THREE TYPES OF THE MARWARI FIRM

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No institution has been as important in traditional Indian commerce or in traditional commerce in general as the family firm. The varying contours of that firm in the pre-modern period determine to a considerable extent the development of the firms that emerge to take part in modern economic activities, especially industry. The varying types of the traditional firm are in themselves crucial institutions in the traditional economy. Because of the persistence of features of that economy into the present, they even help in understanding aspects of the present-day Indian economy.

Materials for this particular study are primarily the individual Marwari family/firm histories, more than 1000 in number, which I gathered for use in my doctoral dissertation. The Marwaris, whom these histories represent, were an emigrant group, numbering perhaps 300,000 by 1921, composed of the members of several commercial castes originally domiciled in Northwestern Rajasthan and its environs. They spread throughout India at an accelerated pace in the eighteenth and nineteenth century, and constituted one of the major elements in the trading class in that period and today. It can further be argued that the organizational details of all the major North Indian commercial communities, and their historical experience are sufficiently similar, that the Marwaris may illustrate many characteristics of other segments of the Indian trading class as a whole.

Some parts of this consideration appeared in more extended form in an earlier issue of this journal and the section on "Speculators and Industrialists" was presented in somewhat different form at the

cally they were a conglomery of interacting firms belonging to closely related members of one family. Just as Bhagoti Ram Poddar, the founder of Tarachand Ghanshyamdas (the main "great firm" dealt with in my previous article) had many descendents—and his descendents spawned many large related firms, so also was the case with many other large firms. The descendents of Sargandhas Dadda of Phalodi (who lived in the mid-17th century) in Jodhpur, also founded numerous firms. Like the Poddars in Ramgarh, the Dadda's created a merchant's city state in Phalodi. The senior branch was connected with the Bikaner court from 1767 onward. Another branch had a firm, Udaymal Chandmal, with branches in Hyderabad, Deccan, and Calcutta and yet another was a leading banker in Indore.

Many of the largest firms were primarily bankers. With headquarters at Ajmer or in Bikaner they were initially moneylenders to the Rajputana rulers. The Dadda's were especially prominent in Jodhpur, Bikaner, Indore, Hyderabad, and Jaisalmer; the Bapnas of Pathua in Indore, Kotah, and Jaisalmer; the Lodhas in Jaipur, Jodhpur, Kishengarh, and Shahpura; and the Pittys and Ganeriwalas in Hyderabad. Bhagoti Ram, too, was supposed to have been treasurer to a Nawab, and his descendents', Mirzamal's, business included moneylending to the rulers of Bikaner and the Punjab. Like Tarachand Ghanshyamdas, too, the owners of the large firms often remained at their headquarters in Rajasthan long after the bulk of their business was conducted through their chain of branches outside, and the leading branches were often operated through clerks. However, the proprietors of most of these firms


were more actively involved in their management than those of Tarachand Ghanshyamdas and more likely to send their sons out to actively run their branches.

Bankers with headquarters in Rajasthan like the Poddars and Daddas bargained for and received from the princely state rulers criminal and civil jurisdiction over their own employees—both to protect the employees from harassment and to strengthen their own control over their firms. Returning clerks might be closely questioned or even imprisoned in the proprietor’s dungeons for suspected embezzlement. These two concerns—for control over the firm’s personnel and autonomy from vexatious harassment—seem to have been keynotes of great firm organization.

Some of the great firms like Bansilal Abirchand of Nagpur and Tarachand Ghanshyamdas tried to have each branch operate independently—and balance its books on its own. These naturally had more rudimentary central books. The branches of Bansilal Abirchand by the 1880’s sent only semi-annual statements to the proprietors. This lack of centralized control is somewhat unusual in Marwari firms and especially contrasts with the practice of Seth Goculdas Malpani of Sevaram Khushalchand of Jabalpur. Goculdas would spend nine months of the year on the road meticulously checking the books of his clerks. He transferred the clerks frequently and without warning, so that they would not have time to “cook” the books before they left. He made a policy of never putting relatives together in the same branch firm.

To secure their headquarters from vexations, many of the larger banking firms decided to shift them to safer ground. For the Poddars and the Daddas with their protected merchants’ city states—there was no need to move. But other firms found Ajmer, an enclave of British territory, provided a physical security still lacking in the princely states. The Muhnots of Riyan (the famed Riyanwala Seths—who were reputed by folk-saying to own “The Maharaja and half of Marwar”), and a branch of the Daddas

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the Marwari emigrants spread themselves through the country and exemplified the steps by which the Marwari businessman progressed. In the former role, they provided credit, information, and initial employment to Marwari emigrants. In the latter role, the great firms moved into commercial line after commercial line to forward their business fortunes, to turn a profit where it might be turned. First wool, then opium and imported cloth, jute and cotton, and finally industry marked the steps in their and the general Marwari community's evolution.

B. Banians and Brokers

Lineaments of a System

The bulk of Marwaris were originally engaged as intermediaries between domestic producers and consumers and foreign exporters and importers. No matter what the commodity, by the midnineteenth century the final stages of this intermediation usually had some common features.

Local retailers and purchasers operated on perhaps six month credit of a limited amount from "wholesale" storekeepers in the larger market towns (themselves sometimes the clerks or branch managers of larger firms). The term "wholesale" must be qualified since all firms from the lowest to the very highest in the pyramid would often sell directly to final consumers at the same rate, or almost the same rate, as to "retailers."

Further, even the smallest village storekeeper might create another stage by sharing his small profit with yet lower level peddlers or purchasing agents.

