

Indian Business History
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Lecture – 12
Political Economy of the Global Wars and India; Case Study: Hindustan
Aeronautics Limited (HAL)

Welcome back to Indian Business History this is lecture number 12. And the title of this lecture is the Political Economy of the Global Wars and India. In this lecture, we will also combine this intellectual discussion with a brief analysis of a case study. And that case study will be that of Hindustan Aeronautics Limited and its fascinating history. This as you know is week 5 of this online course.

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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)

 - **Lecture 12:** Global wars and India; Case Study: Hindustan Aeronautics Limited (HAL) **We are Here**

The theme of week 5 is Indian business and economy during the first and second world wars ranging from 1914 to 1945. We have already covered lecture number 10 and a 11 which dealt with the First World War and the Second World War and their impact on the Indian economy.

Today's lecture is lecture 12 and this will be a more analytical discussion of what these two global wars have meant for the larger growth and trajectories of the Indian economy and business in this roughly 30-years period. Just to offer your brief recap of what was discussed in the previous lecture which is lecture number 11.

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Recap from Lecture 11

- WW II was an international disruption that changed global and Indian politics.
- Development of engineering based industries in India during and after WW-II.
- New native businesses emerging in different parts of India: New sectors like automobiles opening up.
- Entry of Multinationals into the Indian market

Naturally we discussed that, the Second World War was an international disruption that changed global and Indian politics forever. Within India you had different political parties emerging during this period which is during and after the years of Second World War. And you see a gradual main streaming of different political organizations in the Indian political landscape.

As far as the economy and business is concerned, the years of the Second World War and the years preceding it and after that global conflict are remarkable for their role in the development of the engineering based industries in India. So, business is associated with the production of light engineering goods or heavy engineering machinery or light automobiles or heavy mobiles.

Heavy automobiles becomes a notable feature of this period as far as the economy and business is concerned. New business group emerged who want or are interested in investing share of the capitals. In these new emerging sectors and a gradual in study growth of a new kind of business and economic land scale is now available for viewing in India, which is not just responding to the pressures of global warfare, but has a utility beyond the context of war.

Additionally, we also discussed the emergence of new native businesses in different parts of India and subcontinent. So, the growth and consolidation of the Murugappa group in southern India also marks the entry of southern Indian regions into India's business history

in a major way from now on. And finally, we also discussed that the years after the Second World War were notable for the entry of diverse array of multinationals into the Indian market. These multinationals belong to western European markets and some of them were key American companies which continue to operate in India.

So, the formal history of India's closer integration with countries such as the United States or other European economies who in turn were interested in dealing with the Indian market become begins firmly in the 20th century. (Refer Slide Time: 03:44)

Focus for discussion

- The full economic significance of the 2 World Wars for Indian business and economy.
- What did 20th century disruptions mean for India's business history?
- The larger picture: state of politics and economy during 1914-1945

The focus for this lecture will be threefold the first element that we will discuss will be an analysis or an appraisal of the full economic significance of the two world wars for the Indian business and economy. We have in the previous lectures discussed the specific impact of the First World War and the specific impact of the Second World War.

In this lecture we will undertake a more comprehensive of analysis of what these two global disruptions have meant policy wise for Indian business and Indian economy in this roughly 30th year period. The second element that will be running theme for this lecture and which forms an important part of this lecture is the question.

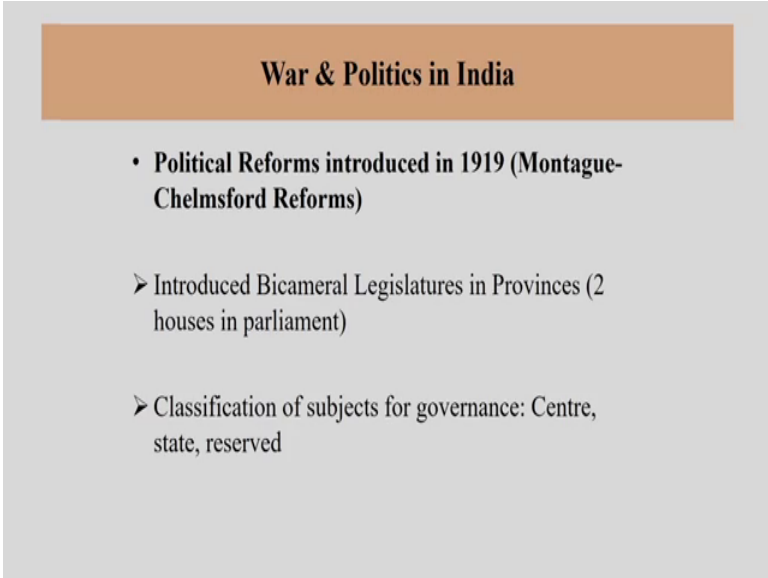
What did 20th century disruptions mean for India's business history? As we have already discussed the specific role of the two global wars. This lecture will combine elements from these two events and also marry those elements with specific conditions that arose in the

Indian subcontinent to chart a new innovative and layered history of India's business practices and economic activities during this period.

And, the third important element for this lecture number 12, will be an attempt to draw a larger picture. We will discuss the state of politics and economy during 1914 to 1945 which is roughly the range of these two global wars in which India as the colony of the British Empire was the first made to participate.

So, we will discuss, when discussing the larger picture, the general nature of the global, political, economic, social, cultural and institution forces. That made the world wars such a big catalysis for the transformation of Indians economy and business activities in the early part of the 20th century. So, this is the three main pillars on which this lecture is based. War and politics in India is not an unfamiliar theme for you now.

