

DYNAMICS OF FOREIGN CONTROL :
A Study of European Managing Agencies in Late Colonial India

Dissertation submitted in partial fulfilment of the requirements for the award of the degree of **Master of Philosophy in Applied Economics** of the **Jawaharlal Nehru University, New Delhi.**

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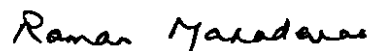
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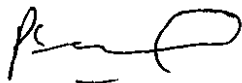
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INTRODUCTION

This work is an attempt to understand the historical process by which a specific institution, viz. European managing agencies (EMAs), molded and was itself transformed by, the dictates and dilemmas of the industrial economy of the 1930s and 1940s. The transformation of EMAs during the first half of the twentieth century, from promoters and managers of industry, to its financiers and guarantors, reflected the changing needs of Indian industry, as also the responsiveness of foreign capital to these needs. The success of EMAs in performing these functions depended on the extent of their influence on the growing manufacturing sector of the 1930's and 1940's. This in turn was determined by the particular strategies of control employed by them. These strategies were themselves a response to the changing macro environment on the one hand, and the micro basis of EMA existence in the colonial economy, on the other.

An enquiry into the mechanics of foreign control (such as the one attempted in this study), would be indicative of the dynamics of foreign participation in manufacturing industry in India reflecting as it does the evolution of EMAs in response to both internal compulsions and external pressures. Significantly enough, the dynamic nature of this evolution is highlighted by their (EMA's) apparent sluggishness vis-a-vis the rest of the manufacturing sector (measured in terms of various control indices), in a twenty year period (viz., 1930-50) marked by violent upheavals of an economic, political and social nature not just in India but also in the international economy. The

ability to transmute their past framework and to adapt organizationally, functionally and motivationally (at least to some extent) resulted in the survival/maintenance of many of these EMAs, not just in our period of enquiry, but well into the 1960's, albeit in a form which was somewhat different from that of the agency houses which grew in the 1870's.

Our notion of change which takes into account the motivational, organizational and functional aspects of EMA behavior in the 1930-50 period, provides scope for alternative explanations for the dynamics of foreign investment in the late colonial and immediate post-independence period. By allowing for a more holistic approach, we are attempting to move away from the growth/stagnation dichotomy in explaining entrepreneurial behavior (in this period) on the one hand; and political explanations for entrepreneurial responses on the other.

Using the company-wise balance sheet data provided in the Investors' India Year Book, rupee companies under various EMA's are identified. At four time points in the twenty year period 1930-50, various indices of control and performance are calculated, based on criteria provided in the Joint Stock Directory. Thus, managerial, physical, and financial indicators of EMA control over major industries of the time (viz. textiles, jute, engineering, and 'others'), as well as the nature of the controlled companies in terms of profitability, financial viability, pattern of investment etc., are analyzed. These trends are then used to trace the growth dynamics of EMAs in these twenty years, in conjunction with the whole process of their evolution in the changing environment of the late nineteenth and

early twentieth centuries.

Chapter I contextualizes the aforesaid analysis in the extant literature, highlighting the rigid and static nature of existing frameworks in the study of foreign investment in India.

The appropriateness of the choice of rupee companies under EMA's for such a study is brought out in Chapter II, which traces the dominant trends in industrial investment in the late colonial economy. It also attempts to highlight the economic environment, in terms of government policy and business attitudes, within which foreign capital had to operate in this period.

The next two chapters (Chapters III and IV) analyse various indices of control over rupee companies under EMAs. Other forms of foreign investment in the economy viz., subsidiaries of multinational corporation are not discussed, primarily due to lack of adequate data, but also because they were a comparatively newer phenomena and their interaction with the economy still unclear. Chapter III using managerial indices of control viz., composition of board of directors, managerial integration and interlocking, points towards substantial European presence in 'traditional' industries like jute and cotton, as also in 'new' industries like engineering, and 'other' industries (a miscellaneous category including paper, cement, chemicals and metals).

European control (even in 1950), over the jute industry is established in terms of ownership, financial and performance indices in Chapter IV, which also indicates significant European presence in an industry as Indian dominated as cotton textiles;

the newer industries show lower, though not insignificant foreign presence. In all cases, the broad trends are indicative of the desire of EMAs to retain control, and there is not much evidence of withdrawal or of Indianization of existing companies, which seem to be fairly robust through out the period. In general, the growth of Indian entrepreneurship does not seem to be at the expense of existing European interests which at worse stagnated (more often than not in a superior position) during this period, though in almost all cases no absolute decline occurred.

Chapter V traces the evolution of EMAs in India and attempts to find the logic of the trends brought out in the previous analysis, in the development of this particular institution. It argues against the passivity of this institutional form and explains the various structural and organizational changes therein as responses to the changing needs of the time, hinting at possible explanations for the post-independence structure of Indian industry characterized by a dominance of large business houses. Some case studies of individual EMAs are also attempted, in order to illustrate these arguments.

Finally the Conclusion draws various threads of the argument together by relating the results of our analysis to strategic, structural and operational aspects of EMAs in the late colonial economy.

Appendix I discusses the data used and its limitations. Appendix II gives the detailed tables and Appendix III provides a profile of the EMAs studied.

CHAPTER ONE

Foreign Participation in Late Colonial India: Beyond Existing Frameworks

Recent historiography of the colonial period is marked by an emphasis on economic and political factors as explanatory variables for trends in the organized sector of the Indian economy in the inter-war and immediate post-war period. Thus, demand limitations, supply constraints, underdeveloped markets, credit gaps, technological backwardness, official patronage, racial affinity, are all considered relevant explanations for the lack of industrial growth and development in the late nineteenth and early twentieth centuries. Though the particular constraints emphasized do differ, the colonial situation is the universally accepted defining factor.

There are studies highlighting the beneficence of colonial rule—both in negating the adverse impact of traditional attitudes, and in facilitating industrial take-off.^{1/} In this context the role of European Managing Agencies (EMAs) in promoting and financing industries in the pre world-war I period is often emphasized.^{2/} There are also studies underlining the rise of Indian entrepreneurs 'in spite of or in opposition to' colonial rule^{3/}. Native entrepreneurial activity is alternatively seen as aggressive penetration by Indian capitalists,^{4/} dependent industrialisation,^{5/} or a result of planned retreat by foreign capital.^{6/} But there seems to be a general consensus about certain trends in industry in this period: EMAs, having lost their importance as managers and promoters of industry, were being replaced by subsidiaries of multinationals as the main form

of foreign investment in India; Indian entrepreneurs were emerging as the major investors in manufacturing industry.

The emphasis of much of the literature is on industrial and entrepreneurial activity -- particularly that of Indian entrepreneurs in contrast to their foreign counterparts-- articulated and engendered through forces either market^{7/} or imperialist^{8/} in character. Depending on the particular predilection it is either the 'character of opportunities and costs'^{9/} or 'colonial relationships'^{10/} or both,^{11/} which influenced the rate of investment, the performance of Indian and foreign (British) groups and the scope of industrial development in this period.

These arguments are based on research largely confined to Eastern India, though there is some work being done on Western and Southern India. ^{12/} The link with the national and international economy being established through exogenous political (nationalist/imperialist) and/or economic (primarily mercantile) factors.^{13/} Both the choice of region and the periodization reflect the aforesaid predilections of the extant literature. Eastern India (Calcutta) besides being the seat of the Imperial government, was also the biggest port, and the biggest base for accumulation of European capital. It is thus suitable for a thesis on imperialist exploitation and/or market domination.^{14/} The periodization too, emphasizing as it does certain events, predetermines the conclusions.

Though in most cases the period of enquiry is vast,^{15/} the

concentration is usually on 1914-1947, each end point being seen as a 'structural break' in existing relationships/trends.^{16/} Accordingly, the first world war is seen as the initial break in the hegemony of the European Managing Agencies (EMAs) over industry and trade, as other entrepreneurs presumably Indian came into the fore. The 'stagnation/decline' of EMAs, it is argued, was not only due to their excessive dependence on a few 'traditional' export-oriented sectors (viz., jute, tea, coal), which were adversely affected by the sharp decline in world trade and the choking-off of credit and transport facilities during and after the first world war; but the dismantling of the colonial structure, considered an important prerequisite for their largely extractive activities, also contributed to this trend. Thus, the rise, maintenance and subsequent decline of EMAs is seen as a function of the economic power over production and exchange that foreign capitalists were able to exert in the various stages of the colonial situation.

The next logical stage in such arguments is to contrast the 'conservatism' of Europeans in this period with the dynamism of Indian entrepreneurs in an environment increasingly congenial for indigenous groups.^{17/} The granting of protection to many industries, changes in the stores' purchase policy and the needs of the second world-war, encouraged (rupee) investment in 'new' industries (viz. sugar, paper, cement, chemicals, metals, engineering). The domestic market orientation of these policy formulations meant that Indian participation in these industries was much more prolific than that of EMAs, which were 'stuck' in traditional, external market oriented sectors. The process of

disintegration of EMAs, which began in 1914, is thought to have culminated in 1947, when takeovers and outright purchases of EMAs led to a situation wherein, 'the purely Indian share in rupee capital invested in Calcutta came to outweigh European capital'.^{18/}

The alternate form of foreign investment in India, viz. the subsidiaries of multinational corporations, arose to protect markets which had earlier been controlled through exports, and to jump tariff barriers. Unlike EMAs, these subsidiaries catered to the fast growing domestic market, entered 'new' industries, exercised technological and financial (rather than managerial) control and were considered to be a response to the changing needs of western capitalism in the post depression period.

There do exist some studies that deal with specific issues, but they also articulate within the broad trends highlighted above. The studies, like those by Kidron and Tomlinson^{19/}, on the nature and forms of foreign investment (especially EMAs) in India, emphasize the changing domestic and international, economic and political, scenario in the inter-war years as influencing the growth and structure of foreign managing agencies and subsidiaries. Thus, the importance of the imperial setup, and of a mercantile and Britain centric world environment, in providing infrastructural and market support for the growth of EMA's before World War I, is highlighted. Consequently, the subsequent inward orientation of both the domestic and British economies, and the disintegration of the

colonial regime, is held responsible for their collapse and/or withdrawal. The importance of these changes in the national and international economy, in moulding trends in foreign ownership and control, in the inter-war period, cannot be minimized. But to infer from this (as do both studies) that because the specific institutional form of this investment (in this case EMAs) arose due to a specific set of needs of the national and international economy, it automatically died out when these needs no longer existed, seems not just erroneous (as we hope to show in the course of this study), but also static in its conception of institutions in particular and the historical process in general.

To illustrate, Tomlinson argues that expatriate managing agencies were a 'product of a particular time, as well as a particular place'.²⁰¹ Accordingly they adopted specific forms which were necessary for their immediate success but which limited their options for the future, so that with 'decolonization' and the rise of Indian entrepreneurs, having greater access to information and resources, to cater to the growing domestic market, EMA hold over the economy weakened and diminished.

Kidron is not as rigid in his interpretation of the historical process and admits that EMAs did adapt (though in a limited manner) to changing circumstances, through concentration of capital, Indianization of their managed companies and limited diversification in response to the changing industrial structure. Unlike Tomlinson he points to the possibility of foreign

dominance, at least in 'traditional' sectors, up till the 1950s. Unfortunately, the lack of any empirical analysis to support these contentions and the excessive reliance on press statements as proof of trends,^{21/} reduces the force of these arguments.