The market town stores purchased and sold through their branches or commission agents in the port cities. The actual extensions of credit were undoubtedly an important element in these hinterland port city connections and the extension probably went both ways, depending on the relative financial position of the two parties. The commission agents may have dealt directly with the European firms (read also Parsee, Jewish, Armenian firms) or they used the services

of a broker, or they had to use the services of another firm which may have had the restricted privilege of dealing with a given European firm. Some European firms, especially those purchasing raw jute or cotton or importing cotton piece goods, did not restrict their dealings in this way. The European importers often appointed a guaranteed broker, colloquially "banian", usually remunerated with a 1% commission on sales, who had to guarantee the trustworthiness of other Indian businessmen who dealt with the firm. Simple brokers (in the cloth import trade) were often given 1/4% on their dealings. In the jute trade, too, the European sellers with whom the Calcutta firms dealt directly received a 1 1/4 % commission—of which they passed on 1/4% to their Indian underbrokers. The relations of the "guaranteed broker" and his firm were usually far closer than this simple relationship would imply. The guaranteed broker's approval was necessary for sales, and he could thus allocate the stock among the various dealers. Sir Badridas Goenka in his Memoirs mentions that brokers used to come to visit his brother, Sir Hari Ram Goenka, in his garden on Saturdays to get allocations of packets of piece goods. Sir Hari Ram was guaranteed broker to Ralli Bros.—sole broker, as the Thacker's of 1915 reports it—and Ralli Bros. was the greatest of the cloth importers (at least by the time of the First World War).

Originally banians had much wider responsibilities than seem to have been imposed at the turn of the century.

A banian is a person by whom all purchases and sales of goods, merchandize, and produce are made and through whom all shipments are made on account and on behalf of the merchants or mercantile firm in whose establishment he is banian. Such a banian is therefore responsible for the quality and quantity of the goods, merchandize, produce and shipments made through him or his Sircars or servants whom he employs. He has to make good any deficiency in weight

or quality, to make compensation for any fraud in shipment of such goods or produce.\(^\text{16}\)

As British firms began to own their own warehouses and apparently were able to oversee the care of their goods themselves, the banian's role apparently evolved into that of the guaranteed broker. In many cases, he may still have also looked after the goods. The role, however, seems to have diminished over time. S. B. Singh asserts that the importance of the banians for British firms began to decline even before 1810.\(^\text{17}\)

The guaranteed broker was responsible for disposing of the firm's goods at the highest possible rates, and if he failed could be replaced. He usually supported his European principals with a large interest free or low interest loan and introduced them to the complexities of the Indian market.\(^\text{18}\) Besides cloth, guaranteed brokers seem to have been regularly employed in the opium trade, sometimes in raw cotton, and by banks. They were sometimes found in gunny and jute.\(^\text{19}\) The banks dealt with Indians in foreign exchange, by buying bills on foreign importers of Indian goods from various Indian brokers. Some of the banks also appear to have purchased hundis, and extended margin credit to the larger Indian businessmen. Perhaps it is to approve Indian brokers for this purpose that they used their banians.\(^\text{20}\)

The device of a sole selling or purchasing agent seems to have been most common in manufacturing industries such as cotton textiles and sugar, where financial participation in the firm's initial equity was often rewarded by an agency. Thus the Singhanias in Kanpur were major financiers of the early Kanpur mills and receiv-


\(^{18}\) Hukumchand v. Radhakrishen, Calcutta 916 \textit{All India Reprtr.} in 1925 refers to such a deposit.

\(^{19}\) Rishi Gemini Kaushik Barua, conversation in Calcutta.

ed sole selling agencies for them.\textsuperscript{21} Even today, as indicated in a study by Leon Hirsch of the North Indian sugar industry, deposits by those with sole selling agencies are important sources of capital.\textsuperscript{22}

The jute industry seems to have been more reluctant than cloth importers to make Indians guaranteed brokers—perhaps because it had less use for their capital or market connections. \textsuperscript{23} The mills apparently purchased three months futures contracts through their European agents and these in turn must have developed means of certifying brokers' reliability. Indians did not deal extensively in the hessians market, until the First World War. The 1915 Gazetteer of Hissar district already notes emigrants from Bhiwani among the more prominent pioneer hessians traders. The pioneers in hessians include Lakshmi Narain Kanoria, closely connected with McLeod and Co. from 1887, and M. D. Somani and G. D. Birla, who are already noted as hessians traders in 1915. The entry of Indians into the hessians market may have required the exercise of the new power accumulated during the First World War.

Naturally enough, the "banians", the guaranteed brokers to the largest firms, were the leaders of the community of Shekhavati Aggarwals in Calcutta—to which they belonged and whose members largely relied on their patronage. This was even true to some extent of the Bengali banians before 1850 in regard to the larger Bengali community.\textsuperscript{24}

**Exchange of Roles**

As we noted, the banians of the larger European firms were initially Bengalis. An exhaustive list in 1863 shows one non-Bengali firm.\textsuperscript{25} Later, the Bengalis were displaced to some extent by Khatri


\textsuperscript{23} Mitter, *A Recovery Program*, pp. 76-94.


\textsuperscript{25} The New Calcutta Directory for 1863, compiled by A. G. Roussac (Calcutta, 1863), VII, pp. 35-41.
merchants from the Punjab. Finally, the Khatri merchants declined in face of the Marwaris and remained only as banians to the importers of woolen cloth. Like the Bengalis before them, the Khatris apparently suffered from an insufficient network upcountry (i.e. the lack of a "resource group") and high overheads. India is not the only country where such networks were relevant. A similar lack of a "resource group" explains the difficulty the denizens of the rich Southern Fukien province experienced in becoming comparadors (Chinese agent generals) to European firms in nearby Hong Kong.

The leading banians to European business houses in Calcutta were quickly recognized by Marwaris as their communal elite. Like the Chinese compradors, to whom they were often compared, the leading banians were closely related to one another by ties of patronage and marriage. Though closely related by marriage to the great firms, too, their fortunes were more often founded in Calcutta itself.