We have discussed this theme in greater length whether it is the First World War or the Second World War or conflicts before that which transformed the identity of cities like Bombay. Conflict had always played a central role in the transformation landscape in which economic activities have taken place in India. (Refer Slide Time: 06:04)



War & Politics in India

- **Political Reforms introduced in 1919 (Montague-Chelmsford Reforms)**
 - Introduced Bicameral Legislatures in Provinces (2 houses in parliament)
 - Classification of subjects for governance: Centre, state, reserved

As far as the First World War is concerned, the years after the conclusion of that conflict were immensely important for India's politics; because the political reforms limited as they were, that were introduced in 1919. And, were also known as the Montague Chelmsford Reforms introduced a number of features that transformed India's political landscape and it also had ramifications for the way in which the economy was to be

organized. One of the chief political reforms introduced in the 1919 act or the Montague Chelmsford Reforms was the introduction of bicameral legislatures in the provinces.

So, the two houses of parliament, which is the modern Indian constitution feature today makes its first entry in the early part of the 20th century. When different Indian provinces are given institutions or structures whereby, governance could be made more organized. As a result of the introduction of two bicameral legislatures in some Indian provinces, you also see the classification of the subjects of governance that these legislatures were supposed to act upon.

So, the introduction of center reserved subjects, subjects that could be only acted upon by the viceroy and his council were devised. A separate state list for governance on which the state or provision legislatures could adjudicate was also devised. And the third reserved list of topics was introduced were by both the centers and the state legislatures could act upon. So, the formal classification or division of responsibilities or the invocation of the rules of the business that could define what could governance would now mean as far as the Indian subcontinent is concerned was now beginning to be thought about in more series and regulatory frameworks.

Apart from introducing modern political structures of governance, the years after the First World War a trend which continues even after the years of the Second World War was the greater demands for representation of Indians in the different arms of the colonial government and its various organizations. So after the First World War, one of the path breaking features that was introduced in India as a result of nationalist demands and campaigns was the introduction of Indians has been trained as officers in the army in England. (Refer Slide Time: 08:09)

War & Politics in India

- Indians to be trained as 'Officers' in the Army in England.
- Commitment to grant India Independence in due course: No firm promises made by colonial state
- Voting rights granted to tax payers: Coming of modern forms of governance

So, from 1919 onwards as part of initial experiment, a small batch of Indian men were dispatched to England to be trained as officers with the same list of duties and responsibilities as their British counterparts. So, the introduction of Indians as officers in the British army or the British Indian army was a significant feature that made or sort to make the governance in India more representative after the First World War.

While India's participation in the First World War was taken for granted, the British or officials of the colonial state in India were also aware of this strident and radical turns that the Indian nationalist movement was taking. In order, to safeguard India support for the First World War some commitments were also granted pursuant on India's entry into the First World War. While no firm promises were made by the colonial state, but just to soften the edge of the Indian nationalist movement which was becoming more radical and more vocal.

The British colonial state decided in its wisdom to offer some conditional promises in return for India's participation in the First World War. This transactional nature between India as a colony and the British state as the state controlling Indian affairs would continue even in the years of the Second World War. But, the nature of the terms of engagement would change as we will discuss in the course of this lecture.

So, as far as an intellectual analysis of first and the Second World War is concerned this unit is essentially a medium for us to analyze the changing terms of the relationship

between India and the British colonial state; as it evolved from the First World War until the years of the conclusion of the Second World War.

Significantly enough, as just as the government was becoming more representative by the greater campaigns include more Indians and different kinds of services, there was also a gradual imposition of a tax regime on to the people of India. So, the voting rights were granted to tax payers. So, the initial rounds of elections where the local body elections or state elections that had begun to take place in the Indian subcontinent were not based on a universal adult franchise they were based on a limited electorate. And voting rights were only granted to those people who also paid some amount of tax.

So, the granting of voting rights to tax payers, however, limited that group might be signal the coming of modern forms of governance into the Indian subcontinent. This was also the refashioning of India's institutions and India's political sensibilities in the manner of the British state.

So, just as the British state was evolving its democratic structures of governance and its democratic sensibilities and the ways in which power were shared by different stake holders. Those same officials whether sitting in London or ruling on behalf of the half of the masters in London in India were refashioning India's political and economic landscape based out of the example that they were constructing in the United Kingdom.

So, the political economic and business relationship between India and Britain is ultimately the attempt of Britain to try and refashion the India; the Indian landscape of economy in business in the manner of their own system ideologies and structures. There were a set of other political developments, which were equally significant and which are integral elements while discussing the full import of the first and Second World War as far as the Indian subcontinent is concerned. (Refer Slide Time: 12:03)

Other Political Developments in India

- **1911:** British govt announces shift of India's capital from **Calcutta to New Delhi** at the **Delhi Durbar**.
- **1911-1931:** Construction & reconstruction of Lutyens' Delhi after the 1858 destruction.
- **Emergence of Delhi as a hub of greater Industrial investment**
- **Movement of key native Indian businesses northwards**

And as far as the other political developments are concerned the first element that we have to remember was in the year 1911. When, the British colonial government announces the shift of India's capital from Calcutta to New Delhi at the Delhi durbar. The Delhi durbar was a formal ceremony in which the British sovereign and his consort visited India and they were received by a large multitude of Indian people comprising officials the layman and different Indian princely states.

So, in this gathering of the British sovereign in India a significant political decision was taken which was shift British India's capital from Calcutta to New Delhi. So, 1911 also marks a historical milestone which signals the return of Delhi into formal politics of the 20th century. It had been the seat of Mughal kingdom for several years if not centuries and its decimation after of 1857 was seen as a down grade in its political and economical status.