While Tomlinson's conception is static in the sense that he sees EMAs as being unwilling or unable to adapt to changing circumstances, Kidron's is static in that, though he sees their actions in this period as adaptations to a dynamic situation, he expects their position vis-a-vis the industrial economy to remain unchanged for these adaptations to be 'successful'. Thus their diminishing role (in promotion and management of industries), in the inter-war period (as compared to the pre-world war I situation), is taken to imply a weakening of their hold over the economy.

While it is true that EMAs emerged and grew in response to certain economic, political, administrative, financial and geographic factors, they also had some influence on the environment which generated them. The fact that the large Indian companies that grew in the 1930s were very similar in structure to the expatriate enterprises they were allegedly rivalling and supplanting, is an eloquent pointer to this influence, as also to the responsiveness of the institution to its environment. EMA behavior in the first half of the present century could thus be seen as part of a continuous process of their growth, in interaction with their environment.

In this context the whole question of foreign control

becomes relevant. As an index of the nature and extent of foreign influence in the economy and the changes therein, various facets of this control viz., managerial, physical and financial, would capture the dynamics of EMA interactions with their environment. Inter-temporal comparisons of the extent and nature of this control in terms of real indices of economic activity (size of asset holdings, capacities utilized, employment generated, accumulation etc.) could then be taken as concrete manifestation of expatriate behavior in terms of organizational techniques and performance of controlled companies, as well as an indication of their future plans, in response to various stimuli. Indeed, a preoccupation with control seems to have been the dominant mood of the expatriates, especially in the 1930s and 1940s.

The fact that the existing literature is largely silent on this aspect,^{22/} is a pointer towards the rigid and static nature of the frameworks that underly it. The rigidity arises due to the adherence to a causal framework which is either a fetish with market forces or an imperialist dogma.^{23/} The stationariness is due to the permanently defined nature of this causality. The framework predetermines the periodization, as well as the types and levels of analysis. Moreover it provides an extraneous logic for the trends visible in this period. Consequently, there are unidirectional and unilinear descriptions of the performance of EMAs on the one hand, and of Indian entrepreneurs on the other, in response to similar types of changes in imperial and/or market circumstances over the first half of the twentieth century. Such generalization of the level of enquiry obviously condition the

choice of indicators and consequently the assessment of performance.

Even if specifics are studied, they are assumed to articulate, not only within the defined interpretative framework but also within the established macro patterns, so that again the lines of enquiry are predetermined and limited. The lack of substantive studies on the dynamics of foreign control in the late colonial economy^{24/} is illustrative of this determinism. Since the macro trends suggest a stagnation/decline of EMAs in the secondary sector, as also the relative dynamism of Indian entrepreneurship, the opportunity/need to study foreign control does not arise. If at all this aspect is delved into, the emphasis is on Indianization of foreign concerns. The indices used are therefore, the number of Indian directors, owners, managers, in such concerns. Thus, the approach, analysis, and conclusions, are all predetermined.

This study focuses on the extent and nature of foreign(EMA) control, in some industries in the 1930's and 1940's, because if released of the existing rigidities, such an enquiry would be representative of the dynamics of foreign participation in the Indian economy. It would also imply a rejection of the existing framework at various levels. The specificity of the focus, in terms of the issues, and the period, is not intended to negate the macro influence on the micro process. Rather the approach, in mapping the transformation of this particular institution of foreign investment (EMAs), is to see how and in what form, the macro environment takes part in

this transformation and, is itself transformed in the process. This imparts a flexibility and dynamism to the enquiry, allowing for a notion of change which is multi-dimensional; taking into account organizational, motivational and, functional factors influencing EMA behavior, rather, than just focusing on growth and/or stagnation as indicators of EMA participation in the economy. The changing dimensions and forms of foreign control reflecting different types of transformations, in a period characterized by changes in both industrial structure and strategy, therefore provide a more appropriate way of assessing the dynamics of this participation in the Indian economy.

The 1930-50 period is especially appropriate for a study of foreign control, because the conflicting pulls of the sentiments of an emerging national state on the one hand and the practical needs of an economy embarking on modern industrial growth on the other, in this period influenced government policy and business attitudes, both indigenous and foreign, differentially at different points in these twenty years, making control of foreigners over their (existing and new) ventures (especially foreign controlled rupee companies) in India an important and controversial issue.^{25/} Not only this it also paved the way for much of the latter day regulation of foreign investment in India.

Notes & References

1. For an exposition of this view see M.D.Morris(1983).
2. See for example P.S.Lokanathan(1949), R.S.Rungta(1970),(1987), A.Brimmer(1955).
3. See for example A.Mukherjee(1986), O.Goswami(1982), (1985) (1989).
4. Ibid.
5. For this view see: A.K.Bagchi(1972); R.K.Ray(1979); A.I.Levkovsky(1972); and C.Markovits(1985) for a slightly different angle.
6. See B.R.Tomlinson(1979).
7. See Morris, Mukherjee, Goswami,op.cit.
8. See Bagchi, Ray, Levkovsky,op.cit.
9. See Morris, Ray, op.cit.
10. See Levkovsky, Bagchi,op.cit., Kidron(1966).
11. See Tomlinson, op.cit.
12. A.D.D.Gordon(1978), R.N.Chandravarkar(1985), on Western India; R.Mahadevan(1988),(1990),on Southern India.
13. See especially Tomlinson, Kidron, op.cit.
14. This does not mean that other regions cannot be fitted into this framework. In this context, it should be mentioned that Mahadevan in his study on colonial Madras (Mahadevan(1990)), is only partially successful in his attempt to move away from this trend in the literature.
15. 1900-39 in A.K.Banerjee(1963) , in Bagchi, op.cit.; 1914-47 in Ray,op.cit.; 1850-1947 in Morris,op.cit.; 1920-60 in Tomlinson op.cit.,note 18; 1900-65 in Kidron,op.cit.
16. Bagchi, Ray, op.cit.
17. Ray,op.cit.
18. Ibid.Pg.53; It should be noted that Rupee capital is the capital of companies registered in India, and can be held by both Indians and foreigners.
19. Kidron, op.cit.; Tomlinson,op.cit.,(1975),(1976) (1978),(1981),(1987),(1989)(1),(1989)(2);
20. Tomlinson,(1989)(1),op.cit.
21. Kidron's entire effort tends to be descriptive rather than analytical, relying on press statements which are often of

dubious accuracy in terms of actual behavior or trends.

22. One study specifically on the control aspect is by O.Goswami,op.cit., but it does not deal specifically with the 1930-50 period. Tomlinson (1981), (1989)(1), (1989)(2), also considers this aspect but his emphasis is different.
23. These frameworks do not always appear in the literature as clearly defined categories and are often intermingled.
24. Refer Note 21.
25. A perusal of FICCI documents reveals the extent of agitation among Indian capitalists about foreign control over industry. Refer Chapter 2.

CHAPTER TWO

The Economic Environment for Foreign Investment

Any attempt to study the dynamics of a specific institutional form of foreign investment in India, should be situated in the broader context of the trends in private investment in general and private foreign investment in particular, during this period. The organization of such foreign investment, the policy framework within which it had to operate and the business environment, in terms of the attitudes of indigenous (and foreign) business, imperial government and nationalist leaders, to foreign participation in the economy, all must have played their part in shaping EMA behavior. In this chapter we view broad trends in foreign investment, industrial policy and business attitudes which formed the environment within which EMAs had to function in the 1930-50 period. The specifics of their operations, studied in subsequent chapters are to be viewed in the context of the trends (and the logic therein) highlighted here.

Table 1
Pattern of Foreign (Long-term Private Business)
Investment in India (1948)

	Percentage of Total Investment
Manufacturing	28.13
Trading	25.16
Utilities & Transport	10.20
Mining	4.47
Financial	2.60
Plantations	20.43
Oil	2.09
Miscellaneous	6.92
Total	100.00

Source: RBI Monthly Bulletin, June 1959.

Table 2
Trends in Sterling Investment in various sectors 1930-50

Sectors	1930		1940		1950	
	No. of Cos.	% of PUC	No. of Cos.	% of PUC	No. of Cos.	% of PUC
Banking	29	13.63	24	12.68	28	15.56
Insurance	142	9.33	134	9.9	138	19.89
Transport	47	9.21	46	10.48	38	5.62
Tr. & Mfing	366	42.63	350	45.25	379	41.68
Plantations	207	4.28	193	3.92	193	3.41
Mining & Quarrying	38	15.50	27	16.70	32	22.0
Total Cos.	864	100.00	803	100.00	845	100.00

Table 3
Trends in Rupee Investment in various sectors : 1930-50

Sectors	1930		1940		1950	
	No. of Cos.	% of PUC	No. of Cos.	% of PUC	No. of Cos.	% of PUC
Banking	1680	8.46	1691	7.06	1979	9.46
Insurance	343	0.77	542	1.44	359	1.61
Transport	318	7.81	524	8.24	1640	7.08
Tr. & Mfing	3199	54.32	5671	59.00	18266	60.11
Plantations	564	5.36	512	4.57	826	4.38
Mining & Quarrying	321	13.94	302	6.88	766	6.04
Total Cos.	7092	100.00	10658	100.00	27558	100.00

Source: Joint Stock Companies in British India and the Indian States, relevant years.

Table 1, shows that in 1948, more than fifty percent of private foreign investment in India was in Trading & Manufacturing. Tables 2 and 3, giving trends in sterling and rupee investment in the 1930-50 period, reveal a similar bias in investment. While sterling capital^{1/} was totally foreign owned, rupee capital^{2/} had both indigenous and foreign components. The trends in investment in the private sector are representative of the path and pattern of industrial growth occurring in this

period. The fact that indigehous and foreign capital flowed in similar directions, reveals the willingness of foreigners to conform to this path. Their success in doing so depended on their ability to adapt their structure and functioning to the changing situation of the 1930s and 1940s.

Trading and manufacturing accounted for forty-two percent of sterling and sixty percent of rupee investments, by 1950 (Tables 2,3). Mining and Quarrying, and Banking followed with twenty-two percent and fifteen percent respectively, of sterling capital; the rupee capital shares being five percent and ten percent.

The major difference in the trends in sterling and rupee capital is seen in their rate of expansion during this period. While sterling capital stagnated both in terms of number of companies and in terms of paid-up-capital (henceforth PUC), rupee capital grew enormously, increasing from Rs.2742 crores in 1931-32 to Rs.7239 crores in 1949-50, a more than two and half times (at current prices) increase in twenty years. The number of rupee companies more than trebled, increasing from 7092 to 27,558, in this period.^{3/}

Table 4
Trends in Rupee Investment in the Trading and Manufacturing
Sector : 1930-50

	1930		1940		1950	
	No. of Companies	% of PUC	No. of Companies	% of PUC	No. of Companies	% of PUC
1. Mills & Presses:	561	37.87	793	36.86	1450	31.75
of which, Cotton Mills & Presses	394	22.77	495	22.01	838	22.14
Jute Mills & Presses	97	13.28	124	12.50	173	6.80
2. Mutual Trading Associations	51	0.18	58	0.89	281	0.54
3. Printing, publishing & Stationary	283	1.88	536	1.96	1641	2.48
4. Chemicals & Allied Trades	146	1.48	469	3.34	1578	5.85
5. Iron, Steel and Ship building	58	2.89	133	5.13	562	5.18
6. Engineering	132	2.85	226	2.94	998	4.20
7. Tanneries & Leather trade	38	0.32	57	0.41	186	0.72
8. Canvas & Indian Rubber trade	5	0.59	33	1.85	71	0.56
9. Public Service Companies	145	18.77	354	13.12	428	7.19
10. Clay, Cement, Building materials	78	2.69	119	6.29	386	5.83
11. Glass	16	0.12	45	0.16	154	0.74
12. Agencies including Managing Agencies	199	5.82	638	5.85	2895	7.16
13. Tobacco	15	2.85	28	2.66	83	1.72
14. Soap	20	0.27	33	0.57	183	0.58
15. Aluminum ware	6	0.38	7	0.43	22	0.82
16. Matches	28	0.45	29	0.44	64	0.58
17. Others	1444	29.98	2258	19.98	7733	24.88
Total	3268	100	5845	100	18266	100
	(Rs.517.6 crores)		(Rs.1762.1 crore)		(Rs.4351.6 crores)	

Source: Calculated from Joint Stock Companies in British India and the Indian States, 1930-31, 1948-41, 1949-50.