Some of the first firms to undertake the banian role were from among the great firms. Devkararandas Ramkumar Chokhani of Nawalgarh is listed as a banian to Ludwig Duke in 1878. Gursahaymal Ghanshyamdas (an earlier name for Tarachand Ghanshyamdas) was apparently banian to Crook and Rowe before 1860, and Sevaram Ramrikhdas (a Singhania firm of Mirzapur and Kanpur) to Ralli Brothers before 1880. Tarachand Ghanshyamdas itself became banian to Shaw Wallace and Sevaram Khushalchand Malpani was eventually banian to Jardine Henderson.

31. Seth Gobind Das, Interview in Delhi, 1970.
Tradition reports that Nathuram Saraf of Mandawa, the first Marwari banian, moved to Calcutta in the late 1830's as a supercargo on one of Sevaram Ramrikhdas' goods boats from Mirzapur, a river port roughly 500 miles from Calcutta. He got his initial employment under Ramdutt Goenka, then Sevaram Ramrikhdas' chief clerk in Calcutta. He became, again according to tradition, banian to Kinsell and Ghose (a Bengali European partnership of the sort that declined radically after the 1848 panic). According to tradition, he displaced Nikkamal Khatri, then one of the leading Khatri banians. Later, and here our sources are firmer, he became banian to Hoare Miller, one of the leading European firms. Saraf's business expanded so rapidly that he called a large number of relatives and associates from Mandawa—our source names 11. He opened separate "basa" for Brahmins and Bania immigrants—to accommodate those he called. In 1870, he retired to his home in Mandawa and to Jaipur city, where he lived out his days as an important banker to the princes of Rajasthan.

The banianship was given to his head clerk, Ganeshdas Musuddi (died 1882), whose family continued it for many years. The Musuddi family firm was still banian to Hoare Miller in the 1930's as well as a jute and oil seeds broker to them, and running its own shop for imported cloth in Calcutta.

Goenka

Most banians did not retire to become court bankers. They employed their resources to consolidate their position as heads of the Calcutta Marwari community and extend their contacts in the European business community. Occasionally, one family would provide banians to several British firms. The descendants of Ramdutt Goenka, Nathuram Saraf's first boss, provided several such banians.

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34. Modi, Desh kee Itihas, pp. 473-479; Sir Badridas Goenka, Sansmaran.
Ramdutt continued his duties as chief clerk for Sevaram Ramrikhdas, but his brothers are reported to have started, immediately on their arrival in Calcutta, as commission agents and brokers, assisted by his patronage. At first, Ramdutt had special relations with Kinsell and Ghose. After the demise of that firm, he resigned his post with Sevaram Ramrikhdas and became an independent cloth broker to Kettlewell Bullen. At about the same time, he founded his own firm, Ramdutt Ramkissendes (circa 1848). Apparently the family had early connections with the Greek firm founded by Alexander Ralli. Sevaram Ramrikhdas was supposed to have been the Ralli banian first.35 Shivbaksh, Ramdutt’s nephew, was already employed in a responsible way by the Ralli firm before his uncle’s death in 1864. One source reports that he was the actual executive of the firm.36 In any case, when Shivbaksh resigned as banian because of some differences with the Rallis in 1880, they were insistent on a Goenka replacement. Ramchandra, Ramdutt’s grandson, was made the Ralli banian and the relationship continued.

Ralli was the largest importer of cotton piece goods and among the leading exporters of raw jute and hessians. This position was to no small extent attributable to the Goenkas’ efforts. The same seems to have been the case with Surajmal Jhunjhunwala’s relation with Grahams. Apparently, the new Marwari banians rose more by the progress of the firms with which they were associated than by the initial act of getting their banianships.

The Goenka firm retained its association with Kettlewell Bullen—and after the turn of the century actively entered the jute trade. Both Hari Ram and Badridas were recognized leaders of the Marwari community and sat as its representative on the Calcutta local government and later in the central legislature.

Jhunjhunwala

Often linked because of its importance with the Goenkas was the Jhunjhunwala firm at Grahams’. Lalchand Kayan had arrived in Calcutta in the 1830’s from Surajgarh and established a firm, Lal-

chand Baldevdas, in opium and cotton, with branches all over eastern India.\textsuperscript{37} He died in 1875 and his sons continued his business. One branch of the family entered the stock market in 1915 and established a series of lead and canning factories in the 1920’s.

Lalchand’s son-in-law, Surajmal Jhunjhunwala (1850 [?]-1894) arrived in Calcutta in 1867 and by January 1868 had become a metals broker to the large Bengali-owned firm, Pran Kissen Law.\textsuperscript{38} He soon transferred to the firm’s piece goods section and then left the firm entirely to work with Smellie and Co. In April 1868, we find him back with Law as “Senior Broker.” He was also made a broker to another firm owned by the Law family, headed by Abhoy Charan Law. A decade later, in March 1879, Pran Kissen Law became piece goods banian and Surajmal, sole piece goods broker to Graham and Co. Somewhat later, Surajmal seems to have taken over the banianship himself as well as handling for a period the banianships of Hoare Miller (Musuddi) and Gladstone Wright while the heirs to those banianships were minors. He died in 1894 and his leadership role and banianship were inherited by his son, Shivprasad (1878-1935).

\textit{Jatia}

Luckily we have extensive material on the large firms like Tara-chand Ghanshyamdas. The Goenkas and Jhunjhunwalas are listed in several biographical dictionaries and I have read memoirs of some important members of those families. The other leading banian who would complete the picture of the four firms we named, Sir Onkar Mal Jatia (1882-1938) has left less of a record—though I understand a biography is in preparation for him, too. Unlike Hari Ram Goenka (1862-1932) or Surajmal Shivprasad Jhunjhunwala (1878-1935), his contemporaries, he was not an active leader of

\textsuperscript{37} Modi, \textit{Desh kee Itihas}, p. 431; \textit{Agg. I}, pp. 509-510.

the Marwari community. Sir Hari Ram prevailed upon him to make donations and attend key public meetings but his primary orientation was toward the European business community. Though impeccably orthodox in matters of food and worship, he preferred western clothes and lived in a Victorian garden house on the Howrah side of the Hooghly River, across from Calcutta.