So, in the early part of the 20th century, when the formal decision is announced to shift the capital of British India back to new Delhi it signals the return of forming politics and consequently more economy and business related activities back to the northern center of the Indian subcontinent. From the year 1911 to 1931, which is a 20 period this phase witnesses the construction and reconstruction of Lutyens Delhi. After the 1858 destruction, Lutyens Delhi as a phrase is a tribute to the British designer who designed the plan for this new city of Delhi that was christened as the capital of British India.

So, Albert Lutyens was the foremost designer who conceptualized and implemented the plans for the designing of this new imperial capital space. So, the construction and

reconstruction or designing of this new imperial city that would be designated as the capital city of British India was named after chief designer. So, this 20th year period is basically which involves the period of First World War also was spent in redesigning a new capital for the British empire.

The shifting of the capital back to New Delhi was also a political move because it was felt that Calcutta was becoming a radical center for active politics. So, they shift to Delhi was partly moved to move away from those kind of politics to safe guard the authority and legitimacy of the colonial state. And the decision to shift back to New Delhi or to design a new space as the capital of British India was also a political signal to radiate the element of the continuity of power that was radiated from the centers of Indian subcontinent for several centuries.

Delhi was not just the seat of the Mughal emperor; previously it is also served of the capital of the administration and kingdoms that ruled over the subcontinent preceding the Mughals. So, the British desire to name a New Delhi as the new capital of British India was to signal or project themselves as the new masters of the Indian subcontinent. With this official decision to move India's capital to north words, you see the emergence of Delhi as a hub of greater industrial investments.

So, in the years after 1930's big businesses like the Birla's and Dalmia's also shift a share of their operations significantly to Delhi or areas north of Delhi. So, just as the world wars and the Second World War to be precise was responsible for the generation of immense entrepreneurship capabilities in the southern part of the country. The north also cannot be ignored as the shifting of the capital of New Delhi shifts the historical case back to the northern parts of the Indian subcontinent. As the result of the movement of big businesses towards Delhi and the areas around in Delhi you also see a gradual movement of key native Indian businesses northwards.

So, the center stage that areas like Punjab and areas north of Punjab took as for as industrial manufacturing and factory of food is concerned was directly related to this decision of moving the political center of the Indian subcontinent to the sight of New Delhi. So, political decisions had immense economic clarification and this coming together of political decisions with economic structures and institutions was a crucial feature of these years. How did evolving colonial policies will help or hinder Indian businesses? I want to

try and analyze these questions in its broad context; because we have already discussed specific episodes of the first and second world wars.

In this lecture I want to pick up certain important themes from those two previous lectures. And try and give you a more wholesome response to this question which tries to ask what did colonial policies do to either help or hinder Indian businesses. After the conclusion of the First World War and for a couple of years, since then as we have already discussed the idea of discriminating protection and how it safe guard its certain Indian industries for British support in order to make India a vital colony for future interstate arm conflicts it had specific institution repercussion.

We have discussed what the idea of discriminating protection was and how it was a strategic device employed by the British state. Today, I want to give concrete examples in the ways in which the idea of discriminating protection and certain other colonial legislative policies helped or hindered Indian businesses after the years of the First World War. (Refer Slide Time: 17:40)

Beneficiaries of Governmental Policies, 1919-1925

- **1919: Protective Duties on Steel Imports into India**
 - Helped safeguard TISCO's operations
 - Enabled Tatas to modernise their plants
 - 50% of Tata Power Business sold in 1930
- **1932: Protection to Indian Sugar Industry**
 - Emergence of Birlas as "Sugar Barons": 3rd Largest producers in India
 - 1934-1936: Expansion of Birla Industries into other sectors
 - Textiles, Paper

In 1919 as part of the idea of discriminating protection some protective duties were imposed on steel imports that were coming into India. As a result of introducing these protective duties; these helps safe guard TISCO's operations. TISCO is the Tata steel company and this was a major Indian enterprise by the end of First World War it played a stello role in furnishing the word effort and it also transformed the Tata's into non just Indian business leaders, but also as global icons in the early part of the 20th century.

The service is that they rendered into the First World War made them valuable players in the strategic assessment of the colonial state. So, the idea of discriminating protection was carefully imposed in favor of the Tata's and their steel business. The protective duties that were imposed on steel imports into India safe guarded TISCO's operations from foreign competition and it also enabled Tata's to modernize their plants rapidly.

This steel business the early part of the 20th century, as it is even now, is dependent heavily on advances made in science and technology. So, we roughly 10 to 15 year despite the Tata's were able to get as far as protection from foreign competition is concerned which was in any case limited safeguarding from foreign competition. That period also helped the Tata's to found their businesses on a more firmly and it enabled modernize their plants in a short time. This was critical for the establishment of a modern industrial infrastructure for India and it also was becoming gradually one of the largest employers for Indians during this period.

However, in spite of the protective duties being given to Tata's and several other business forms in this period almost half of the Tata power business were sold in 1930's this is not an exact statistic, but by the 1930's almost half of the power business was being relegated to other players as part of the diversification of the Indian business landscape in this period. In 1932 just as the idea of discriminating protection was helping several industries these ideas were also in place to protect the Indian sugar industry because of its strategic and economic value to the British empire.

As a result of these protective duties the emergence of Birla's as sugar barons becomes a reality and they become the third largest producers of sugar in this period. They were also pioneers as for as jute and cloth and textile production is concerned. So, just as the Tata's were becoming house hold names as for as Indian businesses are concerned, the Birla's

were also catching up fast during this period. From 1934 to 1936 there is an expansion of Birla industries into other sectors such as textiles and paper.

