, just as the First World War was essentially a story of increased production and expansion of business and economic services across the Indian subcontinent, the story of the Second World War is also similar, but with its own set of unique features.

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War & Business

- **Goods & Services:** Defence contracts, provisions & Supplies = **Dalmia, Birla, Tata**
- **Aviation:** Formation of the **Hindustan Aircraft Factory** (Walchand Hirachand) in 1940 in Bangalore. aka **HAL** = Hindustan Aircraft Limited
- Supplied indigenously manufactured planes to USAF, RIAF, China during WW-2
- **Hospitality Business:** '**Obero Group**' is established as a source of accommodation for American troops in India.
- **Regularisation of Indian Air Force, Air Services in India.** (**Tata Airlines**)

The first element of war and business as far as the Second World War is concerned was that in the sector of goods and services there were massive defense contracts that were given in order to supply provisions and other food related in logistical material to military forces of the British empires scattered around the world.

So, some of the key players that performed an important in strategic role for the British empire during the First World War also rose to the occasion again. So, the lucrative defense contracts

that were given out in order to furnish the logistical needs for the militaries taking part in the Second World War battles was executed by players like the Birla Empire and the Tata business. And in addition to the Tata's and Birla's, there was also the parallel emergence of different families and communities who prosecuted their own businesses in this period.

So, the third important business player this point which one defense contracts and furnished the war effort relating to the Second World War were also the Dalmia family. As mentioned before there were also the formation of a transport and air transport infrastructure in the Indian subcontinent during this period. So, aviation was one important sector that witnessed a massive influx of investment capital in this period. So, the Second World War meant that the business seen in aviation sector grew rapidly.

The formation of the Hindustan aircraft factory in 1940 by Mr. Walchand Hirachand a personality that we will discuss in great detail in the next lecture happened in Bangalore it was also known as the Hindustan Aircraft Limited Company and its contribution towards the development of an indigenous aircraft manufacturing facility in the Indian subcontinent was a unique feature of this period.

Just as the First World War was responsible for the coming emergence and consolidation of new kinds of industries the Second World War was also unique in its responsibility and roles and was also unique for the context it laid out for the development of critical industries such as aviation within the Indian subcontinent. The success of the development of indigenous aircraft manufacturing capabilities was immediate.

So, just as they had started to supply aircrafts and aircraft components for forces in India the Hindustan aircraft factory also supplied indigenously manufactured planes to the United States air force and to the royal Indian air force as well as to the Chinese forces during the Second World War.

This is an often neglected part of an Indian history where a pioneering institution such as the HAL or the Hindustan Aircraft Factory evolved in such a short pace of time and it is largely to the credit of individuals like Walchand, Hirachand and their intrepidity which contributed towards the making of this gigantic institution which was Indian in scope, but had a large place of international operations.

So, the unique feature of the Second World War as far as India is concerned was the development of an aircraft industry, but the remarkable feature of this aircraft industry was the fact that it had also a substantial international scale of operations during this period. In addition to aviation and the large amount of defense contracts that were given to existing players in the Indian subcontinent during this period you also see the emergence of a more expansive hospitality business in the Indian subcontinent.

As you know JN Tata was responsible for the commissioning of the Taj Mahal hotel in Bombay this was the first luxury hotel commission by an Indian and financed by an Indian entrepreneur. However, the decades of the interwar period and the years during the Second World War also witnessed the large scale expansion of the hospitality business in the Indian subcontinent managed largely by Indian entrepreneurs.

So, as part of this hospitality business which grew in response to the Second World War you see the emergence of the Oberoi group which is established as a source of accommodation for American troops in India. As I have already pointed out in the emerging alliance diplomacy of Europe during this period the US forces were combining hands with the British and French and also briefly the soviet forces.

So, as a result of this coming together of 4 great powers you see the international transport of their military forces across the world. As a result of the internationalization of the Second World War there was a great of foot fall of American soldiers in India in addition to British soldiers and Indian soldiers. As a result of the need to provide for their logistical requirements different industries witnessed an immense expansion in their scope during the Second World War.

However, the kind of industries that witnessed in expansion after the Second World War was more varied as compared to the context of the First World War. As a result of this diversity of industry practices in business practices and the starting up of different business ideas in the context of the Second World War, the hospitality business is a prime example.