His grandfather, Mahaliram, had been a partner in the firm Sadhuram Ramjidas, based in Khurja (80 miles from Delhi and more than 1000 from Calcutta), one of the “great firms” we referred to earlier. He probably moved to Calcutta to oversee some of its operations, or else after that firm’s partition in 1838. The Jatia firm maintains a large and old establishment in Khurja, an area with a large grain surplus and which used to have a large cotton crop. The firm presumably shipped much of this wheat and cotton especially after the opening of the railroad in the 1860s, for export to Calcutta. I should add that three large firms of Khurja, all founded by former partners of Sadhuram Ramjidas, continued to dominate Khurja—till its recent decline as a grain market.

The origin of the relation with the Yule firm (founded 1863), to whom they became banians has been, at least for me, shrouded in mystery. The connection dates from the time of Ramjidas, Onkar-mal’s father. Tradition records particularly strong personal ties between Sir David Yule (1858-1928) and Sir Onkar Mal (1882-1938). There are also suggestions that the Jatia firm had helped David in his youth when he was cut off financially by his father because of some differences between them. In any case, by the 1880’s the relation seems to have been firmly established.

Yule himself identified with India and Indian businessmen in a unique fashion. He was often called “the white bania.” His office was one of the few in Calcutta in which Indian businessmen did not have to accept racial slights such as separate entrances,

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“Europeans only” benches, and so forth. David Yule’s donations to public causes were significant enough to be singled out as unprecedented—for a European businessman. The commercial community of Calcutta rarely left much to Indian charities. Even his widow continued his connections. She returned in the early 1930’s to use her wealth to assist a Marwari firm, Harisingh Nihalchand, in severe financial difficulties.\textsuperscript{11}

\textit{In Bombay}

European firms in Bombay, too, employed banians, mostly Parsees and Bhatias (two of the more prominent commercial communities there). The Parsees and Bhatias did not abandon commerce, however, as had many successful Bengalis. Only a few Marwari firms like the Ruia’s and Cheniram Jesraj Poddar adopted these banian roles in Bombay. As in Calcutta, these Marwari Bombay banians, too, came almost exclusively from Shekhavati.

\textbf{Impact}

The banian relationship and the subordinate distributing network, along with that of the “great” firms, provided the economic basis of the Marwari diaspora. On the basis of these networks arose the speculative markets which are responsible for considerable income redistribution in the community. Even more generally, the profits from these networks represented a capitalization fund that was used in the stage of Marwari entry into industry.

On the other hand, these banian relations were essentially conservatizing ones, in that the banians’ identification and subordination to British firms kept them from an independent commercial policy of their own. The large banian firms did not move into direct import and export trade on their own; they did not start industrial

\textsuperscript{11} Murlidhar Jhunjhunwala, Interview in Calcutta, 1970.
enterprises; and they opposed social reform and the nationalist movement, at least in the early 1920's.

The banians' commercial position was dependent on their good relations with the British mercantile community in Calcutta; their social position within the Marwari community would have been threatened by the perturbations and fights reform entailed. In any case, the banians having prospered under the old order, human and divine, were reluctant to challenge it. Any reformist urges had to be sub rosa, until the reformist strength was clear. In the early 1920's, the reformers were opposed by an almost solid phalanx of the leading firms in Calcutta. Nationalist sympathies, which were natural in the traditionalist frame of reference many Marwaris held, had to be pursued discretely. When a court case threatened to reveal secret donations by leading banians to the Congress in 1930, one of them committed suicide. 42

On the other hand, the role of a broker to Europeans, the necessity of continuously confronting their economic overlordship, meant that some felt more strongly the need to compete with them. G. D. Birla notes of his first experience with the English:

When I was 16 (1908) I started an independent business of my own as a broker, and thus began my contact with Englishmen who were my patrons and clients. During my association with them I began to see their superiority in business methods, their organizing capacity and their many other virtues. But their racial arrogance could not be concealed. I was not allowed to use the lift up to their offices, nor their benches while waiting to see them. I smarted under these insults, and this created within me a political interest which from 1912 until today I have fully maintained. 43

In the case of Chinese compradors, to whom the banians have been compared, close contact with British businessmen sometimes caused

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(Guha grants this in a footnote)—or that specific Bengali firms were let go for their political deviations. Bengali businessmen such as Pran Kissen Law remained relatively conservative, too.

But reality is complex, and Soviet scholars now focus on the dynamics of the comprador's role. In the early period comprador economic activity may be the only one possible. Those with commercial ability may move into comprador functions. As other functions become possible the former compradors may transfer their capital and their interests into new lines of endeavor—or they may be tied to the nascent national bourgeoisie in a fashion which transfers their gains, as through a speculative market.

Shirokov and Reisner in a recent Soviet study on the subject see this transformation as having occurred as early as 1918—and as confirmed in the period 1929-33.49 My own data would indicate the persistence of many externally oriented firms into a later period.

Hao even grants that the very differentiation of the comprador role may be impossible:

The distinction between comprador and an independent merchant is usually blurred... a "national" capitalist might end up a comprador... a prominent comprador frequently became a bona fide merchant and competed vigorously with his foreign counterpart.50

The ideological effect of working with a foreign firm may be radicalizing (as with Birla) as well as conservatizing. The gains from compradorship may enable opposition as well as collaboration.

While some of the impact of the banian relation on elements of the Marwari community impeded them from undertaking industrial entrepreneurial roles—the total impact of the experience is ambiguous. It is not clear that the banian phase was not a necessary if not sufficient one in their development.