So, the risk taking appetite of Indian entrepreneurs augments manifold during this period and you see the gradual development of a responsible Indian entrepreneurial class in this period. The role played by colonial policies was instrumental, but the efforts industrialization policies and the business acumen of Indian leaders was equally responsible for the coming of new industrial age for India during this period.

We discussed some examples of new business houses that came during this period in the previous two lectures. I want to continue giving some more examples just to illustrate the point of this larger efflorescence of India's business history during this period. (Refer Slide Time: 21:14)

New Business Houses & Families, 1920s-1930s

- GK Naidu, VR Naidu, PSG Naidu: Cotton textiles ; Madras, Coimbatore
- Seshayee Brothers: Transport Industry
- **Business development in south:** delayed ; new social groups emerge that are not customarily associated with business operations.

Individuals like GK Naidu, VR Naidu, PSG Naidu; from southern India became pioneers in setting up cotton textile mills and were responsible for giving a more open character to the booming cities of madras and Coimbatore. The Seshayee brothers also in southern India became pioneers in the development and consolidation for transport industry. So, the bulk of entrepreneurial and investment capital that was generated or invested in southern India came from the Seshayee brothers.

This was a fascinating period as for as business development in southern India are concerned business development in the south of India's subcontinent was slightly delayed. This is because it took time for new social groups to emerge that were not customarily

associated with business operations in southern India. But once entrepreneurial and industrial activities began in earnest in southern India there was no looking back.

The Seshayee brothers and individuals like GK Naidu and PSG Naidu and several others including the Murigappa group became the chief entrepreneurial leaders in this region and were responsible for taking southern India into new heights as far as its economic and business potential is concerned. Some more features of what kind of business institutions emerged in India.

The inter wars which is roughly the period between the end of the First World War and the beginning of the Second World War were responsible for the coming up of different entrepreneurial activities in different parts of the subcontinent. So, in many ways the political unity of India who is also being forged by the activities roles and responsibilities of this pioneering group of Indian business men and Indian entrepreneurs who started new businesses either in response to arm conflicts or out of their own personal interest but in the act of organizing their businesses they actually forged modern India as we know it today. (Refer Slide Time: 23:13)



Business Institutions in India: "Inter-War" Years, 1919-1939

- Strong links between Indian traders & Industrialists
 - Funds
 - Political influence of traders
- Purshotamdas Thakurdas
- TV Sundaram Iyengar: Timber trade ; automobiles

The nationalist movement that was going on in this period also played its own significant role. So, the coming together of national leaders and the coming of different Indian business leaders made the idea of India more potent in the eyes of British Empire. So, just as Indian nationalist leaders and Indian entrepreneurial leaders who are entering into more formal discussions of the future trajectory of the Indian, Indian people and Indian state,

you also see the development of strong links between Indian traders and Indian industrialist.

The strong linkage and relationship between Indian traders and Indian industrialists is a war built upon their political influence that each rubbed off on each other. And the financial services that Indian traders rendered into Indian industrialists. So, the starting up of different kinds of Indian industries did not just depend on foreign investments; it also significantly depended on traditional source of funds that were made available to them by domestic indigenous Indian traders.

So, this relationship or rapport that were emerged between Indian upcoming industrialists and Indian traders was extremely significant in the inter war period. And was critically responsible for the ways in which big businesses were able to chart new heights. One important individual at this point who emerged and you should remember was Purshotamdas Thakurdas not only he was successful entrepreneur who had diversified business interest in textiles and other sectors was he also a thinking entrepreneur.

So, his ideas and visions were responsible in the setting up of key Indian economic institutions. He was also on the board of some early Indian banks and was in early intellectual thinker much on the lines of Dada Bhai Naoroji who revolutionized the Indian intellectual landscape in this period.

However, the Dada Bhai Naoroji limited his area of operations to politics and nationalism. Purshotamdas Thakurdas was one of the finest economic minds who not only prostituted successful business operations but also had a deeply knowledgeable and enlightened mind as far as the economic theories and policies is concerned; he was not just a business man, but also an institution builder in modern India.

Another individual was TV Sundaram Iyengar and in southern India just as the region was witnessing a hectic growth in economic and commercial activities. He was also responsible for augmenting the automobile business in southern India and was also heavily involved in the timber trade.

So, links were now developing between Indian traders and Indian industrialists and as a result of that linkage and relationships new kinds of individuals now found footing as far as economic thinking and changing the economic discourse is concerned. A number of

business institutions also came up in the inter war period which is the period between 1919 to 1939. (Refer Slide Time: 26:09)

Business Institutions in India: "Inter-War" Years, 1919-1939

- **1921:** Associated Chambers of Commerce (ASSOCHAM):
Pressure group of Indians & European entrepreneurs.
- **1927:** Federation of Indian Chambers of Commerce (FICCI)
 - Initiated by MK Gandhi, GD Birla, P Thakurdas
 - Represented only Indian Interests

So, this twenty-year period in India's history is therefore, not just a phase of brilliant economic and industrial growth in response to global conflicts. It is also significant period to chart growth and evolution of some significant economic institutions which continued to operate and exercise an enormous influence in present times. In the year 1921 the associated chambers of commerce also informally known as ASSOCHAM was formed this was envisioned as a pressure group of Indians and European entrepreneurs; it was an institutional gathering of Indian business men and European business men.

And its role was to largely function as an informal think tank or lobbying group to try and convince the different official's stake holders in India to device policies that would be friendlier to business economic and commercial activities in the Indian subcontinent. Shortly, after the emergence of ASSOCHAM which continues to operate today and is a significant business institution of modern India; in the year 1927 the federation of Indian chambers of commerce was established.