So, the fortunes of the Oberoi group are established formerly in this part of the century when the Second World War gave them a unique opportunity to start a new business idea. In addition to all the features they have outlined about there were also the regularization of the Indian air force in this period it became a separate military force and as a result of the air wars that formed different contexts in the Second World War battles. You also see the formalization and the

regularization of civilian air services in India. There was a modest growth in passenger traffic as far as civil aviation is concerned in this period.

But the gradual emergence of an air transport infrastructure in the Indian subcontinent during the Second World War meant that a new industry that had grown up in response to the Second World War was also here to stay. So, the unique features which distinguish the Second World War from the First World War was in the manner of industrialization that it engendered in the Indian subcontinent. While a set of industry grew in response to the battles, demands and practices of war time mobilization of the Second World War.

These industries also had a life beyond those wars. So, the establishment of air services and air transport infrastructure was then not just limited to the demands of war and war fare they also had a utility in different civilian and peaceful context, this was true of the air infrastructure this is also true of the hospitality business. So, the Second World War as far as the Indian business history is concerned was responsible for the generation of entrepreneurial capital that extend its utility beyond the confines of interstate and global war affair.

I want to spend some time on detailing the massive rise in the business and economic operations of the Tata business in the Indian subcontinent during this period. So, as I have mentioned previously in this lecture, wide number of defense contracts for supplying the provisions and meeting the logistical requirements of the British imperial forces across the world was met by the industrial proverbs of business is like the Tata's, Birla's and Dalmia's.

But the Tata's in particular witnessed in enormous rise in their production capabilities and their industrial potential during the Second World War era. One of the ventures or business operations that witnessed an unprecedented growth as far as the Tata business is concerned was in the sector of textiles. There was a 400 percent turnover in their revenues and in their production capabilities and this was made possible by a set of international factors that became active during this period.

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Other TATA Ventures

- **Textile Industry:** Unprecedented growth (400 %)
- Undisputed command of Domestic cloth over India, South Asian markets: **Displacement of Japan, China**
- Market Segmentation: Profits in all sectors; all qualities of cloth output
- **TISCO: 1939-1943:** Almost doubled up production capacity
 - Machine Tools, Blades, **Armoured Vehicles**
- **TATA Locomotive & Engineering Co. :** “Forward Integration”, outlet for productive usage for steel

The undisputed command of domestic cloth over India and south Asian markets made possible the rapid expansion of Tata’s textile presence in India’s business history of this period. This was also made possible not just by the war time demand of the Second World War, but also by the steady and gradual displacement of Japan and China during this period.

So, the displacement of Japan and China combining with the enormous war time demand for cloth and other logistic requirements made possible this great expansion of the Tata business during this period. There was also what is now known as market segmentation. So, the reason as to why there was such unprecedented growth in the Tata business as far as textiles is concerned was that because they were able to garnish up profits in almost all sectors. There was various qualities of cloth that was coming out of Tata mills in Tata factories.

So, they were not just supplying to military troops across the world they were also supplying to localize markets in southeast Asia and they were also providing to this human demand for textiles in cloth that were emerging in markets as far as China and Japan.

So, the internationalization of the Tata business as far as textiles is concerned was made possible by series of international destructions that came in the wake of the Second World War. In addition, to the massive amounts of revenue and expansion that were witnessed in the textile sectors, the Tata iron and steel company that came up in the early part of the 20th century as you already know.

Almost doubled up its production capacity in the years between 1939 to 1943. The doubling up of their production capacity was made possible by this international disruption rather this second international disruption that came up in the form of the Second World War. But this doubling up of their production facilities also happened due to a wide scale diversification of the goods that they produced as part of their iron and steel operations. So, the production of machine tools blades and also armoured vehicles contributed immensely to the expansion of their scale of operations as far as iron and steel is concerned.

So, just as war time mobilization was providing an incessant demand for the production of cloth and textiles for the Tata business the production and demand for armoured vehicles that could be deployed across international theatres or could be used for the wide variety of allied and military operations also opened up a new avenue of operations for the Tata's.