49. Shirokov and Reisner, Sovremennaya, pp. 5-9.
C. Speculators and Industrialists

Nature of the Data

Unlike other episodes in Indian economic history, the speculative activities during and after World War I have left little in the way of records behind them. Of the ledgers kept by the participants, most turn out to have been destroyed or are unavailable. Any account must rest primarily on the memories of the participants. Of all potential sources these are the most imprecise and hard to verify. Only the crucial role of this speculation in Indian economic development justifies an attempt on such a sketchy basis. One can hope that researchers, over the next few years, will uncover primary sources to add to our knowledge of this period—such as the "vahis," old style ledgers, of participant firms or businessmen's diaries.51

The amounts recorded are large and approximate. It might be worthwhile remembering that they represent many times the purchasing power that similar sums would represent today. The Indian rupee, especially in regard to staple commodities, has not been exempt from the inflation that has characterized the world economy since 1940.

The Speculative Market

The futures markets of Calcutta in opium, specie, and later hessians and raw jute were started by Marwaris.62 Marwari firms record opium futures transactions in several ledgers I examined—one from as early as 1791. Several firms are noted in their firm

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51. One of the unexplored resources for this study are the diaries of leading merchants of the period—three of which are available in the Fatehpur, Shekhavati area. Other sources which I was not able to use in my thesis study, but which are in existence, are the estate records of the various Shekhavati "thikanas". The records of two of the most important Marwari family/firms—the Chamarias and the Lodhas—are in the possession of the Calcutta High Court while litigation continues over their settlement. The Raja of Santosh is the court appointed overseer for these estates, whose records are apparently not now available for public inspection.

52. Agg. I. , pp. 74-88.
histories as having proceeded to Bombay from Malwa in the 1860's to take part in the opium futures trade.

The prominent Soni firm of Ajmer made its start with a successful opium speculation in the 1820's. A group of Ramgarh bankers failed, apparently in 1859-60, because of an unsuccessful opium corner, though the details of this corner seem obscure.

The rapid oscillations in opium prices, compounded by the unstable conditions of exchange between India and China, where the opium was sold, rendered the opium market particularly unstable—and thus gave it the potential for producing speculative coups. Regular Marwari opium futures trading in Bombay seems to have started in the 1840's—in Calcutta it dates from the 1860's.

It was in the opium futures trade that several earlier Marwari fortunes were made. The leading Marwari opium speculators included J. K. Birla, a founder of the largest industrial house in India today, and several figures such as Harduttrai Chamaria, Nirmal Lohia, and Sir Sarupchand Hukumchand. Chamaria and Hukumchand were "kings" of the speculative markets in their day—and deserve some attention as "types" of the successful speculator. Contrary to one myth, both were born, so to speak, in comfortable circumstances. Harduttrai Chamaria's (1872-1916) father came from Fatehpur in Shekhavati to Calcutta in the 1840's. By the time we are able to follow his family's career, they were brokers to the prominent Bombay firm of Currimbhoiy Ibrahim's Calcutta office. By the 1880's, they were able to buy some Calcutta real estate. Harduttrai partitioned the family estate with his brother, Ram Pratap, in 1903—and the partition deed already included a considerable number of large buildings. Hukumchand's family owned one of the largest state banking firms in Indore.

Both Chamaria and Hukumchand engaged in a wide range of enterprises. Chamaria dealt in salt, gold, silver, and opium—as well

54. Modi, Desh kee Itihas, pp. 419-421.
55. Agg. I, pp. 74-88; H. L. Dholakia, Futures Trading and Futures Markets in Cotton... (Bombay, 1942), p. 29.
as conducting a large-scale banking and real estate business. He organized the first silver futures market in Calcutta. Similarly, Sir Sarupchand (1874-?) was a major factor in opium, cotton, state finance, jute, gunny and hessians, specie, and latterly industry.

It was opium, however, that established Sarupchand and Chamaria as major financial powers. Chamaria’s fortunes were established quite early. The honors and recognition accorded to the wealthy came to him. By 1900 if not before, he was a regular invitee to the Viceroy’s levees and had been given the title of Seth by the Maharaja of Jaipur. Chamaria suffered some reverses at the end of the first decade of the twentieth century. But he and Sarupchand regained their position in the dizzying speculations of 1909-1913—when the British policy of curtailing opium exports and the Chinese Revolution helped opium speculation reach its crescendo. During 1909-10, when the British started restricting the number of opium boxes permitted for export, the Indian market weakened. Hukumchand bought 2-2.5 million Rs. of opium on bills of credit (“hundis”). The price skyrocketed ten times and Hukumchand cleared 20 million Rs. Then in 1911, Chamaria was the key organizer in the syndicate, including inter alia, J. K. Birla, which organized the entire opium trade, and reaped rich profits.

The stockmarket was a second major speculative market. The Calcutta stock exchange met informally from 1850. The original brokers were mostly Bengali. In 1863, a list of “Native Share-brokers” shows few Marwaris; by 1900, there were ten on a comparable list. Babulal Soonee of Didwana, Jodhpur, had been a merchant in Mirzapur U.P., before 1857. During the revolt of that year he is reported to have helped an Englishman, who later, as a highly placed banker, encouraged him to enter the stock market in Calcutta—possibly around 1870. The firm was formally founded as

58. S. Vidyalankar (ed.), *Hukumchand Abhinandan Granth* (Delhi, 1951), p. 58.
Babulal Gangaprasad Soonee in 1892 (but I have found references to Gangaprasad Soonee as a stockbroker from as early as 1872). 62

Many of the most prominent figures in the market such as Magniram Bangur, Babulal Soonee’s son-in-law, arrived a little later—mainly during the boom in coal shares, 1904-1908. 63 By 1905, more than one-fourth of the firms in the Calcutta Stock Market were Marwaris. 64 Press lists of attendance at shareholders meetings show Marwaris in a small minority. 65