Rupee investment in Trading and Manufacturing was the largest (and growing) component of private investment in the 1930-50 period. Table 4 shows the product composition of this investment. Mills and Presses of which Cotton textiles and Jute formed the major components, accounted for the largest percentage of PUC in this sector (thirty-eight percent in 1930, thirty-six percent in 1940 and thirty-two percent in 1950). The share of textiles in total PUC (in manufacturing) stagnated at around twenty-two percent. But in absolute terms, rupee investment in

textiles increased by about three times (at current prices) in this period. The share of rupee investment in Jute halved, falling from thirteen percent to seven percent in 1930-50, though again in absolute terms there was an increase.^{4/} In the entire period cotton textiles and jute accounted for the largest chunk (about thirty percent) of investment in the manufacturing sector.

In contrast to textiles, the shares of Chemicals and Allied trades, Iron & Steel, Engineering and Cement etc. in total PUC, doubled in the twenty year period, though still remaining very small (about five percent, each) in aggregate terms. These were new industries coming up for the first time in the inter-war period, due to demands arising both in the domestic and international economies, in contrast to the more 'traditional' textile industry which had grown in the previous century and consequently had a large solid base of old stock.

Thus there seems to have been an increase in the number of rupee companies and in the use of rupee capital, predominantly in the manufacturing sector in the period of our analysis. Cotton textiles and jute accounted for a major (though stagnant) chunk (greater than thirty percent) of rupee investment in manufacturing. And, the newer industries viz., chemicals, engineering etc., which accounted for a minuscule proportion of rupee share capital in manufacturing, showed an increasing trend in invested capital through the period.

Any study of the nature and dynamics of foreign participation in the economy, if it is to be realistic, would,

therefore require, an enquiry into the foreign presence in rupee companies⁶/ in the 'traditional' cotton and jute textile industries and in some of the 'new' engineering, chemicals, iron & steel, cement etc. industries.

Table 5

Value of shares of Controlled Indian Joint Stock Companies held by foreign Managing Agencies and foreign subsidiaries (1948)
(values in lakhs of rupees)

Trade Classification	No. of Controlled Companies	Total value of shares	Value of shares held by foreigners	Percentage held by foreigners
MANUFACTURING				
Foreign Managing Agencies	108	4471.4	684.7	15.3
Foreign Subsidiaries	49	1834.3	1621.5	88.4
TRADING				
Foreign Managing Agencies	18	515.7	171.9	33.3
Foreign subsidiaries	70	1397.4	1364.1	98.9
UTILITIES				
Foreign Managing Agencies	18	1056.6	24.9	2.4
Foreign subsidiaries	1	24.3	24.3	100.0
TRANSPORT				
Foreign Managing Agencies	11	407.6	12.9	3.2
Foreign subsidiaries	--	--	--	-
MINING				
Foreign Managing Agencies	22	458.9	67.7	14.8
Foreign subsidiaries	1	1.0	1.0	100.0
FINANCIAL				
Foreign Managing Agencies	8	64.0	0.9	1.4
Foreign subsidiaries	10	1010.8	1003.9	99.3
MISCELLANEOUS				
Foreign Managing Agencies	149	1987.3	346.6	17.4
Foreign subsidiaries	19	489.1	463.3	94.7
TOTAL				
Foreign Managing Agencies	334	8961.5	1309.6	14.6
Foreign subsidiaries	150	4738.9	4478.1	94.5

Value of shares of Joint Stock Companies is Equity value, calculated from balance sheets of Indian and foreign companies.

Source: Adapted from figures in the Census of Foreign Assets and Liabilities, 1948. RBI.

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The major organisational form of this foreign investment in India, since the 1850s, had been EMAs; but in the 1920s and 1930s, in the wake of protection, subsidiaries of foreign multinational corporations (known as 'India Limiteds') made their appearance on the industrial scene. Table 5 showing the value of shares held by foreign managing agencies and foreign subsidiaries in 1948, reveals foreign managing agencies to have accounted for nearly double the total value of shares, accounted for by foreign subsidiaries. In the manufacturing sector the value of shares accounted for by EMAs was almost four times that accounted for, by foreign subsidiaries.®/ Except for Trading and Finance, in all other sectors similar trends prevailed. It does not seem therefore that foreign subsidiaries (and branches) had replaced EMAs as the dominant form of foreign investment in India.

Within the manufacturing sector, cotton textiles and jute were the main areas of EMA investment; while rubber, matches, metals, food products and chemicals accounted for most of the investment by foreign subsidiaries (Table 6). These trends are explained by the fact that EMAs had been operating in India for a longer period and therefore had massive stocks of investment in traditional industries. Multinational investment on the other hand was a more recent phenomenon and was directed towards newly emerging industries. Such investment became visible in the 1920s and 1930s when foreign multinationals started establishing subsidiaries in India, in order to jump tariff barriers and take advantage of a protected market, both for consumer non-durables (viz. processed foods, toiletries and cigarettes) and for technology intensive producers goods. Not only were the areas of

Table 6

**Value of Shares of Controlled Indian Joint Stock Companies held by
Foreign Managing Agencies and Foreign Subsidiaries in Manufacturing**
(Values in lakhs of Rupees) (1948)

Trade Classification	No. of Controlled Companies	Total value	Distribution of ordinary shares: Shares of Parent Cos./M. Agency Value Percentage	
MANUFACTURING				
Foreign Managing Agency	108	4471.4	684.7	15.3
Foreign Subsidiary	49	1834.3	1821.5	88.4
JUTE				
Foreign Managing Agency	30	1718.4	255.2	14.9
Foreign Subsidiary	-	-	-	-
COTTON TEXTILES				
Foreign Managing Agency	18	1691.4	259.5	15.3
Foreign Subsidiary	1	5.8	5.5	94.8
SUGAR				
Foreign Managing Agency	10	259.0	12.0	4.6
Foreign Subsidiary	-	-	-	-
PAINTS & COLOURS				
Foreign Managing Agency	4	123.7	13.9	11.2
Foreign Subsidiary	8	115.0	89.8	78.1
RUBBER				
Foreign Managing Agency	4	75.5	1.7	2.3
Foreign Subsidiary	3	248.3	248.3	100.0
CHEMICALS				
Foreign Managing Agency	9	66.6	24.3	36.5
Foreign Subsidiary	4	118.8	108.5	91.3
NON FERROUS METALS				
Foreign Managing Agency	-	-	-	-
Foreign Subsidiary	4	172.4	172.0	99.8
PAPER				
Foreign Managing Agency	3	123.7	15.5	12.5
Foreign Subsidiary	3	33.7	29.3	86.9
MATCHES				
Foreign Managing Agency	-	-	-	-
Foreign Subsidiary	2	212.6	109.7	51.6
FOOD PRODUCTS				
Foreign Managing Agency	2	34.5	3.7	10.7
Foreign Subsidiary	2	169.5	157.3	92.8
IRON AND STEEL HARDWARE				
Foreign Managing Agency	2	15.0	2.7	18.0
Foreign Subsidiary	1	164.2	164.2	100.0
TOILET ARTICLES				
Foreign Managing Agency	-	-	-	-
Foreign Subsidiary	2	111.5	111.3	99.8
CIGARETTES				
Foreign Managing Agency	-	-	-	-
Foreign Subsidiary	2	105.1	79.7	75.8
INSTRUMENTS & APPARATUS				
Foreign Managing Agency	-	-	-	-
Foreign Subsidiary	3	101.0	82.1	81.3

Source: Adapted from figures in the Census of Foreign Assets and Liabilities, 1948, RBI.

operation of these MNCs (or their subsidiaries) different from those of EMAs, but their organization and control mechanisms also varied. Tables 5 and 6 (last column) reveal that the parent companies held majority shares in their Indian subsidiaries, a situation very different from EMAs whose shareholdings in the companies they managed were negligible.

Table 7#
Concentration of Assets in the Hands of the EMAs

Industry/ EMAs	Percentage Share of assets held in			
	1933	1939	1945	1950
JUTE				
First one	15.67	15.66	13.53	14.64
First two	31.02	31.78	31.66	34.70
First three	42.73	43.49	44.23	45.67
COTTON TEXTILES				
First one	5.71	5.44	5.31	5.93
First two	9.84	8.11	10.52	11.58
First three	12.57	11.02	12.99	14.01
ENGINEERING				
First one	17.69	28.33	24.34	25.16
First two	19.50	29.37	25.01	26.37
First three	20.37	30.08	25.86	27.74
OTHERS*				
First one	14.22	9.70	11.56	10.40
First two	21.98	12.70	13.93	11.37
First three	21.98	12.70	17.61	14.30

Source: Calculated from the data in the Investors' India Year Book, 1933-34, 1938-39, 1945-46, 1950.

Note: # Refer Appendix II, for details of this table

* The 'Others' category includes the chemical metals, paper and cement industries.

Table 7 showing the concentration of assets in the hands of EMAs in the major industries of the period, gives a picture of the presence of EMAs in these industries. In all cases, except the 'other'

industries category, concentration of assets in the hands of top EMAs increased over our period of enquiry. In jute, the top three EMAs (viz., Bird Heilgers, Andrew Yule, and Jardine Skinner), held forty-three percent of the industry's assets in 1933 and forty-six percent in 1950. The top four EMAs held more than fifty percent of the industry's assets in the entire period, showing a high degree of concentration even in 1950 (see Table 2 Appendix II). In cotton textiles and engineering, though the majority of assets were not held by EMAs, the top three still accounted for fourteen percent and twenty-eight percent respectively, of industry assets in 1950, in both cases an increase from their asset shares in 1930. In 'other' industries their share declined from twenty-two percent to fourteen percent in the 1930-50 period.

Thus Tables 1-7, indicative as they are of the structure of foreign investment in India, reveal rupee companies under EMAs in the manufacturing sector (especially in jute and cotton textiles, see Table 4), to be the most appropriate organizational group, for any enquiry into the dynamics of foreign participation in India in the 1930-50 period, as they were the growing component of foreign investment in this period. EMAs seem to have been a significant presence in the industrial economy both in terms of being a substantial proportion of foreign investment (Tables 5,6) and a tangible presence in domestic industry (Table 7).

Their existence in the Indian economy was influenced by the economic environment in which they had to operate. The attitude of the imperial state and the provincial governments headed by the Congress, in terms of implicit or explicit regulation; the stand taken by the

indigenous business community (or its various factions), towards foreign investment in general, and its specific institutional forms in particular; affected and were themselves moulded by the operations of EMAs in this period. Thus in the rest of this chapter we discuss government 'policy' and business attitudes in the 1930s and 1940s.