So, the resulting emergence of the Tata locomotive an engineering companies of businesses associated with those engineering functions came up precisely as a result of the new context that was laid by the Second World War. The Tata locomotive an engineering company that was established in this period also was responsible for an idea call forward integration. So, the excessive production of steel and iron that was coming out of the doubled up capacities from the iron and steel mills of the Tata's was now being used for their secondary production and manufacturing into armoured vehicles and other goods that could be used in servicing the war afford during this period.

So, forward integration in this period as far as the Tata business is concerned meant the utilization of their own goods for the production of secondary and tertiary commodities that could make the war effort more convenient and resourceful for the British armies and their commonwealth armies during this period.

So, the rise and expansion of the production and manufacturing capabilities of the Tata's and other associated industries like the Birla's or those of the Dalmia's were based on this huge war time demand that was witnessed by their businesses in this period. There were also certain other new business developments after 1945, but their origins lays specifically in the years of the Second World War or also the years preceding the Second World War.

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New Business Developments after 1945

- **Rise of Native Indian Industries:** Kirloskar Group: Pune
 - Oil Pumps & Engines
 - Furniture
 - Kirloskar Electric Power Co
 - Machine Tools
- DCM Group: Delhi (Lala Shri Ram)
 - Textiles
 - Chemicals
 - Sugar
 - Education

So, rise of native Indian industries was a unique feature of India's business history during this period the Kirloskar group a feature that we have already studied in previous lectures also witness a massive turn around in its production and manufacturing capabilities.

It was headquartered in the city of Pune which still hosts a substantial area of operations of the Kirloskar group, but going to the developments of the Second World War and the years after that meant that the Kirloskar group also became one of the largest entrepreneurial outfits in India during this period. It was responsible for the production of oil pumps and engines which had both civilian use and a military use.

So, the origins of this great expansion of industries in India was based on a platform where buy their products could be used equally for military uses and also for civilian uses. This duality in India's entrepreneurial capabilities at this point contributed immensely to the expansion of the native industries in India in this period.

So, apart from oil pumps and engines the Kirloskar group also started investing in furniture they also invested and came up with the Kirloskar electric power company and apart from these features the Kirloskar's also continued with the flagship operations which was the manufacturing of machine tools.

So, their greater investment in industrialization or product producing goods which could fast the development of different industries in this period was crucial responsible for the sustains

of their businesses in this period. In addition to the Kirloskar group you also see the emergence of the city of Delhi in India's business landscape at this point, this is also the formal historical milestone which marks the return of Delhi and its people and its resources more prominently back into the political life of the Indian subcontinent.

So, the DCM group and this point was also an important business player of this period and amongst its many operations it had key investments in the textile business, also invested in chemicals and its production it was also responsible in setting up sugar mills in and around Delhi. And crucially the DCM group which was pioneered by an individual called Lala Shri Ram also had a critical role to play in the education sectors. So, in the form of endowments or in the formation of education facilities for Indians the DCM group in its business practices mirrored the practices of earlier long standing business houses such as the Tata's and the Birla's.

So, the Second World War then became a catalyst for the emergence of not just native Indian industries or industrialist it was also a catalyst for the formation of native Indian industries that could also organize their operations on similarly professional and western and modern lines as their immediate Indian precursors had in the Indian sub-continent.

Apart from the terming up of native Indian industrialists who headquarter the business operations in different parts of the Indian sub continents such as Calcutta, Bombay, Pune or Delhi during the 1930' and 1940's the years after the Second World War are also notable for the rise of the multinationals.

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New Business Developments after 1945

- **DCM Group: Delhi (Lala Shri Ram)**
 - Textiles
 - Chemicals
 - Sugar
 - Education
- **Rise of Multinationals: Entry of US, European Companies into India**
 - Collaboration with Indian Capital

This was an era where by the entry of American and European companies into India became a common practice. There was also a limited collaboration with Indian capital in the making of these businesses, but the formal entry of American and European companies to undertake greater business operations in the Indian subcontinent was a unique consequence of the Second World War.

While the First World War had paved the way for the emergence of Indian industrialist on a more stronger platform. As far as the Second World War is concerned it was not just responsible in the rise and consolidation of Indian industrialist but it also saw the second collaboration that happened between Indian capital and western entrepreneurs based either in Europe or in the United States.