The federation of Indian chambers of commerce is known as FICCI and it was an organization that was initiated by some of the luminaries as far as Indian politics and Indian business is concerned. The federation of Indian chambers of commerce was initiated its establishment was initiated MK Gandhi, GD Birla who is the founder of the modern business empire of the Birla's and also Purushotamdas Takurdas.

So, the chief contribution of men who are leading the Indian political movement and also the leading lights of the Indian business landscape was not just their ability to bound successful business operations. But also their ability to form new institutions that could lobby convince the government to implement or think about policies that could faster the growth or support an ecosystem in which entrepreneurship and business practices could be supported.

One crucial difference of FICCI in contrast to ASSOCHAM which was established earlier was the fact that the federation of Indian chambers of commerce of FICCI was represented only by Indian interest. So, when FICCI was established in 1927 it was seem solely as a platform to further the interest of the Indian business community in the subcontinent. This was slightly different in its membership and composition from ASSOCHAM.

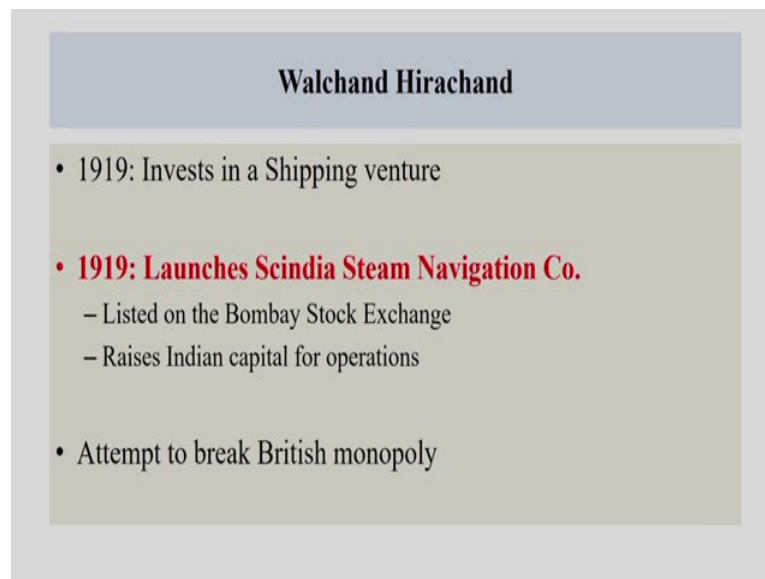
So, while ASSOCHAM brought together India and European business men together the gradual development of nationalist ideas and the invocation of Purnaswaraj or self-rule had its manifestation in economic institution building as well. So, 1927 witness the formation of FICCI, but it was an organization that was represented and organized solely for the advancement of Indian business interests in the subcontinent.

So, the period between the end of the First World War and the beginning of the Second World War was a phase, rich with opportunities and possibilities for the starting up of different Indian businesses. These came up purely as a result of the business acumen of different Indian business leaders and the rapport in relationships that they enjoyed with the leading lights with the nationalist movement. And, the colonial state also through various policies try to step in to safeguard one or the other aspect of business operations in India.

I want to now move on to discussing a case that is the which is the part of this lecture and this is the short biography and the business ventures of a remarkable Indian man called Walchand Hirachand. He left from 1882 to 1953 and is one of the finest entrepreneurial minds that existed in the Indian subcontinent during this period. He is credited with the establishment of a modern aircraft manufacturing facility, in the Indian subcontinent, but his earliest ventures were in sectors different from aviation.

His whole life was devoted towards pursuing business interest; he was an intrepid business man, he was brave and bold enough to invest in a wide variety of sectors in the Indian subcontinent during this period; did not hesitate to invest in seemingly poor business ideas.

But, his business acumen and his involvement during different kinds of business gave him a rich wealth of experience and makes him one of the notable figures of India's business history of this period. So, the contribution of Walchand Hirachand to what is now known as HAL headquarter in Bengaluru. But, his whole life was devoted in an array of different kinds of business activities which symbolize the coming of the new generation of Indians who did not hesitate to invest in core or competitive or risky areas of business operations in the 20th century. (Refer Slide Time: 31:23)



Walchand Hirachand

- 1919: Invests in a Shipping venture
- **1919: Launches Scindia Steam Navigation Co.**
 - Listed on the Bombay Stock Exchange
 - Raises Indian capital for operations
- Attempt to break British monopoly

The story of Walchand Hirachand can be traced back to the year 1919, which is the significant year for India's history. Not only was this the ending of the First World War, it was also a remarkable year in India's political landscape the act of 1919 or the montage reforms played a critical role in revolving certain institution of governance into the Indian subcontinent.


So, in the year when different kinds of political changes were sweeping across the shores of India you also see the emergence of bold individuals like Walchand Hirachand who start their entrepreneurial journey with investments in a shipping venture. In 1919, Walchand Hirachand launched the Scandia steam navigation company and as soon as it was launched it was also listed on the Bombay stock exchange.

It raised mainly Indian capital for operations and significance of this I will point out now. Just as the Tata's and the Birla's had started the steel mills and a jute mills respectively and this was seen as not just the coming of new Indian entrepreneurs, but a renewed

attempt to break the European operation monopolies in those sectors Walchand Hirachand investments in shipping in 1919 and the years after it was seen as a bold keen attempt to shut out British monopoly in this core strategic business operations of the British empire.

Much of the strength of the British Empire or the East India Company before that was based on the maritime strength. So, the significant scientific and technological breakthroughs that were achieved in navigation or shipping was an exclusive preserve of great European powers like British like the British empire and France and several other countries. The knowledge of these scientific breakthroughs closely guarded and was not easily shared.