The Bombay Gazetteer of 1909 discusses several of the city’s speculative markets. The Gazetteer notes, with typical British disapproval, the widespread existence of futures market—“gambling on the differences in rates”—in various commodities. 66

The Mercantile and Moneyed classes in the city perform an enormous amount of speculative business on behalf of up-

62. In a rokarvahi of Tarachand Ghanshyamdas for 1872-1873.
65. From time to time stockholders lists appeared in the press in connection with shareholders meetings. It is possible to allocate the attendants to the various communities roughly on the basis of their names. This does not insure the completeness of the lists or tell us anything about the size of the shareholdings they represented. For example:

Capital, Dec. 24, 1888, p. 169—there were three Marwaris and three Bengalis listed at a meeting of the Indian General Steam Navigation Co.

Capital, Jan. 8, 1889, p. 214—at another company meeting most of those listed were Bengali, but ten Marwari shareholders were represented by a Bengali attorney.

Capital, Feb. 5, 1889, p. 303—The Shibpur Jute meeting listed: nine Armenians, nine Jews, twenty-nine Europeans, six Bengali Hindus, two Muslims, and fourteen Marwaris (represented by a Jewish sharebroker).

Capital, April 9, 1889, p. 501—The Bowreah cotton textile meeting notice listed: eighteen Muslims, twenty-one Europeans, one Parsee, eight Bengali Hindus, one Gujarati, and twenty-five Marwaris [including Nirmal Lohia (1804-1889), a leading Marwari speculator].

Capital, April 30, 1889, p. 566—Nirmal Lohia is also listed at a Fort Gloster Jute mill meeting.

Englishman, Sept. 12, 1890, cited by R. S. Rungta, op. cit., p. 164—reports five Marwaris out of twenty-seven listed at a Fort Gloster meeting.

Englishman, Jan. 19, 1905, p. 15—among listed shareholders at Fort Gloster Jute are Magniram and Ramkumar Bangur (Ramkumar was Magniram’s brother).

country constituents... in Government Promissory notes... the shares of joint companies, in cotton, in oil seeds, ... in wheat, in Rangoon rice, in Calcutta-made gunny-bags and in gold and silver,"67

--as well as in opium. Marwaris were early participants in these Bombay markets though their number remained relatively low. The dominant Bombay speculators were Gujarati Hindus, Parsees, and Muslims.

The brokers in Bombay were responsible for any defaults by their principals. Standard contracts seem to have been the rule and informal panchayats existed to arbitrate intra-market disputes. Formal organized markets, partially because of the British view that futures were illegal gambling transactions, came much later.

The first of the markets to be organized in a formal way was apparently that in shares. The Calcutta Stock Exchange was formally organized and provided with quarters in 1908.68 A jute exchange had existed under European auspices since 1892, but one dominated by Indians was formed in 1906.69 The Bombay Stock Exchange was founded in 1875 and reorganized in 1909.70 Other futures markets remained informal—until the period during and after the First World War.71

Why the Shekhavati migrants showed such aptitude for these markets is not clear. Their home areas—Shekhavati and Bikaner—did have vigorous speculative markets as early as the 1870's.72

67. Ibid., loc. cit.
71. Rishi Gemini Kaushik "Barua", Ramdev Chokhany (Calcutta, n.d.), p. 45. The old opium panchayat in Calcutta, for example, included Harduttrai Chamaria, Binraj Choudhry, Vishveshvarlal Chitraria, Chunnilal Binani, and Shivnand Rai Tiwari.
There is no reason to suppose that these did not represent traditional institutions there. One of the most common forms of speculative transactions were what were called "rain bargains"—wagers on what day the first rains would arrive. These bargains because of the relationship of the timing of the rains with the grain crop may be seen as futures operations. A more familiar type of bargain was the "teji-mundi" transaction, essentially an obligation to pay the difference between a stated amount and the market price, and the Tarachand Ghanshyamdas books for the 1870's refer to several such transactions in opium. An older ledger from another firm in the 1790's reports what is apparently a transaction of this sort. The fact that fellow Marwaris were already doing a considerable ready opium business in the Malwa area, made the opium futures operation a natural extension for Marwari businessmen, and one for which they had superior access to commercial intelligence. The sophistication of the Marwari banking system and their system of accounting also provided the possibility for coordinated speculation. The Marwari migrants from Jodhpur state, who were far more numerous in the hinterlands of Bombay than those from Bikaner and Shekhavati, did not enter speculative markets to any considerable extent—possibly reflecting their lack of an indigenous speculative tradition. They had access to the same sort of large scale banking and commercial intelligence infrastructure as the Shekhavati firms, as represented by the large firms of Ajmer. Perhaps the orientation of these Ajmer firms, as the century went on to more honorific forms of commerce like state banking partially explains the absence of Jodhpuris in the speculative field. Speculation was, however, considered disreputable, even by the established Shekhavati firms—and the very fact that the Shekhavati Marwaris were often latecomers to the big cities may partially explain their

74. Thomas Timberg, "A North Indian Firm as Seen through its Business Records, 1860-1914".
option for this route. More reputable branches of trade had been pre-empted by early arrivals.

Besides the factors of propensity and infrastructure, the Shekha-vati speculative brokers had access to large accumulations with which to work—the accumulated capitals of the large firms from that area established in inland trade and in intermediary trade in the ports. In addition, their involvement with the intermediary role also gave them considerable access to the capitals possessed by private Europeans, particularly for speculations on the stock market.