The first or the earliest instances of this collaboration was seen if you remember in the management of the agency houses in the Indian subcontinent, but the successive periods of economic decline or depression or the collapse of public savings and the collapse of financial institutions had made Indian entrepreneurs and Indian capital heisting to collaborate with the European counterparts.

But in the aftermath of the Second World War the coming together of Indian collaborators with American capitalist institutions or American entrepreneurs or European entrepreneurs marked the second stage of this India European or Indo American collaboration as far as business and economy is concerned. There were a wide variety of new business groups that emerged in India

during or after the Second World War. So, when we talk about the connections between war and business we are not just talking about the immense growth in existing big players in India's subcontinent in this period.

So, while the Tata's, Birla's and Dalmia's witnessed in immense expansion in the factories in mills as a result of the defense contracts that they were able to acquire for themselves. Post Second World War developments or the years during the Second World War are also no, table for the wide variety of a fascinating array of businesses that came up in the Indian subcontinent in different parts also of the subcontinent.

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New Business Groups

- **Cement:** ACC, Bangur
- **Construction:** Dalmia, Walchand Hirachand
- **Engineering Works, Heavy Machinery:** Tata & Subsidiaries in Punjab
- **Light Engineering, Chemicals, Finance:** Murugappa Group

So, one of the new business groups that emerged in India during and after the Second World War was the construction and cement business. So, ACC cement and Bangur which are familiar names to you even today emerged during this period. In the construction business which also responded to wartime mobilization, but also had definitely civilian and peaceful contacts of operations also took off in the Indian subcontinent. The prime players as far as a construction sectors was concerned was the Dalmia business and also individuals like Walton Hirachand who played critical roles in the establishment of an aircraft manufacturing facility.

So, apart from setting up critical industries in the Indian subcontinent during this period. Some existing big businesses or intrepid business minded individuals also did not hesitate to invest in these up in coming sectors that dotted the landscape of India's business operations at this

time. The context of the Second World War is also important because it led to the emergence of engineering works and heavy machinery in the Indian subcontinent.

So, Tata; obviously, was a big player in this sector, but they were also a large number of subsidiaries associated with the Tata business and headquartered in areas around Punjab and Delhi that started to play an active role as far as the engineering works and heavy machinery business is concerned. In addition to heavy engineering construction and cement there was also the emergence of light engineering industries that could produce medium to small machine tools or tools used in the production of other sophisticated goods, there was also the consolidation for chemicals industry.

And they were also the large scale expansion of financial services at this point. The chief players that played a critical role in the establishment of these kinds of industries was the Murugappa group that emerged in Southern India. So, after the Second World War you also see the emergence of entrepreneurial groups, communities and individuals such as the Murugappa group in southern India which played a critical role as far as India's business history of this period is concerned.

So, new business groups are responding not just to the demands of the Second World War they are also trying to establish their businesses on a context removed from interstate and global warfare. The nature of production the nature of services that these business are rendering make them valuable players in not just the wartime history of India during this period, but they also make themselves as valuable players in the substance of an economic and business landscape in the Indian subcontinent during this years.

Continuing with our analysis of the new kinds of business groups that it started to dots the landscape of the Indian subcontinent.

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New Business Groups

- **1945: Mahindra & Muhammad Group**
 - Kailash C Mahindra & Ghulam Muhammad: Founder Directors
 - Investment from within India, Nepal
 - Steel Imports
- **1947 Partition: Mahindra & Mahindra (Ghulam Muhammad withdraws)**
 - Heavy Automobiles

In 1945 which marks the end of the Second World War you see the establishment of the Mahindra and Muhammad group. This was basically a business venture that was devoted towards steel imports, but most significantly it became responsible for the production of automobiles in heavy engineering goods in the Indian subcontinent during this period.