Government 'Policy' and Business Attitudes:

While it is true that the period of British rule in India was characterised by an absence of (imperial) policy in the sense of a set of explicit rules designed to develop industry, imperialism meant a certain character of the state which involved an indifference about industrialization and a benevolent attitude towards certain groups. Nevertheless, in accordance with the political and economic exigencies of the time, a series of ad hoc measures, ranging from laissez-faire (in the late nineteenth and early twentieth centuries) to various phases of discriminating protection (in the 1920s, 1930s and 1940s), were adopted by the imperial government.

This imperial endeavour to broadly direct industry was accompanied in the 1930s and 1940s by considerable effort on part of the nationalist forces to prepare outlines of an industrial policy for independent India. The report of the National Planning Committee of the Indian National Congress (set up in 1938) and the Bombay Plan (1944-45) brought out by leading Indian industrialists, spelled out the basis of industrial growth in India which eventually found concrete manifestation (albeit in a modified/diluted form) in post-independence industrial policy.

Thus, the policy of discriminating protection, the emphasis

on import substituting industrialization, the realization of the need for state intervention for balanced industrial growth, the notion of a mixed economy, the changing perceptions about the role of foreign investment in the economy, all so much a part of the general mood of the 1930s and 1940s, were to be reiterated in the 1948 Industrial Policy Resolution, the 1949 Statement on Foreign Capital, the 1951 Industries (Development and Regulation) Act and subsequently in successive five year plans.

The attitude towards foreign capital was manifest in the pre-independence outlines and post-independence policy, as well as in debates and discussions in business forums at the regional and national level. There were broadly three discernable phases in the discussions on the role of foreign capital in Indian industrialization, in our period of enquiry. The first phase extending throughout the 1930s was one of undiluted hostility. The second, arising out of the war time experiences, was one of realization and acceptance of the need for foreign capital and technology for industrial growth. The last, starting in the late 1940s and extending well into the 1960s was one of active collaboration and cooperation with foreign interests.

Thus the attitude to foreign capital, of both the National Planning Committee and the Bombay Plan, in the 1930s, was rather stringent, emphasising the need to reduce India's dependence on foreign plant and machinery. Accordingly, it was recommended that the terms for foreign investment should be restrictive and the state have the right of effective control over the policies and management of such concerns. In both plans, except in the case of technology for key industries being unavailable in the country, foreign ownership and

management were not to be permitted.

In 1936, the Federation of Indian Chamber of Commerce and Industry (FICCI) in its Annual Meeting unanimously adopted a resolution to impress upon the government the necessity of collection and publication of complete statistics and data with regard to capital, production, growth and method of competition of non-Indian industrial enterprises and concerns operating in India to enable the country to comprehend the problems relating to the establishment and growth of non-Indian concerns behind tariff walls.^{7/} This resolution followed an attempt by FICCI in the previous year, to independently gauge the extent and nature of this new threat from foreign capital as the aftermath of the protection policy. In 1935, in response to a FICCI communique, all member bodies had sent information about the new foreign concerns coming up in their areas. The names of Lever Bros. and Western Indian Match Company occurred in many lists, as did those of the Imperial Tobacco Company, Bata Shoe Factory, Calcutta Match Co., and industries like chemicals, soaps and toiletries, oil, paints and varnishes, shoe-making and matches were repeatedly mentioned.^{8/}

Two interesting points emerge from a close perusal of this correspondence which involved Indian Chambers of Commerce and Industry through out the country. Firstly, what Indian businessmen all over the country seemed to fear, were 'new' foreign concerns which were mostly subsidiaries of multinationals, establishing units in India to circumvent tariff problems, rather than the 'traditional' form of foreign investment in India viz., European Managing Agencies. As the Maharashtra Chamber of Commerce, Bombay succinctly put it,

".... it may be mentioned that the question is not so much of those

non-Indian concerns which have existed before 1930-31 and many of which have a large percentage of their capital and directorate Indian."9/

Secondly, this antipathy towards foreign subsidiaries (rather than EMAs) seems to have been rooted in a fear of the economic superiority of these foreign concerns in terms of resources, technology and organizational networks rather than any expectation of discrimination due to their racial or politico-administrative connections with the imperial government.10/

" It is obvious that such non-Indian concerns with their superior financial resources; longer experience and better equipment, technical skill and efficiency are able to oust their Indian competition and in some cases, even exterminate them....."11/

By 1945 the missed opportunities of war time especially in the capital goods industries coupled with the realization of the immense complexity of modern industry the world over, the extent of technological advancement in chemicals and engineering in Europe and America,12/ and their experience with superior foreign interests in the thirties, led Indian businessmen to accept the necessity of foreign investment for industrial growth in India.

British interest in India also emphasised the need for cooperation and collaboration. The Viceroy at the Annual Meeting of the Associated Chamber of Commerce, said,

" good will and cordial relations are of great importance to both British and Indian business.... I firmly believe that cooperation between British and Indian enterprise in an atmosphere

of good-will provides the best means for the industrial development of India in the quickest and most fruitful manner".13/

British and Indian business interests were also one in their desire for political stability and harmony, as the impact of unrest and dislocation on industrial activity would be universally felt.14/ This affinity at least in broad perspectives led by the end of the forties to the mushrooming of a large number of Indo-British collaborations in industry.15/

The 1945 Statement on Industrial Policy16/ and the 1948 Industrial Policy Resolution reflected this realization of the need for cooperation and collaboration, but no concrete policy stand towards foreign capital was adopted. The 1948 Resolution left a variety of critical issues, including compensation in the event of takeover of foreign concerns by the government, restrictions (if any) on repatriation of profits, diversification and expansion by foreign enterprises, undecided.

These issues were sought to be clarified by the Prime Minister in a statement in 194917/ which marked the beginning of the third phase in the discussions on the role of foreign capital in Indian industry. This statement remains to date the only one in which the role and place of foreign capital in India is stated in explicit terms. It marked a retreat from the 1948 policy statement in that it stated that the '..... Government would not object to foreign capital having control of a concern for a limited period.....' It was explained that India, with low rates of domestic savings, needed foreign capital to undertake larger investments and also required the scientific,

technical and industrial knowledge and capital equipment which accompanied such investment. Concrete assurances against discrimination in policy and restriction on withdrawals of foreign capital were given. Remittance of profits was to continue as earlier, and fair and just compensation was promised in cases of compulsory acquisition. To dispel fears especially in the minds of the British capital in India, the Prime Minister stated,

" I should like to add a few words about British interests in India. Although it is the policy of the Government of India to encourage the growth of Indian industry and commerce to the best of their ability, there is and will still be considerable scope for the investment of British capital in India. The Government of India has no desire to injure in any way British or other non-Indian interest in India and would gladly welcome their contribution in a constructive and cooperative role in the development of India's economy".18/

In this chapter we have attempted to outline both the visible trends in foreign investment and the less tangible slants of government 'policy' and business ethos which influenced this investment. The sectors into which foreign investment (as indeed all private investment) flowed and the forms which it took (primarily rupee investment in companies managed by foreign managing agencies) are reflective of the opportunities and exigencies of the national and international economy of the period. Industrial policy and business attitudes too, adapted to the requirements of a domestic market oriented industrialization, which nonetheless envisaged an important role for foreign participation in the economy, mostly through the

traditional infrastructural, credit and entrepreneurial links created by EMAs, but also via multinational corporations. The changing attitudes to foreign concerns operating in India, reflected the changing perceptions of Indian industry and of the role of foreign capital and technology in fulfilling these needs.

These attitudes, both government and private, affected the growth trajectory of the EMAs. What is more EMAs reacted individually too, operating in each case according to the specificities of their situation. For eg., the high rates of excess profits taxation during the second world war meant that most of the large profits made by EMAs were taxed away. Some EMAs responded to this situation by cutting down on both accumulation and distribution of dividends to shareholders. Others, cut accumulation but continued to declare a high rate of dividends, by eating into their PUC. Still others, relied on borrowed funds to continue their expansion and diversification. The stature of the particular EMA, the length of its operation in India, the industries of its operation, the nature and extent of its diversification, its size and credit worthiness; all influenced its response to the economic environment.

In the colonial situation foreign business also envisaged for itself some role in the development of Indian industry. The extent of control exercised by foreigners in this interaction with the industrial economy and the mechanisms through which it operated thus become important determinants of the dynamics of this participation. The next two chapters are hence devoted to the analysis of this control.

Notes & References

1. Sterling capital is the capital of companies registered in Britain.
2. Rupee capital is the capital of companies registered in India.
3. Joint Stock Companies in British India and the Indian States, 1931-32, 1940-41, 1949-50.
4. In Jute, a large part of the investment was in the form of sterling balances, so that actual investment (mostly foreign) in the jute industry was much greater than revealed by the trends in rupee investment.
5. The position of sterling companies remained almost unchanged in the period of our enquiry (see Table 2, in text); also, sterling interests of such companies were always in foreign hands, so that any study of the position of foreign interests in the Indian economy can be based on the more controversial and unstable rupee component of such investment.
6. The value of shares held by EMA's was much lower than those held by foreign subsidiaries (Table 5, column 4, 5). This is due to the particular organisational form characterizing these investments; while EMA's exerted control, by means other than holding of majority shares, for foreign subsidiaries shareholdings were the main source of control.
7. Resolution number 14, Proceedings of the Annual Meeting, Vol III, 1936, FICCI.
8. FICCI, Correspondence in the year 1935, Vol. III, 1935, entitled 'Operation of Non-Indian Concerns in India.'
9. Copy of the letter dated 22 March, 1935 from the Maharashtra Chamber of Commerce, Bombay, to FICCI; Correspondence for the year 1935, Vol. II.
10. This argument is in direct contrast to Bagchi's thesis of discrimination against Indian businessmen on political/racial grounds. See Bagchi (1972), Pgs.165-67, 204-05.
11. Letter dated 22 June, 1935 from the Indian Chamber of Commerce, Calcutta to FICCI, op.cit. 1935.
12. The Industrial Mission led by P.S. Lokanathan (and including prominent Indian industrialists), to UK and USA in May- June 1945, to study the industrial organization in these two countries, enhanced the realization about India's industrial backwardness. The Mission emphasised the need for import of foreign technology and know how. Refer 'Eastern Economist' 21 Sept. 1945.

3. 'Capital' 13 Dec. 1945.

14. "...Its (British business in India) danger arises not from the Indian business community with whom it cooperates and whom it serves but from certain extremist political interests to whose animosity it now seems to run the risk of being exposed without a shred of defence."--- Lord Craggle's plea for fair treatment, 30 July 1942, in the House of Commons, reported in 'Capital' 5 Nov. 1942.

"...It is hardly necessary to stress that the Federation is primarily concerned with the maintenance of the normal economic structure of the country as well as its economic advancement. It represents a section of the community, which has nothing to gain and every thing to lose by unrest, disturbance and dislocation."----FICCI press communique 15 Sept. 1942, PT papers, File No.265, NNMC, New Delhi.

15. Indo-British deals 1947-49, included Ashok Motors Ltd., a collaboration between Indians and Austin Motors Ltd., for assembly of cars and trucks; Birla Bros. and Babcock & Wilcox collaborated to manufacture smoke-tube boilers and ancillaries; Nuffield-Birla collaboration in automobiles; Kirloskars and British Oil Engines (Export) Ltd. in engineering; Sen-Raleigh Company collaborating for manufacture of cycles.---Supplement to 'Capital' 22 Dec.,1949.

16. Statement on Government's Industrial Policy, 21 April, 1945; refer M.H.Gopal (1957).

17. Statement regarding the position of foreign capital in India, made by the Prime Minister Jawharlal Nehru in Parliament on 6 April, 1949.