So, Walchand Hirachand as an Indian to start investing in a shipping venture was seen as a direct assault on a monopoly and the hegemonic tendencies of the British shipping lobby that existed not just in India, but across the British Empire in the world. (Refer Slide Time: 33:26)



Walchand Hirachand

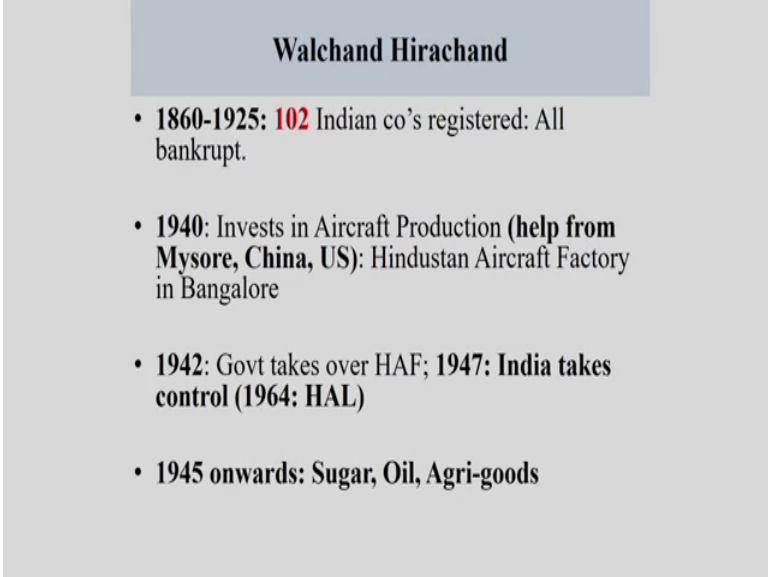
- **1919 onwards:** Attempts to expand Scindia Shipping thwarted by British lobbies
- **Indian Shipping ventures: All Failed**
 - 1870: Surat Traders
 - 1892: Tata Shipping
 - 1904: Madras Shipping
 - 1906: Swadeshi Steamship Co

1919 onwards Walchand Hirachand made bold attempts to expand India's shipping, but these attempts were thwarted by British lobbies unfairly and illegally. It is fair to remember that Indian shipping ventures had been mounted as early as the late 19th century.

So, the first shipping venture or one of the earliest shipping ventures to have come up in the Indian subcontinent was in the 1870. And, since then several shipping companies were registered by Indians, but sheer might and the lobbying power of British shipping

companies was such that not even one shipping company register by Indians was able to survive or operate successfully.

So, in this general context in which shipping was not allowed to operate successfully as an Indian industry was carefully making of exclusively the British lobbies in this period. Most of the Indian shipping ventures that it started to be established in the late 19th century onwards had all failed. (Refer Slide Time: 34:29)



Walchand Hirachand

- **1860-1925: 102** Indian co's registered: All bankrupt.
- **1940:** Invests in Aircraft Production (**help from Mysore, China, US**): Hindustan Aircraft Factory in Bangalore
- **1942:** Govt takes over HAF; **1947: India takes control (1964: HAL)**
- **1945 onwards: Sugar, Oil, Agri-goods**

The phase between 1860 to 1925 when about a 100 Indian companies were registered which were shipping companies or associated with shipping business had all made been bankrupt by the scale and might of the British shipping industry that operated in the high seas including the Indian Ocean.

So, the sheer scale of operation is in the dominance of the British shipping interest made sure that any companies registered which was not been managed or financed by Europeans was seen as a potential disaster. So, it is in this context that you have to remember that Walchand Hirachand decided to start his business journey by investing a share of capital journey, which was his own capital and some money borrowed from his friends; that he started a new shipping company. In otherwise, in economic context in which the shipping interest; were primarily represented and dominated by British traders and British business men.

Needlessly to say this shipping venture also died out in by the early 20ths and 30's. So, Walchand Hirachand's first forays into entrepreneurship were built on the shaky

foundations of torturing shipping venture. That was made inadequate and was made by aircraft by the policies of the British colonial state. By 1940; however, Walchand Hirachand is undaunted and decides to invest in aircraft production his investments in this core strategic industry something which have not been tried out ever before by an Indian was helped significantly by investments from Mysore, by investments also from China and the US.

And a result as a result of its international contacts and investments the Hindustan aircraft factory was born in 1940. It is a tribute to his business achievement and his fearless and an enterprising nature that far from succumbing to the despair and disappointment of failing in the shipping business which any case was brought about by the machinations of shipping British lobby. Walchand Hirachand decided to start another new venture equally strategic and equally bold in its comparison to shipping and decided to give the Indian subcontinent its first modern aircraft manufacturing facility.

However, by 1942 the colonial government takes control of the Hindustan aircraft factory, the reasons for this are obvious. 1942 is when the Second World War was had its peak, there were battles having not just in Europe but also in India's Eastern frontier, Japanese aggression was also at its peak and the foundations of the British Empire in Asia were shaking violently. The obvious strategic nature of the Hindustan aircraft factory and its goods and services was reasons enough for the government to take it over. This was also an example of the requisitions that we discussed in the previous lecture.

And after the end of the Second World War, in the year 1947 the Indian government took over then control of the Hindustan aircraft factory. And, in 1964 it was requisitioned as Hindustan Aeronautics Limited. This is the business entity that still operates in India and is one of the only few facilities indeed in the world that manufacture aircraft systems and aircraft units for India and for other parts of the world. And, the contributions of Walchand Hirachand, in investing in a critical area such as this is remarkable and worthy of taking note as far as the India's business history is concerned.