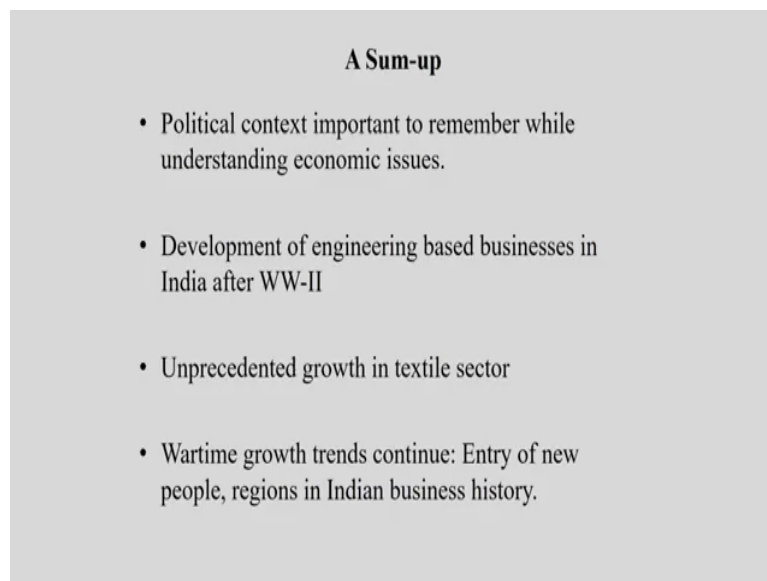
So, 1945 sees the emergence of the Mahindra and Muhammad group it was founded by Kailash Singh Mahindra and Ghulam Muhammad they were the founder directors of this company. The investment within this company was remarkable because it was international in its nature, there was significant investments from within India, but also investments coming in from Nepal and their primary area of operations which marked the initial foray into India's business operations was in the sector of steel imports.

In 1947 when the Indian subcontinent is partitioned into independent nations states of India and Pakistan Ghulam Muhammad withdraws from the Mahindra and Muhammad group. And after 1947 this company comes to be known as the Mahindra and Mahindra Company or simply as the Mahindra group as you may be familiar today.

After 1947 they start investing more seriously and heavily into the production of heavy automobiles. So, the context for greater production of heavy automobiles was both military centered as well as business centered. Their prime clients therefore, did not just exist in the military side of things, but the production of heavy automobiles also betrayed a definite business sentiment in this period.

So, just as the transport infrastructure was getting expanded in the Indian subcontinent rapidly during and after the Second World War they were ancillary and parallel transport industries such as the Mahindra group that roars to the occasion and filled important gaps in those emerging economic operations. Just to offer a sum up of what has been discussed in today's lecture which examines the economic and business impact of the Second World War on sum of India's critical industries.

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A Sum-up

- Political context important to remember while understanding economic issues.
- Development of engineering based businesses in India after WW-II
- Unprecedented growth in textile sector
- Wartime growth trends continue: Entry of new people, regions in Indian business history.

The first element that we discussed was that the political context is important to remember while understanding economic issues. This is an important element to remember more generally for this course which is India's business history because economic operations or manufacturing operations or economic and business transactions as I have said before do not take place in a vacuum.

Governance systems matter, international politics matters because they represent important disruptors or game changers as far as the economy and business is concerned. Just as the US Civil War changed the nature of Bombay's fortunes in the mid-19th century.

And just as the First World War transformed the economic potential of existing business entrepreneurs in India. The Second World War was also a major international disruption of the mid-20th century that not just convolves international politics, but also transform the landscape in which new industries and new production facilities and a new transport infrastructure gave

India its modern identity. However, greater economic activities and business operations as far as India is concerned cannot be separated from India's larger colonial contexts in this period.

So, just as the idea of discriminating protection made India form a valuable and strategic as a war time ally the Second World War also continued that this course where certain industries made it possible for prosecuting businesses far more conveniently and also the development of infrastructures and critical industries made India a far more convenient ally to fight the second war Second World War battles with.

So, the political context is extremely important to study India's business history of this period, whether it is the First World War or the Second World War we cannot ignore the significant destructive value of these conflicts in the existing economic and business activities of India during this period.

The Second World War was also notable for its role and as a catalyzing factor for the development of engineering-based businesses in India during and after the Second World War. So, the development of light engineering industries or the expansion of heavy engineering-based industries or the emergence of industries focus towards the production of heavy automobiles such as the Mahindra group or the Tata locomotive companies represented a distinctive turn as far as India's industrial identity is concerned.