18. Ibid.

CHAPTER THREE

The Mechanics of Foreign Control: Managerial Indices

The increasing use of rupee capital^{1/} in financing manufacturing industry, after the first world war, and the greater participation of Indians as share holders and directors in industrial concerns run by EMAs, and as independent entrepreneurs, are suggestive of substantial changes in the structure of ownership and control in Indian industry, in this period. That the direction of these changes was towards greater Indianization resulting from the erosion of the position of EMAs, as perpetrators of British dominance in commerce and industry, is a view that would conveniently follow, especially given the political climate of the 1930s and 1940s. The magnitude of these changes however would vary across industries, depending on their age and the nature and extent of foreign participation in the initial stages of their development. Such reasoning would finally lead into a discussion of the crisis and decline of EMAs and their eventual exit (voluntary or involuntary) from the industrial scene in the wake of the colonial forces.

The literature that exists^{2/}, mostly follows this inferential pattern and very few attempts have been made to specifically measure the extent of foreign (EMA) control and the changes therein in this period. One study which attempts such an exercise by O.Goswami^{3/}, uses the changes in the racial composition of the Board of Directors of rupee companies under EMAs, in the jute and coal industries, in Eastern India, in the 1918-50 period, as an index of the Indianization of control in these industries.

Clearly an increase in the NUMBER of Indians (in this case, of the Marwari community) on the boards of such companies cannot by itself be taken as an indicator of increasing Indianization of decision making, even if it had been achieved through aggressive penetration, (into boards) on their part. Rather, the PROPORTION of such Indians on these boards would be a more relevant 'control' index. Goswami's data itself reveals that this proportion^{4/} was well below one-fourth even as late as in 1948^{5/}. In other words, increased Indian participation is confused for Indianization of control. Moreover, the managerial composition of the Board of Directors, cannot by it self be an adequate indicator of control, even if one looks only at the managerial aspect of economic power wielded in the corporate sector. Other facets of such control viz., managerial integration, multiple and interlocking directorships, horizontal and vertical integration in industry have also to be examined.

The more generalized studies^{6/}, on industrialization in India in the first half of the twentieth century, attempt to distinguish between what they rather ambiguously call 'foreign' capital and 'Indian' capital. But the nature of this distinction is explicable neither in terms of the sterling capital/rupee capital divide^{7/} nor in terms of the nationality of the owners of this capital. What is more, the structure of EMAs, which allowed for much greater authority over decision making,^{8/} than was implied by the quantity of their share holdings, meant that the place of registration of the companies under them and the nationality of the majority of their shareholders, could hardly be reliable indicators of the control exercised by them (or the lack of such control). Thus a large number of Indian shareholders and the increasing number of rupee companies can hardly be taken as

manifestations of Indianization of control in EMAs^{9/}. More direct and precise indices of control, taking into account the organizational mechanisms of EMAs as well as the structure of industry as it was developing, are obviously needed.

To get some picture of the extent of foreign presence in the manufacturing sector in general and in particular industries, viz. jute, cotton textiles, engineering and 'others', and the changes in this position over the 1930 to 1950 period, various indices of control are calculated from data on rupee companies listed in the Investors' India Year Book ^{10/} of the years 1933, 1939, 1945 and 1950. These indices are representative of the various techniques of control exercised by the EMAs, a function undoubtedly of their organizational structure^{11/} and that of the emerging manufacturing sector.^{12/}

(a) MANAGERIAL CONTROL exercised through appropriate placement of members on the boards of companies under them and consolidated through managerial integration across industries and pluralism of directorships.

(b) OWNERSHIP CONTROL tangible in terms of hold over assets capacity and employment in particular industries. The extent of concentration of this ownership in the hands of top EMAs and of their inter industry-investments revealing market strength/corporate bigness.

(c) FINANCIAL CONTROL operating through a manipulation of external and internal sources of finance to ensure efficiency, financial viability and stability of their companies in diverse economic situation.

The idea here is not to establish foreign dominance but to assess whether foreign presence was significant through a survey of

various indices of industrial activity. The focus is on the nature of foreign presence (and the changes therein), not just on its dimensions. The effort is to move away from a notion of change which is uni-dimensional, looking at growth/stagnation in terms of changes in the number of companies and their PUC; towards a multifaceted approach to the transformation of EMA's in the post-depression and war period. Such an approach would entail an analysis of EMA behavior in terms of organizational and operational tendencies, manifest in their role as managers, financiers and entrepreneurs in various industries in this period.

Thus managerial practices, corporate size (in terms of the asset structure), nature and degree of operations (in terms of capacity, employment, profitability, accumulation), and financial stability, are the indicators analysed in Chapters III & IV. These in turn, reflective as they are of the position of EMA's in both traditional and new industries, of the influence of Indian entrepreneurial activity and other economic and political factors on EMA behavior; give an insight into the motivational aspect of EMA existence (i.e. the logic of functioning of this institutional form), in this period. This aspect of EMA evolution is highlighted in Chapter V.

In this chapter, the analysis will be confined to the various facets of managerial integration visible in EMA behaviour^{13/}.

◀ Managerial composition of the Board of Directors: Table 1.1 reveals the position of foreigners on the BOD of approximately hundred companies under twenty EMAs, in 'All Industries'^{14/} at four time points.^{15/} There seems to have been a majority of foreigners

Table 1.1
Changing Composition (Foreign) of BOD in EMA's
All Industries

% of foreigners on BOD	Frequency Distribution of companies			
	Year			
	1933	1940	1945	1950
0-25	0	1	1	2
26-50	6	4	4	5
51-75	10	12	11	10
76-100	5	4	5	4
	21	21	21	21

(ie. more than fifty percent) on these boards in fifteen out of twenty-one EMAs in 1933. This aggregative picture remained almost unchanged in 1950, the slight fluctuation in proportions in the interim period being towards greater (rather than fewer) foreigners on boards.

The position in individual industries is shown in Tables 1.2 to 1.5. In the jute industry (Table 1.2) in which eleven EMAs managing forty eight companies were considered, in all except one EMA, there was a larger proportion of foreigners (than Indians) on their boards, in the entire period. The exception being Andrew Yule and Co.Ltd. This large EMA had ten jute companies operating under its management. The majority (eight out of ten in 1933 and nine in 1940, 1945) 16/ having more

Table 1.2
Changing Composition (Foreign) of BOD in EMA's
Jute Industry

% of foreigners on BOD	Frequency Distribution of companies			
	Year			
	1933	1940	1945	1950
0-25	0	0	0	0
26-50	1	0	1	1
51-75	5	7	4	5
76-100	5	4	6	5
	11	11	11	11

than fifty percent foreigners on their boards, even in 1945^{17/}. But subsequently (by 1950) only three out of the seven companies for which data was available, maintained these proportions. This is perhaps explicable by the fact that Andrew Yule and Co. gave up control over three jute mills in the late 1940's, to Dalmia Sahu-Jain, an Indian group set up in the 1930's.^{18/}

The fact that our evidence points towards a majority of foreigners on the boards of Jute companies in Eastern Indian is not really surprising since both the industry and region had been traditionally European dominated. However, the extent of their presence and its seemingly unchanging nature in the entire period is significant especially in the context of the discussion on decolonization^{19/}.

The cotton industry^{20/} showed an opposing trend to that of the jute industry. Till 1940 a majority of the EMAs controlled companies had more than half of their boards composed of foreigners but by 1945 this trend was reversed (see Table 1.3). Most of the EMAs then fell in the twenty five to fifty percent foreigners (on BOD) category; with the proportion

Table 1.3
Changing Composition (Foreign) of BOD in EMA's
Cotton Textile Industry

% of foreigners on BOD	Frequency Distribution of companies Year			
	1933	1940	1945	1950
0-25	0	1	1	2
26-50	3	3	5	5
51-75	6	6	3	3
76-100	1	0	1	0
	10	10	10	10

of foreigners on their boards hovering around fifty percent and never falling below forty percent^{21/}. For most EMAs with investment spread over many other industries (see Appendix III), this trend towards limited Indianization of boards seems to have been more visible in the cotton textile industry, than in other industries^{22/}. This is ofcourse related to the relatively greater Indian presence in this industry from the very beginning, and to its regional specificity.^{23/}

Table 1.4
Changing Composition (Foreign) of BOD on EMA's
Engineering Industry

% of foreigners on BOD	Frequency Distribution of foreigners Year			
	1933	1940	1945	1950
0-25	0	0	0	0
26-50	2	2	1	1
51-75	1	0	3	3
76-100	3	4	2	2
	6	6	6	6

EMAs in the engineering industry, accounting for thirteen out of twenty-seven companies in our study, seem to have had a majority of foreign directors on their boards in the entire period (Table 1.4). The company under the management of Turner Morrison actually showed an increase in the percentage of foreigners on its board from forty percent in 1933 to sixty-seven percent (refer Table 1.1, in Appendix II) in 1950. Martin Burn was the only exception, but even in the six companies managed by it there were more than forty percent foreigners on the boards at all time points considered by us^{24/}, inspite of the fact that, a prominent Indian, Sir Rajendra Mukherjee, had bought his way on to the board of this EMA during the war^{25/}.

Table 1.5
Changing Composition (Foreign) of BOD in EMA's
'Other' Industries

% of foreigners on BOD	Frequency Distribution of companies			
	1933	Year 1940	1945	1950
0-25	1	0	0	1
26-50	1	2	2	1
51-75	1	1	1	1
76-100	0	0	0	0
	3	3	3	3

In the category of 'other' industries, the companies for which data was available belonged primarily to the paper industry and had foreigners in minority positions in two-third of the EMAs in the entire period (Table 1.5).

One point needs to be emphasised regarding companies (and industries) where foreigners were in a minority position on boards (at least at the end of our period). The position of foreigners on the boards of these companies did not worsen (in absolute terms), in the 1930-50 period, which means that Indians didn't replace foreigners on the boards but were extra additions. The fact that these companies had proportionately more Indians (than foreigners) on their BOD need not have meant a lack of foreign control since the (foreign) agencies under whose management they functioned were not only large and powerful in comparison to members on individual boards but also of very long standing in the secondary sector. Moreover, even individual foreigners on the BOD of these companies, by virtue of their presence in the boards of other companies and agencies, were often much more influential than implied by their official status. This is brought out when we delve deeper into

the managerial aspects of EMA control and consider various facets of managerial organization employed by these managing agencies and their managed companies across industries, in order to maintain control.

Table 2.1
Managerial Integration in the Jute Industry

Managing Agency	No. of companies managed in:			
	1933	1939	1945	1950
Andrew Yule	10	11	11	8
Bird Heilgers	10	10	10	9
Gillander Arbuthnot	2	2	2	2
J. Skinner	4	4	4	5
Mackinnon Mackenzie	2	2	2	2
Macneill Barry	-	-	-	4
McLeod	5	7	7	9
Kettlewell Bullen	2	2	2	2
Begg Sutherland	4	4	4	4
Total	39	42	42	45

Table 2.2
Managerial Integration in the Cotton Textile Industry

Managing Agency	No. of Companies Managed in:			
	1933	1939	1945	1950
Brady & Co.	3	3	3	2
Begg Sutherland	2	2	2	2
Binny	2	2	2	2
Forbes Campbell	2	2	2	2
James Finlay	2	3	3	3
Kettlewell Bullen	3	2	2	2
Total	14	14	14	13

Source: IIYB, 1933, 1939, 1945 and 1950.