The First World War

The speculative markets of Calcutta were closed at the beginning of the First World War and their participants fled. Then slowly, with the developing defence demand for sandbags, the lagging jute industry received a fillip. Most of the major jute shares increased three times in value from 1915 to 1921. The price of a seat on the Bombay Stock Exchange went up from Rs. 2,900 in 1914 to Rs. 48,000 in 1921. Speculations based on these developments in jute reflected themselves on both the ready and futures markets for jute shares, raw jute, and manufactured jute products such as gunny and hessians. Profit possibilities in the import of cement and refined sugar were opened up by the cutting off of former sources of supply like Austro-Hungary and the shortage of shipping. Grain, cotton, and specie markets also fluctuated and provided speculative opportunities. Marwaris were able to reap the rewards of speculation on all these markets.

Among them, Keshoram Poddar (1883—1945), the great grandson of one the earliest Marwari traders in Calcutta, Soniram Poddar, specialized in the shares of the New Empire and Clive jute mills managed by McLeod and Co. He had started in business, while

75. Modi, Desh kee Itihas.
78. Binani, India at a Glance, p. 931.
in his teens, as under-broker to Mitsui—the leading Japanese firm in India. Next he went into the umbrella and umbrella cloth business. Finally, he became a sugar broker, especially to Rallis, the pre-eminent European firm in Calcutta. By 1909, he could afford to build his own house and by the outbreak of the war was already a prosperous merchant.

When the First World War broke out, Keshoram Poddar rapidly became a leading stock market speculator. Poddar used his stock holdings as leverage to be admitted to the restricted circle of firms permitted to deal directly in hessians and gunny bags with the big British firms. At the same time, Poddar started the import of sugar and cement from Java and Japan, to supply the wartime deficiencies. He developed close relations with various Japanese firms—to the extent that he was able to draw eight million rupees on his account with the Yokohama Specie Bank in 1918 to complete a purchase. He became a major Calcutta real estate owner, especially of the blocks of luxury flats for Europeans which had been constructed over the previous few years primarily by Jewish and Armenian businessmen. He ventured into the taxi business, ran ferries on inland waterways, bought a colliery and a flour mill, and loaned the capital to start the Hindi daily, Vishvamitra. At one time, he dabbled in brick kilns, and was rumored to be cornering the brick market. At his height, Poddar was supposed to have been worth thirty million Rs.—but his book-keeping was rudimentary and his approach to business carefree. The reverses he suffered in the post-war crash turned out to be irreversible.

81. Confirmed in an interview with Ezekiel Jacob (Calcutta, 1971) who worked with E. Meyer, through whose firm the sugar purchase was made. Apparently both Meyer and Poddar thought they made a good transaction.
83. Poddar, Interview above.
84. The judgements given in his decline turn out to be considerable. Keshoram sued his stockbroker for five million and settled out of court for three million Rs. In 1926, we see a Lloyd's firm suing Keshoram for 1.8 million Rs. (Englishman, March 7, 1962, p. 6).
Baldevdas Dudhwawala, another leading World War I speculator, had an uncle who entered the stock market in 1880. After a period working in Mirzapur and Kanpur, Baldevdas and his brother, Basantlal, entered the stockmarket in Calcutta around the turn of the century, presumably with their uncle's sponsorship. Baldevdas controlled trading in Kamarhatti Jute shares during World war I.\textsuperscript{85} At his height, during the war, he was making five million Rs. a year from the dividends on the stocks he controlled, many of them purchased on bank credit. Baldevdas apparently had particularly close relations with the British owned banks.

A third prominent wartime speculator was the firm of Vishveshvarlal Hargovind, owned by Vishveshvarlal Halwasiya (1870-1925) and Hargovind Rai Dalmia (both from Bhiwani in Hissar District, adjoining Shekhavati).\textsuperscript{86} The firm was active both in shares and gunny (a Bhiwani specialty). Vishveshvarlal's father had been a jeweller in Hyderabad, his uncle had a prominent firm in Calcutta and Lucknow. Hargovind Rai's father had established a firm in Calcutta in 1866. Established in 1890, when the firm Vishveshvarlal Hargovind was partitioned in 1921 each partner took away 25 million Rs.

G. D. Birla and M. D. Somani made sums in the gunny and stock markets as well. G. D.'s brothers (with a separate firm) also did well in various speculations in several different markets. An informant estimated that the total Birla worth rose from 2 million to 8 million Rs. over the war years.

Sir Sarupchand Hukumchand, whom I referred to earlier as an opium speculator, extended his activities into many of the other speculative markets during this period. When he opened his Calcutta office in 1915, it did five million rupees of business on its first day.\textsuperscript{87} Hukumchand's specialty, however, was cotton.\textsuperscript{88} Sir Sarupchand made 10,000,000 Rs. in the accounting year 1914-1915 and


\textsuperscript{87} Harish Sharma, \textit{Nathany Smriti Granth}.

\textsuperscript{88} Ibid.
7.5 million in 1918-1919 on the basis of successful cotton corners.89

**Primitive Accumulation**

The mastery of capital these sums represent can be discussed in Marxist terms as "Primitive Accumulation." It is in this light that Amalendu Guha views the opium trade as a key element in enabling further Parsee growth in Bombay. Guha argues:

"Under colonial constraints, the shipwrights and other artisans could not emerge straight as independent capitalist shipbuilders from their handicraft base—as has been explained earlier. It was necessary for them to enter the lucrative field of export trade in raw cotton and opium for primitive accumulation under British patronage."90

Guha had demonstrated in a previous article that British policy was a major cause for the decline of the formerly prosperous Western Indian shipbuilding and shipping industry. The accumulations of funds in the hands of various Marwari merchants during the First World War period would seem to represent precisely the same phenomenon as that of the Parsees accumulation in raw cotton and opium.