So, while the First World War will be remembered for the immense rollick played in the coming together of industries with the short term goal or vision. The Second World War is slightly different in that it is still responsible for generating speculative tendencies as far as production and manufacturing is concerned, but at a more fundamental level it was responsible in the generation or consolidation of industries which could look beyond the confines and contacts of global wars and conflicts.

So, the emergence of air transport infrastructure something that you will study as a distinct case study in the next lecture or the development of heavy machineries or heavy automobile industry in India represented a significant break from the past were by Indian entrepreneurs and industries could set up shop. But could also witness a future growth in their prospects with or without a war at the door steps. There was also an unprecedented growth in the textile sector as far as India is concerned.

So, the Second World War battles and as a result of the greater war time mobilization there was a massive expansion in cloth mills in different Indian cities and the gradual expansion of a cloth based industrial architecture in India during this period. But they were also certain international factors such as the dislocation in displacement of Japanese and Chinese markets that give a fill up to the growth of the Indian textile industry during this period. There was also market segmentation. So, all kinds of quality of cloth was been produced by Indian factories and Indian mills.

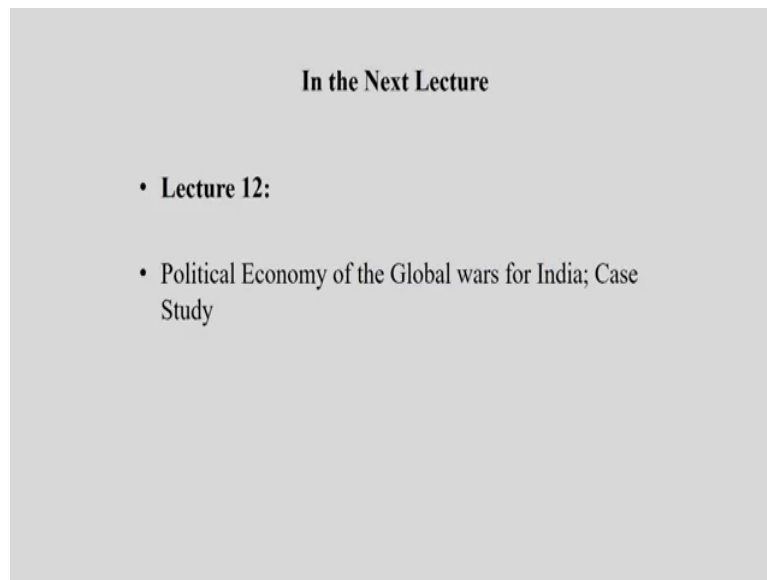
So, the historic Indian perception of supplying top quality cotton piece cloths textiles to foreign markets was now replaced by the existence of a wide variety and Tena of market in which different kinds of cloth and textiles are produced that could be sent to different markets across the world. So, as a result of this near international conquest of international markets by Indian textile companies was also unique feature of the Second World War economic context.

Then some of the earlier war time growth trends that we have discussed in previous lectures whether it is the growth and emergence of the Bombay textile industry in the mid-19th century or the impact of the First World War on Indian industries continuous; speculation continues unabated.

So, the rising decline of financial services continues as a did in the past, but there is now a relatively more stable feature to that growth, which is not to say that speculation goes away from the grammar of Indian business and economics it does not, but the arrival of industries that could with stand the shocks of global disruptions such as war. But then after the conclusion of the war also continue to process and manufacture their goods becomes the study feature of the Second World War during this period. Another aspect of war time growth trends was the entry of new people in regions in India's business history.

So, the Murugappa group of southern India starts investing into automobile sector and starts rendering financial services to emerging entrepreneurial ideas in the southern part of the country. There is also large-scale migration to and from India's northeast to service different kinds of industries whether it is tea or jute. So, in addition to the factors that I have just outline about there is also large scale migration and growth witnessed in existing and new sectors of economic and business operations in the Indian subcontinent during and after the Second World War.

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The next lecture which is going to be lecture 12 we will have a more analytical discussion of both these world wars and what they mean for the political economy of India's business and economic landscape and we will combine this study as I said with a brief analysis of a case study which is the establishment of an aircraft manufacturing facility in India during this period.

Thank you.