1945 onwards, with the gradual loss of the private control over the aircraft manufacturing business, Walchand Hirachand diversifies his business operations to different areas. So, starting his journey from shipping and making immense contributions towards the setting up of the HAF or the HAL; Walchand Hirachand then graduated towards making

significant investments in setting up sugar mills, in the oil industry and in producing agri-goods.

So, the story of Walchand Hirachand therefore, is not just the diversification of business interests in the years in which he lived in India; it is also a story of an undying and undaunted entrepreneurial capabilities in the phase of stiff opposition from different quarters. Whether it was the British government or the shipping lobbies of British businessmen or challenges after independence, Walchand Hirachand was one of the early pioneers as far as industrialization and business activities are concerned. (Refer Slide Time: 39:19)

War & Business: JRD Tata

- **1932:** TATA Airlines founded (mainly cargo)
- **1938:** Expands passenger services
- **1939-1945:** Operations halted; air services taken over by govt for WW-II
- **1946:** TATA Airlines converts to Air India (public limited company)
- **1948:** Bombay-London Inaugural flight

Much again to Walchand Hirachand's business operations there were also pioneering development happening in civil aviation in this period. And, the man responsible for these fabulous achievements in the aviation industry was Mr. JRD Tata who was a distinct relative of JN Tata and his descendents. And, in the year 1932 which is 7 years before Second World War adopted in Europe, TATA airlines was founded. This was yet another business ventures of the TATA. So, they had begun as you know their business journey by making modest investments in international trading in commodities like cotton etcetera.

They gradually started focusing their attention on establishing steel and iron mills. And by the mid part of the 20th century Tata's were also known for their investments in setting up a civil aviation industry in Indian subcontinent during this period. After the establishment of Tata airlines as mainly a cargo service which could transport goods from one area to the

other in 1932; 6 years later, 1938 witnesses the expansion of Tata air services into the passenger domain.

So, while they started out by projecting Tata airlines as a cargo service by 1938 civil aviation in its true passenger delivery sense had begun to take off in the Indian subcontinent. From 1938 to 1945 some of the operations of Tata airlines was halted and its part of the requisition effort of the colonial state which took over most of the strategic assets of Indian subcontinent to furnish the war effort. Most of the air services including those of Tata airlines were taken over by the British government during the world war the Second World War in this period.

After the end of the Second World War, in the year 1946, Tata airlines converted to Air India which became a public limited company and it began or resumed its civil aviation purposes and became one of the prime airlines that could transport humans from one part of the subcontinent to the other. So, the rise and expansion of civil aviation happened during this period and it continued while after the Second World War was over.

In 1948, this year was a red (Refer Time: 41:24) day for Air India because the first international overseas flight was inaugurated, this was the Bombay London inaugural flight for Air India and this marked the internationalization of India's growing aviation industry. So, the aviation industry was one of those few examples of industries and businesses that may have grown up in response to the Second World War and the war time mobilization that brought along. But, these businesses continue to grow and evolve even after the Second World War had come to an end.

So, there was now a development of context in India's business landscape where industries were set up by Indians, but they had enough sustenance for themselves to keep growing even after disruption had come and gone. So, revenue projections, income generating capacities therefore, did not no longer depended on the fluctuations of the international politics, but were able to cater to significant domestic demand in this period.

I want to offer a larger picture now which will also give you a synoptic view of what these inter war years meant for India's economic, business and political landscape in this period. (Refer Slide Time: 42:46)

The Larger Picture: 1939-1947

- **Bengal Famine of 1943:** Around 3 million deaths; Colonial misrule
- **Erosion of British authority in India:** Political, Economic & Moral
- Developing **India-US relations**

And, the first feature of that larger picture between 1939 to 1947, but also a feature of this larger period in 1919 till about 1947 was the aspects of colonial misrule in Indian subcontinent. In the 1943 you see the tragic and sad spectacle of the Bengal famine of 1943. And this was responsible around 3 million deaths; this was a stark example of the mismanagement of public funds and foods that could have been redistributed efficiently amongst the Indian population. This was also a function of international disruption brought along by the Second World War.

So, the supply chains that could have rescued that starving populations of Bengal were disrupted because of the Second World War. The occupation of Burma by Japanese forces meant that imports of rice could now not be conducted conveniently. So, the reason as to why there was such massive casualties during the Bengal famine of 1943 was because the international disruption that was brought by the Second World War and its consequences were not managed efficiently; by the ruling colonial government in India in this period.

So, the misappropriation of funds, the reckless manner in which public services were organized and the mismanagement of relief and rehabilitation measures meant that a large number of Indians died due to colonial indifference to the Indian people. As the result of the Bengal famine of 1943 and several other episodes of famine in and around this episode meant that they represented a steady erosion of British authority in India; this authority was eroded on several levels.

So, there was a political erosion of British authority, there was an economic erosion of British authority and there was also moral obligation of authority as far as the colonial state in India is concerned. The Bengal famine of 1943 therefore, did not represent the disruptive effects of global conflicts on Indian citizens; it also represented the whimsical nature of colonial governance in Indian subcontinent and the role they played in depriving a large section of humanity from axis to foot.

Another feature of this inter war period and especially in the years from 1939 to 1947 was the evolving political and diplomatic relationship between India and the United States. This period also marks the formal dislocation of Britain from India's political and strategic imagination. So, the arrival of US multinationals or US advisors or even US soldiers as

part of the Second World War effort familiarized a large section of Indians with what people and institutions in the United States were all about.