Tables 2.1, 2.2, show the extent of managerial integration in the jute and cotton textile industries respectively at the beginning and end of our period of enquiry. The number of companies managed by EMAs seemed to be greater (and increasing) for jute than for cotton textiles. Such integration also occurred across industries as EMAs managed

companies in various industries^{26/}. (see Appendix III).

Besides managerial integration, pluralism in directorships also inter-linked various companies and managing agents ensuring greater collaboration and cooperation amongst them and sometimes even facilitating the combination of managing agencies^{27/} and thus increasing industrial concentration and hence control. Such pluralism was of two types: Multiple directorship implying holding of directorship of many companies by a few individuals; and inter-locutory directorship, a means of inter-linking of different firms of managing agents by common directors on their boards^{28/}.

Table 3.1

Multiple Directorship in Jute Industry

DIRECTOR'S NAME	1931	DIRECTOR'S NAME	1950
	NO. OF DIRECTOR- SHIPS HELD		NO. OF DIRECTOR- SHIPS HELD
E.L. Watt	15	H.C. Waters	23
Sir G. Godfrey	10	C.L. Kanoria	12
W.M. Craddock	10	C.L. Jatia	10
D.M. Jatia	9	A.S. Officer	10
S.K. Chowdhuri	9	G.A. Sim	10
D. Ezra	7	K.L. Jatia	9
B.D. Goenka	7	G.L. Bangur	9
J. Sime	6	W.R. Elliot	9
W.T. Hunter	6	J. Esplen	9
H.H. Burn	5	G.L. Bangur	8
E.G. Abbot	5	S.C. Law	8
		H.C. Bannerman	6
		L.P.S. Bourne	5
		H.K. Dutta	5
		J.M. Patton	5
		E.A. Patterson	5
		R.L. Jatia	4
		B.P.S. Roy	4
		J.R. Walker	4
		A.N. Sil	3
		O.T. Jenkins	3
		K.P. Goenka	3

Source: M.M. Mehta, Structure of Indian Industry.

Table 3.2
Multiple Directorship in Cotton Textiles Industry

1931		1950	
DIRECTOR'S NAME	NO. OF DIRECTORSHIPS HELD	DIRECTOR'S NAME	NO. OF DIRECTORSHIPS HELD
F.E. Dinshaw	26	Sir P. Thakurdas	12
Sir J. Jeejeebhoy	12	Ambala Sarabhai	11
Sir F. Currimbhoy	8	D.M. Khatan	9
Sir C. Ebrahim	8	D.K. Daji	9
Sir P. Sethna	8	M.N. Pochknanawala	8
A.J. Raymond	9	Sir C.V. Metha	7
A. Hyderi	7	N.C. Mafatlal	7
Sir V. Sassoon	6	Khuilalbai	7
Sir N.B. Saklatwala	6	K.M.D. Thackersey	6
Sir P. Thakurdas	5	Sir V.N. Chandravarkar	6
Sir D. Partite	5	R. Ruia	6
		Sir J. Kay	5
		A.D. Shroff	5
		K. Premchand	5
		M. Premchand	5
		F.I. Rahimtoola	5
		S. Askuran	5
		P. Singhanian	4
		A.L. Podar	4
		B.P. Khaitan	4
		G.S. Lall	4
		N.H. Tata	4

Source: M.M. Mehta, Structure of Indian Industry.

Tables 3.1 and 3.2 reveal the multiple directorships held by the first eleven and first twenty-two directors in jute and cotton textiles in 1931 and 1950. In the jute industry the highest number of directorships held by a single individual increased from fifteen in 1931 to twenty-three in 1950. The number of directorships held by the First four (directors) increased from forty-four to fifty-five in the 1931-50 period. By contrast in the cotton textile industry the maximum number of directorships held by an individual declined drastically from twenty-six to twelve. Similarly those held by the first four fell from fifty-four to forty-one. This opposing trend is clear by visible in Table 3.3.

Table 3.3

Multiple Directorships in Jute and Cotton Textiles

No. of Directorship held by and Individual	JUTE		COTTON TEXTILES	
	1931	1950	1931	1950
More than 20*	0	1	1	0
10 - 20	3	4	1	2
5 - 10	6	9	7	9
Upto 5	2	10	2	11
Total No. of Directorships	81	164	100	138

Source: Compiled from M.M. Mehta, Structure of Indian Industry.

*Note: Section 275 of the Companies Act 1956, restricts the maximum number of Directorships held by an individual to 20. However, Section 278 make a few exceptions to this statutory maximum of 20 companies with regard to certain categories of companies.

In 1931, the first eleven (directors) held eighty-one directorships in the jute industry and hundred in cotton textiles. By 1950 the number of directorships held were hundred and seventeen and eighty-eight respectively (Table 3.2). The top twenty-two held, one hundred and thirty eight, in cotton textiles, in 1950, as compared to 164 in jute. Clearly, though a high degree of plurality existed in both industries, it was higher and increasing over our period in the jute as compared to cotton textiles.

This seems to be true even when we study interlocking of directorships. In the jute industry, the managing agency firms of Bird & Co, Jardine Henderson and F.W. Heilgers were linked up through J.L. Esplen and T.C. Hornby who were directors of the companies under their management. D.P. Goenka was a director of the companies managed by Bangur Bros, Macneill and

Barry and Bird & Co. H.J. Silverstone of the companies managed by Duncan Bros, Birla Bros, Kettlewell Bullen and Bangur Bros; Sir B.P. Singh Roy of companies under Mcleods & Andrew Yule, R.C. Edwards of the companies managed by Kettlewell Bullen, James Finlay & Bangur Bros and Ashok K. Roy of the companies managed by Duncan Bros, Andrew Yule, Macneil Barry and Bird & Co. In cotton textile industry, Ramnivas Ramnarain was a director of the companies managed by Forbes, Forbes and Campbell and Ruis; C.V. Mehta of companies under the management of James Finlay & Karamchand Premchand & Co; P.S. Mishy of the companies managed N. Wadia & Sons and W.H. Brady. 29/

Besides inter-linking the managing agents of the same industry, common directors also made possible closer coordination between different managing agencies, managing companies across different industrial groups. Table 4 shows the interlocking of various sectors, ranging from banking, investment & shipping to plantations, coal & jute industries, to engineering, iron & steel and chemicals. Most of the top EMAs were closely linked across industries & sectors.

Table 4

Inter-linking of Managing Agencies and Industries

Director	Managing Agencies Inter-linked	Industries Inter-linked
R.G. Edwards	Bird Heilgers & Co. Andrew Yule, Birla, James Finlay, Bangur Bros, Kettlewell Bullen.	Investment, Coal, engineering, Jute.
J.L. Esplen	Balmer Lawrie, Martin Burn, Bird Heilger & Co. Jardine Henderson McLeods.	Engineering, Iron & Steel, Jute, Paper, Investment.
B. Gill	Shaw Wallace, Andrew Yule, Octavious Steel, Martin Burn, Bird & Co. James Finlay, Gillander Arbuthnot, J.Henderson	Coal, Electricity, engineering, invest- ment, Jute, tea plantations.
T.C. Hornby	Martin Burn, Bird Heil- gers & Co. J. Henderson, Macneill Barry	Engineering, Jute, Paper.
D.N. Kapur	Bird Heilgers & Co, Octavious Steel, Mcleods Anderson, Wright	Banking, Coal, electricity, Jute, investment, Sugar.
Sir Ashok Roy	Andrew Yule, Duncan Bros Macneill Barry, Bird Heilgers & Co. Gillander Arbuthnot	Coal, electricity, Engineering, insurance Jute, Chemicals, Paper tea.
H.J. Silverstone	Macneill Barry, Duncan Bros., Birlas, Kettle- well Bullen, Bangurs, Bird & Co. McLeods.	Coal, Jute, Mining, Chemicals, Cotton.
Gokulchand Bangur	Andrew Yule, Martin Burn, Bird & Co. Bangur Bros., J. Henderson, Kettlewell Bullen.	Cement, Coal, Iron & Steel, investment, tea, Jute.
D.P. Goenka	Birlas, Bangur, Bird Heilgers & Co., Macneill Barry, Davenport & Co.	Engineering, Jute, Plantations.
J.H. White	Bird Heilgers & Co, Andrew Yule, Gladstone Lyall	Coal, investment, electricity, Sugar.

Source: Based on Investors' Encyclopedia (M/s. Kothari & Sons).

The trends in managerial integration and pluralism in directorships imply concentration and centralization of control, cooperation and coordination of business activity (horizontal and vertical integration), across EMAs and thus across industries and sectors. The analysis of the racial composition of the BOD of (rupee) companies under EMAs revealed substantial and almost invariant European presence on the boards in the entire 1930-50 period. In the jute and engineering industries, foreign control (on boards) was pervasive, while European presence was significant (not less than forty percent of the BOD) in cotton textiles and tangible even in 'other' industries. The Indianization (both in terms of participation and control) that occurred seemed not to have been at the expense of the foreigners and was not therefore an indication of the withdrawal of their interests from India.

Thus our managerial indices reveal substantial foreign control in the jute industry even in 1950, and point towards a reasonably high degree of concentration and 'corporate bigness' in the EMAs presence. In other industries too, viz., cotton textiles, engineering, paper, cement, metals, foreign presence seems to be significant enough to warrant further enquiry, though unlike the jute industry, control over the industry as a whole may not have been in foreign hands in this period.

However, managerial indices alone are rather inadequate measures of economic power, as they are more indicative of participation than of control over decision making.^{30/} Physical indices of industrial presence in terms of share of EMAs in total

assets, capacity and employment in various industries; and also the performance indicators including those of economic efficiency and financial stability of the various companies managed by them, need to be studied to judge the plausibility of the results which our preliminary analysis has thrown up. This is attempted in Chapter 4.

Notes & References

1. Refer Chapter 2
2. Refer Chapter 1 for details of the existing literature
3. Omkar Goswami (1985);(1989).
4. Ibid. Refer Line 4, Table 4; , Line 4 Tables 5. pg.245, Goswami(1985), see below:

Changing composition of Ownership & Control in Jute

Indices	1942	1945	1948	1951
Total No. of Companies	59	59	59	59
Indian Companies	12 (20%)	14 (24%)	14	15 (25%)
European Companies with Marwari directors	29 (62%)	37 (82%)	-	40 (89%)
Eur.Cos. with Marwaris had equity/superiority on boards	3 (6%)	9 (20%)	9 (20%)	10(23%)
Eur. Co.with 2 or more Marwaris	7 (15%)	14 (31%)	16 (36%)	16 (36%)
Cos. with Marwari Directors	37 (63%)	47 (80%)	50(85%)	51 (86%)

Changing composition of Ownership & Control in Coal

Indices	1942	1945	1948	1951
Total No. of Companies	51	61	58	50
Indian Companies	12 (24%)	25 (41%)	27(47%)	23(46%)
European Companies with Marwari directors	9 (23%)	17 (47%)	19 (61%)	19(70%)
Eur.Cos. with majority Marwaris	0	5 (14%)	6 (19%)	5 (19%)
Eur. Co.with 2 or more Marwaris	1 (3%)	7 (19%)	9 (29%)	9 (33%)
Cos. with Marwari Directors	19 (37%)	37 (61%)	48(82%)	39 (78%)

Source: IYB, 1942-43, 1945-47, 1949, 1952, as quoted by Goswami (1985).