Marx's classic formulation of "Primitive Accumulation" at the end of the first volume of *Capital* emphasizes rather different aspects of this concept than would be represented by such an accumulation.91 Unlike many other concepts in that work there does not seem to be a single general definition of "Primitive Accumulation". Rather it seems to be a description of the period which preceded the era of industrial capitalism, particularly in England. The con-

89. I found no press notes on Hukumchand's cotton operations mentioned in his biography. The cotton corners of 1915 and 1914 are the only ones of the various speculative episodes on which I have found press notices. (*Capital*, April 1, 1915, pp. 728-729). The corners were led by Ramchandra Dungersidas (of Fatehpur, Harduttrai Chamaria's hometown) and Ramdayal (manager of the firm Balchand Agarchand).


crete character of the treatment continues in some later work. The emphasis is on the preparation of the proletariat through depriving them of independent means of subsistence and driving them into the labor market. The preparation of the class of capitalists draws less attention.

The lack of a generalization by Marx may indicate his peculiar openness to variations in form at this stage—the stage in which some are enabled to offer employment and some to seek it.

The size of the national product being determinate at any given point, the major task in starting the process of the creation of industrial capital is the diversion of claims over that product to those parties who will use it for productive investment. In the societies with which we are familiar, these claims are usually expressed in monetary terms, and the moneys involved can be stockpiled, in a way that few other goods can. Thus these monetary claims could be accumulated in the hands of potential industrial investors over a long “Primitive Accumulation” period, as a pre-requisite to industrialization itself. But they can equally well be transferred to such investors by sudden speculative episodes, or any other transfer of claims—and even by state fiat. In speculation, unlike some other forms of economic activity, someone’s loss is immediately someone else’s gain (disregarding the question of hedging services). The possibility of substituting a “period of accumulation” by a shorter episode is one of the ways in which what former writers characterized as “pre-requisites of industrialization”, may be mere historical accidents of certain paths toward industrialization.

Given this possibility for the “substitution of pre-requisites”, it is not surprising, especially in colonial situations where accumulations may already exist in some hands, if speculative markets serve as a major way to equip the indigenous businessmen with the money they need to transform into industrial capital.

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The acceptance of this concept of "capital accumulation" is particularly important because of its implications for the theory of the entrepreneur. Many approaches to development emphasize the role of the entrepreneur as the active agent in economic development. A focus on capital accumulation countervails the entrepreneurial emphasis by seeing it and other so-called pre-conditions of economic growth as a by-product of capital accumulation. This pure capital accumulation focus, however, neglects the "who-whom" aspect of capitalist accumulation. The important thing is not that just any group gets possession of the societal surplus, but one that will invest it in socially preferred lines of endeavor. Whether the beneficiaries of a given device for capital accumulation will invest that accumulation in industry is uncertain. That industrial investment must be doubly determined by the investment possibilities the economy presents to them and the skills and orientations the owners of the accumulated capital bring into the industrial period.

The Fruits of Speculation

In any case, it was the speculative gains received by various Marwari businessmen that enabled some of them to start industries right after the First World War. In particular, both Sarupchand Hukumchand of Indore and G. D. Birla started jute mills in 1918-1919. These were the first large Indian-controlled jute mills. In the latter case, however, the equity was widely dispersed among other businessmen than the Birlas. In the case of Hukumchand Jute, the bulk of the capital was provided by Sir Sarupchand himself. Keshoram Poddar bought a cotton mill from Andrew Yule for 8 million Rs. in 1918. Hukumchand proceeded to start an insurance company, a steel rolling mill, and added to his chain of cotton textile mills. His first two mills were acquired in 1909 and 1913—both in Indore. He added one in Indore in 1916, and took over the management of another in nearby Ujjain from his son-in-

law in 1918. Hargovind Dalmia bought the Mathuradas Mills for 500,000 Rs. in 1921. Harduttrai Chamaria’s children set up two jute mills in the early 1930’s. In 1921, the Birlas floated a 1.8 million Rs. equity textile mill in Gwalior, concessions by the Maharaja having determined the shift of its site from Delhi where they already had a mill.

Other commercial innovations were enabled by the speculative gains. In 1917, Birla Bros., in the person of Sonny Gubbay, a Baghdadi Jew from Calcutta, became the first Indian owned Calcutta firm with its own export office for jute in London. The office had to fight hard to get into the market and was not admitted to the “official” Baltic Exchange for several years—but its establishment coincided with the rapid rise of Birla Bros. into the group of the top three exporters of raw jute—where it is to be found by the mid-1920’s.

Others used their funds to invest in urban real estate and obtained the position of banians to British firms. Some of the funds were spent on charities—including the bulk of the funds (10,000,000 Rs.) collected in the Tilak Memorial Fund Drive by the Congress, the first major fund raising attempt by the Congress. The period after the war, as I note elsewhere, also covered a sudden explosion of social reformist and nationalist activity in the Marwari community.

Conclusion

Without being dogmatic it seems that the speculative firms were particularly successful as entrepreneurs in the modern period. The great firms, with the notable exceptions of the Jatias and the Singhania, have receded relatively—the banian firms, again excepting the Jatias and the Goenkas have receded absolutely.

In one sense, each type of firm belonged to a certain epoch. The great firm was most prominent in the era of state finance and con-

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98. Poddar and Dudhwawala were most prominent in real estate. Harduttrai Chamaria, himself, started as a banian to James Taylor and E. D. Sassoon before his death. His sons became bank banians and continued in that line.
voy trade (with private guards and political protection) before the establishment of British rule in India. The banian firm belonged to the apogee of that rule. The speculative firms rose as the British economic dominance fell relative to the Indian. The political and social accidents of these firms corresponded to the necessities of the era to which they properly belonged.

In another sense, all these types of firms were reifications of the same plasma, capital, and all can and did transform themselves one into another. They all belonged to a common commercial culture.

Much as the three persons of the Christian trinity are described as having separate identities but a common essence, so these three types functioned differently, but on common principles.

The organizational mastery this institutional variety suggests was itself a prime advantage to the rise of Marwari merchants in the modern period.