So, the years after the Second World War, represented the maturing of the relationship between India and the United States. And, this was paralleled by the gradual erosion of the colonial authority in India. To continue with the larger picture then from the end of the Second World War until independence and the larger framework of course which is from the year 1919 till about independence you see a steady replacement of colonial power and the challenging of that colonial power on multiple fronts. (Refer Slide Time: 46:03)



The Larger Picture: 1939-1947

- **Steady replacement** of Pound Sterling with **US Dollar** as premium international currency
- **Sterling Balances Issue:**
 - UK's wartime debt to India blocked in Britain
 - **Pound-Gold-Dollar** convertibility suspended
 - Indian Industrialisation Plans suffer

One prime example, in the ways which the economic and strategic interests of the British Empire and the way there were hit the hardest was the steady replacement of Pound Sterling with the US Dollar as the premium international currency. Much of the international export and import businesses and many of the multinational corporations that had started to make their presence felt not just in Indian markets, but markets across the world, were now getting more comfortable with the idea of dealing in the currency of the United States and not Britain.

So, the years after the Second World War are politically atleast and also economically now known for the gradual displacement of British prestige, hegemony and dominance and its replacement with the American system of economic organization and also the American currency. The steady replacement of Pound Sterling with US dollar as the premium international currency also had immense ramifications for India because it laid the context

for the successful consolidation of the businesses of the American multinational as far as the Indian market is concerned.

So, while India gets formal political independence only in the year 1947, there were events already in place that was starting to challenge Britain's economic hegemony in India on multiple fronts at this point. And, the replacement of the British pound sterling as the international currency of frequent use with that of the American dollars was an example in that direction.

As a result of this gradual dislocation and the reduction of the hegemony of the British pound and the British economic systems, there was also what is now known as the sterling balance issue that India faced after the Second World War. As you know India rendered important financial and logistical services to the British Empire both during the first and the Second World War.

So, UK's wartime debt to India was now blocked in Britain; the money that UK owed to India as part of its contributions to the war effort and which now necessarily had to be returned to India or Indian financial institutions or to Indian donors was now not being done. And, the money that Britain owed to India as part of its war time contributions was now curiously blocked in Britain.

In order to avoid pain its requisite share the UK also suspended the convertibility of the pound into gold and also into dollars. Since, the American dollars were now becoming the prime currency which different countries were now interested in depositing for themselves in order to take part in international trade more competitively. It was felt in certain quarters in Britain that the sudden convertibility of pound reserves that it owed to colonies such as India and elsewhere could now suddenly be converted into US dollars.

This sudden conversion could also hit the economic interests of Britain. So, in order to avoid this embarrassment and this grievous economic harm to their own British economy; Indian share and Indian money that was lent to the British services during the war was unfairly blocked by Britain and was not allowed fair access to India. As a result of this sterling balances issue Indian industrialization plants suffered immensely and this had ramification on the ways in which India evolved its foreign policies (Refer Time: 49:43) after 1947.

But the reluctance or the desire to withhold India's rightful share of money that it contributed towards the war effort. And, the reluctance of Britain to deposit that money back to where it came from represented a significant break in the relations between India and Britain during this period. And, also represented a significant break in the economic interests espouse (Refer Time: 50:09) by the former colonies and newly independent countries and their opposition to the global advanced economies of the west.

So, now gradually an economic discourse was developing, where by advanced economies of Europe and elsewhere were denying their rightful share in contributing towards the development of their former colonies which were now struggling to establish themselves as independent nations and states. Just to offer a brief sum up of what has been discussed in this lecture today. (Refer Slide Time: 50:40)

A Sum-up

- Tremendous changes in Indian economy, business and politics.
- Greater integration of Indian economy with global fluctuations: Mixed consequences
- Risk taking appetite of Indian entrepreneurs increases
- **In the Next Lecture:** Independence & Industrial Planning, 1947-1960: Origin and evolution of PSUs

We discussed that there were tremendous change in the Indian economy and business and politics in the inter war period. So, the years after the First World War and until formal Indian independence therefore, in 1947 represented a transformational movement as far as India's economy and business is concerned. New business operations came up in quick succession mainly due to the efforts of intrepid business men like Walchand Hirachand and JRD Tata and several others.

New political formations also took place; new political relationships were forged such as those between Indian traders and Indian industrialists. And, new foreign policies stances were now being evolved such as that between India and the United States. So, this 30 to

40-year period in the early part of the 20th century was a transformational movement for India's politics, economy and business. These years were also witnessing the greater integration of India's economy with global fluctuations ever since the East India Company had clasped its control over the Indian economy and Indian business.

There was a gradual tendency of India's economic institutions and practices to be subjugated to the whims and fancies of European systems and ideologies, but this trend gathers increased pressure and steam in the 20th century. So, the two international disruptions like the First World War and the Second World War were responsible in tying the threads of India's economic institutions and commercial activities more closely with those of European activities. These had mix consequences. So, while it affected certain sections of the population positively, there were also unfortunate and tragic incidence like the Bengal famine in 1943 that starved and mercilessly killed a vast section of India's humanity.

So, the gradual development of a political and economic inter linkage between India and different parts of the economies whether in Britain or in Europe had mixed consequences for the people involved. All this while the risk taking appetite of Indian entrepreneurs increased by a fair margin; individuals like Walchand Hirachand, JRD Tata several intrepid business men from the southern, eastern, western and northern parts of India were now taking an increased active interest in investing a share of their capital into risky areas of operations.

They were no longer held back by the danger of those businesses collapsing, but they had only the strength of their ideas and a wealth of their experience to draw sustenance from. So, the entrepreneurship capabilities of Indian business leaders was witnessed early on in a very positive manner in these years. In the next lecture we will discuss independence and industrial planning from the years 1947 to 1960.

And, we will also examine the origin and evolution of some key public sector undertakings in India. So, we will move our story forward and the context of our discussions will now change from colonial history into modern India's independent history.

Thank you.