5. Ibid. It changed from 2.2 percent in Jute in 1930 to 20% in 1948 and from 1.6% to 19% in case of coal.
6. See Chapter 1 for details of various studies.
7. See Chapter 2.
8. Through contractual stipulations, legal procedures, financial practices (including holding of shares with disproportionate voting rights), and management techniques.
9. It should be clearly stated here that our focus is on rupee companies under EMAs only. Sterling companies were undoubtedly foreign controlled, as were rupee companies under Indian agents undoubtedly Indian controlled. Thus any controversy over control and consequently over EMA behavior in this period can only be on the units we are analysing. Also refer note 5, Chapter II.
10. Refer Appendix I for uses and limitations of this data source.
11. This will be discussed in detail in Chapter 5.
12. Refer Chapter 2.
13. Indian managing agencies which had arisen following the pattern of EMAs also resorted to similar techniques.
14. 'All Industries' category includes Jute, cotton textiles, engineering, other (ie. Chemicals, metals, paper, cement); Also refer Appendix II, Table 1.1, 1.2.
15. Refer Table II in Appendix II.
16. Refer Table I in Appendix II.
17. This is at variance from Goswami's conclusion that Indianization of control occurred in the 1942-45 period. Refer Goswami (1985).
18. Refer Hazari (1966), Pgs. 64, 121. These mills were acquired through stock exchange operations. But it is important to note that Andrew Yule & Co. continued to be foreign controlled till well into the 1960s.
19. B.R. Tomlinson (1979).
20. In our sample there were 10 EMAs with 24 companies managed by them. They were Andrew Yule; Binny's, Begg Sutherland; Brady & Co; Finlay, Forbes, Forbes & Campbell, Harveys; Kettlewell, Bullen, Killick Nixon and Sassoons.
21. See Table I, in Appendix II; The only exception being the seven companies managed by the Sassoons who sold out their investments in India and shifted to London and East Asia.

22. This could be very important from the point of view of our later analysis of EMA behavior and strategy in an adverse environment.
23. Refer Bagchi (1972). The predominance of Europeans in the jute industry of Eastern India may be attributed to a similar logic. But what is significant for us is the fact of their continued predominance, even in the wake of the increasing Indianization of ownership (and control) in manufacturing industry and the changing nature of the colonial state, which characterized the decades of the 1930s and 1940s.
24. Refer Appendix II, Table I.
25. R.K. Hazari (1966).
26. Refer Appendix II, Table I; also see Chapter Five.
27. As illustrated by the amalgamation of Messrs. Jardine Henderson, M/s. Macneill & Barry & Martin Burn Ltd.
28. For eg. the agency firms of Andrew Yule, Mcleod, Martin Burn, Bird Heilgers, Gillanders, Jardine Henderson, Shaw Wallace, and Macneill Barry were interlinked & interconnected in 1949-50, through HC Waters who held respectively 1,2,2,11,3,3,8,2,5 directorships of the companies under theirs management. L.A. Joshi (1965).
29. Ibid., pg.56.
30. Though in the case of EMAs, the organizational setup was such that management was used as a means of exercising control. Refer Chapter Five.

CHAPTER FOUR

The Mechanics of Foreign Control: Real and Financial Indices

Managerial indices discussed in the previous chapter are just one facet of EMA presence in the manufacturing sector. In this chapter, physical and financial indices are examined to assess the nature (performance) and degree (control) of EMA operations and, to see if our previous findings are substantiated.

The percentage of assets held by EMAs (through their managed companies) in various industries in the manufacturing sector can be a good indicator of their presence in this sector. Better so than the paid-up-capital (PUC)^{1/} under them, since the structure of EMAs was such that they could (and did) exercise far greater control than was reflected by their share holdings^{2/}. According to N. Das in 1938, in all industries with the exception of textiles & jute, (in which their share holdings fluctuated to a much greater extent), the managing agents usually held ten to fifteen percent of the shares, the percentage rose and fell as the agency firms poured shares on to the market or bought them. Thus any analysis of the control exercised by them in terms of their share holdings could be quite misleading. Asset holdings, is a better indicator since it would not be susceptible to short run fluctuations of this nature. Together with capacity utilised and employment^{3/} it would provide a fairly comprehensive index of economic control.

Table 1 gives the changing position of asset holdings

of EMAs and Indian companies in the 1930-50 period across various industries. In aggregate terms, the percentage of assets held by EMAs was as high as forty-eight percent in 1933, the

Table 1
Asset Control in Rupee Companies

Industry / Year	Assets (in crores of Rupees)			
	1933	1939	1945	1950
Jute				
Indians	39.13	53.56	81.41	83.37
EMA's	338.10	310.89	426.34	528.68
Total	417.67	413.98	569.22	625.80
% of EMA's in Tot.	80.47	75.10	74.90	84.48
% of Indians in Tot.	9.37	12.94	14.30	13.32
Engineering				
Indians	180.85	357.13	580.74	657.10
EMA's	45.45	153.51	219.99	272.48
Total	253.18	534.59	870.54	1032.62
% of EMA's in Tot.	17.95	28.71	25.04	26.39
% of Indians in Tot.	9.37	66.81	66.10	63.63
Chemicals				
Indians	9.30	25.73	84.78	78.36
EMA's	5.77	10.25	23.50	33.87
Total	15.07	35.97	108.93	113.94
% of EMA's in Tot.	38.29	28.49	21.57	29.72
% of Indians in Tot.	61.71	71.51	78.43	69.81
Others				
Indians	16.02	30.73	90.46	138.57
EMA's	11.40	17.69	49.14	58.90
Total	51.87	139.33	279.09	411.91
% of EMA's in Tot.	21.98	12.70	17.61	14.30
% of Indians in Tot.	30.88	22.06	32.41	33.64
Cotton				
Indians	308.20	328.44	750.85	8372.10
EMA's	211.16	219.55	307.91	373.57
Total	533.14	562.92	1072.44	1210.05
% of EMA's in Tot.	39.61	39.00	28.71	30.87
% of Indians in Tot.	57.81	58.35	70.01	69.23
All Industries				
Indians	553.50	795.59	1588.24	1805.97
EMA's	609.87	711.63	1027.78	1267.49
Total	1270.93	1666.79	2914.63	3427.50
% of EMA's in Tot.	47.99	42.19	35.28	38.90
% of Indians in Tot.	43.55	47.17	54.49	52.69

Indian share being slightly lower, at forty-three percent; the fall to thirty-seven percent by 1950 seems to have been due to a phenomenal increase in total assets (all industries) especially during the war period, most of them under the aegis of Indian

managing agencies in the cotton textile industry, where the share of Indians in total assets increased from fifty eight to seventy percent (and in 'other' industries). In terms of sheer size (of assets), the textile industry was the largest followed by Engineering, where the share of Indians actually fell and Jute where it rose by about four percent over the period of twenty years, but was too insignificant in comparison to EMA shares, to make an impact (on industrial control) at all.

Table 2.1
Capacity Under Rupee Companies
Loomage (in thousands)

Industry	Year			
	1933	1939	1945	1950
Jute				
Indians	4813	7373	7739	4992
EMA's	42071	43209	43231	37689
Total	52961	56947	57337	56008
% of EMA's in Tot.	79.44	75.87	75.40	67.29
% of Indians in Tot.	9.08	12.95	13.50	8.91
Cotton				
Indians	37642	40878	55637	54084
EMA's	27646	28086	16468	15615
Total	67799	71120	74617	72318
% of EMA's in Tot.	40.78	39.49	22.07	21.59
% of Indians in Tot.	55.52	57.48	74.56	74.79
Jute & Cotton				
Indians	42455	48251	63376	59076
EMA's	69779	71342	59746	53351
Total	120760	128067	131954	128326
% of EMA's in Tot.	57.78	55.71	45.28	41.57
% of Indians in Tot.	35.16	37.68	48.03	46.04

Table 2.2
Capacity Under Rupee Companies
Spindlage (in thousands)

Industry	Year			
	1933	1939	1945	1950
Cotton				
Indians	2096484	1697370	2386667	2304502
EMA's	1764523	1857568	1472386	1409048
Total	4014274	3689317	3946612	3794348
% of EMA's in Tot.	43.96	50.35	37.31	37.14
% of Indians in Tot.	52.23	46.01	60.47	60.74

Table 3.1
Employment under EMA's in the Jute Industry
(average annual employment in thousands)

Name of EMA	Year			
	1933	1939	1945	1950
Anderson Wright	5928	6577	6925	6304
Andrew Yule	33291	31463	32530	27784
Begg Dunlop	5329	6168	4343	3738
Bird Heilgers	37027	41358	41058	36389
Finlays	2428	2521	2720	2484
Jardine Henderson	30929	35308	35785	33064
Gillander Arbuthnot	5167	6016	6045	3097
Kettlewell Bullen	10996	11908	11706	11373
Mcloids	15810	16304	16194	14870
Mackinnon Mackenzie	7537	8252	8183	9184
Macneill Barry	15301	16799	23388	21292
Total(EMA's)	169743	182674	188877	169579
Total(Jute)	259955	302285	306264	302145
% of EMA's in Tot.	65.30	60.43	61.67	56.13
Total(Bengal)	246717	281229	279919	281093
% of EMA's in Tot.	68.80	64.96	67.48	60.33

Table 3.2
Employment under EMA's in the Cotton Textiles Industry
(average annual employment in thousands)

Name of EMA	Year			
	1933	1939	1945	1950
Begg Sutherland	4701	5198	5878	7432
Binnys	12825	12512	19580	22057
Finlays	3842	8728	9008	9439
Brady	5778	6409	10248	8451
Kettlewell Bullen	4408	4013	4286	4465
Killick Nixon	3835	5567	7403	8436
Forbes	5201	4496	5783	5721
Harveys	13079	19557	12503	11320
Sassoons	9548	11261	19986	11062
Shaw Wallace	2217	1729	2224	3184
Total(EMA's)	65234	79470	98879	91547
Total(Cotton)	428513	590296	793930	556570
% of EMA's in Tot.	15.22	13.46	12.20	16.45
EMA's (Bombay)	28004	36461	52408	43109
Total(Bombay)	235474	294651	397645	416845
% of EMA's in Tot.	11.89	12.37	13.10	10.34
EMA's (Bengal)	6625	5742	6510	7629
Total(Bengal)	20662	31845	40369	30703
% of EMA's in Tot.	32.06	18.03	16.12	24.85
EMA's (Madras)	25904	32069	32083	33377
Total(Madras)	41804	68504	89017	101967
% of EMA's in Tot.	61.97	46.81	36.04	32.73

Table 3.3
Employment under EMA's in the Engineering Industry
 (average annual employment in thousands)

Name of EMA	Year			
	1933	1939	1945	1950
Balmer Lawrie	728	1266	2094	1262
Begg Dunlop	280	212	313	416
Bird Heilgers	709	1137	1993	1786
Martin Burn	3484	15941	19853	13321
Mcloid	472	702	1245	1212
Total(EMA's)	5673	15031	20925	17997
Total(Eng.)	33504	50402	134922	120083
% of EMA's in Tot.	16.93	29.82	15.51	13.96
EMA's (in Bengal)	4616	13459	18021	15484
TOTAL(BENGAL)	19040	27131	60626	49044
% of EMA's in Tot.	24.24	44.61	29.72	31.57

Source : Large Industrial Establishments in India, 1933, 1939, 1945, 1950.

While the primacy of EMAs in the Jute industry till world war I, is an established fact in the literature and the decline in this position in the inter-war period and after alluded to^{5/}, the extent of their control and its decline is never specified. Our analysis in terms of assets (Table 1), capacity (Table 2.1, 2.2) and employment (Tables 3.1, 3.2, 3.3) under EMAs reveals that even in 1930, eighty percent of the assets in the jute industry, seventy-nine percent of loomage and sixty-nine percent^{6/} of employment was controlled by them. After stagnating in the interim period, by 1950 EMA controlled assets increased marginally to eighty-four percent and both capacity and employment fell to sixty-seven percent and sixty percent respectively. This indicates that some revaluation of assets was occurring, especially in the late 1940's. What the purpose of this revaluation was, is difficult to say, but there does not seem to have been any concerted tendency to withdraw on the part of EMAs. Neither does there seem to be any doubt about their

primacy in the industry.

The control of EMAs over the Jute industry is also confirmed by a study of concentration in the industry^{7/}. Table 4 gives the result of our analysis, showing that the top four

Table 4

Concentration of Assets in the hands of top EMAs

Jute Industry EMAs	Percentage share of assets in:			
	1933	1939	1945	1950
First one	15.67	15.66	13.53	14.64
First Two	31.02	31.78	31.66	34.70
First Three	42.73	43.49	44.23	45.57
First Four	52.64	52.27	50.98	55.84

EMAs (viz. Bird Heilgers, Andrew Yule, Jardine Henderson and Macneill Barry) accounted for more than fifty percent of assets in the jute industry, in the entire period. Moreover the concentration ratios showed an increase over the period, implying greater (rather than lower) control over the industry. Tables 3.1 to 3.5 (in Appendix II) showing size/distribution of assets confirms this trend. Most EMA units, especially those in the 'traditional' industries, had a large and stable asset base (ie. 50 crores or more). Thus at least in the jute industry our indices indicate not only significant foreign presence but also foreign control.

In cotton textiles the majority of assets, capacity & employment (Tables 1, 2.2, 3.2) were in Indian hands. But it is important to note that even in an industry as ubiquitously Indian as textiles, European presence was not insignificant. In 1933,

EMAs controlled forty percent of the assets, more than forty percent of the capacity and fifteen percent of the all India employmen8/; and in 1950 they controlled thirty percent of assets, twenty-two percent of loomage, thirty-seven percent of spindlage and sixteen percent of employment. Thus in contrast, to the Indian presence in the European dominated jute industry (which was less than fifteen percent in terms of assets and less than ten percent in terms of capacity), EMA presence in cotton textiles was not insignificant. This fact is substantiated by Tables 3.1 to 3.5 (in Appendix II) giving the size distribution of assets of companies under various EMAs. In 1933 six out of nine EMAs in the cotton textile industry had companies under them with assets greater than fifty crores, by 1950 all nine EMAs fell in this category.

In the new industries too, the EMAs, though not as dynamic or pervasive as Indians, were a visible presence. In engineering, their share in assets increased from twenty-one percent to twenty-eight percent, in the twenty year period, touching thirty percent during the war, (Refer Table 2.4 in Appendix II for details of increasing concentration ratios). Their share in overall employment was about fifteen percent, being much higher in Eastern India where they were concentrated (see Table 3.3) EMAs were obviously responding to the demands of the war period & did not seem to be winding up their operation in India.

In Other industries (total) EMA share in assets declined by about eight percent in our period of enquiry, from

twenty-two percent to about fourteen percent in 1950, while the share of Indians stagnated at about thirty percent (Table 1). More than half the units in these industries seemed to belong to no managing agency^{9/} and were probably in Indian control, though the existing EMA managed companies possibly improved their asset position.

Thus our enquiry into the various ownership-indices (of control) seems to substantiate the conclusions that emerged from our study of the managerial indices. In the traditional industries (as in the pre world war one period), Europeans continued to dominate the Jute industry, even in the twenty year period when their position was thought to have been in jeopardy. In cotton textiles, the authority of Indians was never in doubt, but European presence was not as insignificant as believed and did not decline in absolute terms. In the two major industries of the time therefore, foreign participation in the form of EMAs seems significant enough. The presence in the 'new' industries especially engineering where companies under EMAs showed some indication of expansion in response to war time demand is also noteworthy.

The growth of Indian enterprises which was undoubtedly occurring on a very large scale (especially in the new industries), was never at the expense of the foreigners, whose share in absolute terms continued to rise through out the period under consideration, albeit at a much lower rate. Thus it seems to us that there was limited Indianization of control in foreign companies. EMAs seemed to maintain their existing positions responding in most cases to the economic demands of war

and industrialization. The nature of this response and the degree of their influence, and hence of their impact on the industrial economy can be gauged only after a study of the performance of their companies in general and their financial stability in particular. To this end in Tables 5-8, various performance indicators are calculated for rupee companies under EMAs and under Indians in each industry.

Table 5.1
Profitability of Rupee Companies
Ratio of Net Profit to Net Worth

Industry	Year			
	1933	1939	1945	1950
Jute				
Indians	0.01	-0.01	0.10	0.16
EMA's	0.05	0.03	0.13	-0.03
Jute Industry	0.05	0.02	0.12	0.02
Engineering				
Indians	-0.01	0.09	0.08	0.02
EMA's	0.04	0.04	0.16	0.14
Eng. Industry	0.00	0.11	0.11	0.09
Chemicals				
Indians	0.03	0.03	0.04	0.04
EMA's *	0.00	0.00	0.00	0.00
Chem. Industry	0.03	0.03	0.04	0.04
Others				
Indians	0.02	0.02	0.03	0.00
EMA's	0.07	0.07	0.11	0.05
Other Industries	0.04	0.01	0.04	0.03
Cotton				
Indians	0.00	0.04	0.16	0.12
EMA's	0.01	0.08	0.14	0.13
Cotton Industry	0.00	0.05	0.16	0.12
All Industries				
Indians	0.01	0.03	0.08	0.07
EMA's	0.03	0.06	0.13	0.04
Total	0.02	0.05	0.10	0.07

* : Most foreign units in the Chemical Industry did not operate under managing agencies.

The profitability index (Table 5.1) given by the ratio of net profits to net worth^{10/} summarises the overall profitability of the companies in relation to invested capital, taking into account efficiency of operation and the margin of profits,

besides, the way the business is capitalised. In the 1930s and 1940s the jute industry was going through a period of crises and profits in general were low and declining, being slightly better in the war period, as can be seen from the index of profits calculated by the Economic Adviser to the government of India, using the IYB, for the 1928 to 1949 period (Table 5.2).

Table 5.2
Index of Profits. (1928-1949)
(1928 Base Series)

Year	All Industries	Jute	Cotton	Paper
1928	100	100	100	100
1929	76	85.6	99.1	93.2
1930	47.1	37.9	37.9	91.3
1931	27.8	8.7	52.5	86.6
1932	34.6	12.6	82.8	92.4
1933	44.2	19.8	33.9	110.8
1934	62.6	34.4	90.1	108.1
1935	69.2	39.8	89	136.4
1936	63.1	25.9	98	157.4
1937	61.1	11.1	137.9	182.8
1938	67.7	-9.8	208.3	172.1
1939	72.4	13.6	154.6	151.8
1940	99.9	48.8	220.1	358.7
1941	135.4	46.8	489.1	432.2
1942	169.4	47.7	759.1	488.4
1943	170.9	37.5	988.9	535.8
1944	167	42.2	760.4	412.4
1945	163.8	44.5	654.1	424.6
1946	160.2	56.4	631.9	405.3
1947	134	42.5	490.9	254.6
1948	181.7	49	848.9	390.4
1949	101.4	-13.9	456.5	469.3

Source: Office of the Economic Adviser, Commerce Department, Govt. of India.

Although the performance of EMA companies followed this overall trend, these companies had a higher profitability than Indian controlled jute companies, till the end of the war period (1939-45), when their profits increased from three percent to thirteen percent. But profitability declined drastically in the subsequent period in the jute industry as a whole, to become

negative for EMAs. All major EMAs in jute, (with the exception of Andrew Yule) showed negative profit ratios. The Indians fared much better in 1950, but the size of their units was too small in comparison to those managed by EMAs to be of significance (see Table 1). In general EMA units fared better than non-EMA enterprises in the jute industry (Table 5.1).

This was also manifested in their pattern of accumulation and dividend distribution (Tables 6,7). The ratio of undistributed profits to PUC for EMA companies continued to

Table 6
Pattern of Accumulation in Rupee Companies
Ratio of Undistributed Profits to PUC

Industry	Year			
	1933	1939	1945	1950
Jute				
Indians	0.01	0.12	0.10	0.09
EMA's	0.14	0.18	0.21	-0.02
Jute Industry	0.05	0.12	0.11	0.04
Engineering				
Indians	0.35	0.52	0.29	0.37
EMA's	0.51	0.36	0.24	0.20
Eng. Industry	0.16	0.22	0.21	0.23
Chemicals				
Indians	0.04	0.04	0.27	0.20
EMA's *	0.00	0.00	0.00	0.00
Chem. Industry	0.04	0.04	0.27	0.20
Others				
Indians	0.06	0.10	0.15	0.34
EMA's	0.05	0.04	0.06	0.02
Other Industries	0.04	0.03	0.06	0.16
Cotton				
Indians	0.13	0.12	0.88	0.52
EMA's	0.10	0.14	0.29	0.12
Total	0.00	0.05	0.16	0.12
All Industries				
Indians	0.12	0.18	0.34	0.30
EMA's	0.12	0.15	0.25	0.07
Total	0.04	0.06	0.08	0.11

rise right upto 1945 (from fourteen percent to twenty-one percent) at a much higher rate than even the industry figures,

falling drastically in the subsequent period which was one of severe shortages both of equipment and of raw jute. Dividend

Table 7
Dividend Distribution by Rupee Companies
Ratio of Total dividends to Net Profits

Industry	Year			
	1933	1939	1945	1950
Jute				
Indians	-0.13	0.04	0.78	0.29
EMA's	0.83	0.82	0.84	0.60
Jute Industry	0.70	0.81	0.99	0.59
Engineering				
Indians	0.00	0.19	0.43	0.30
EMA's	0.46	0.45	0.44	0.31
Eng. Industry	0.22	0.38	0.56	0.38
Chemicals				
Indians	0.27	0.19	0.35	0.29
EMA's *	0.00	0.00	0.00	0.00
Chem. Industry	0.27	0.19	0.35	0.29
Others				
Indians	0.21	0.01	0.18	0.12
EMA's	0.15	0.47	0.64	0.44
Other Industries	0.26	0.43	0.32	0.23
Cotton				
Indians	0.28	0.39	0.56	0.38
EMA's	0.22	0.28	0.37	0.27
Cotton Industry	0.43	0.41	0.51	0.47
All Industries				
Indians	0.12	0.17	0.46	0.28
EMA's	0.66	0.59	0.57	0.49
Total	0.40	0.48	0.58	0.39

distribution too remained stagnant at a very high level (Table 7) declining slightly only after 1945, remaining at most points, higher than the industry figure and substantially bigger than the share of dividends distributed by Indian companies. Indeed these trends could be seen as extraction from the colony as a prelude to EMA exit from India. But given the sheer size of their physical presence (in terms of assets and capacity) in the industry and the lack of evidence of repatriation, this does not seem very likely.

These trends, it seems to us, were more a

reflection of the fact that not only was the jute industry an old and established one and the British firmly entrenched in it, but also that this position was sought to be maintained by them through 'appropriate' dividend distribution and accumulation strategies even in times of severe crisis for the industry. That they were able to follow such a strategy for exercising control was a reflection of the financial stability and strength (size) of their controlled companies.

Table 8.1 showing the percentage of assets financed by shareholders reflects the financial viability of the companies in question. A high ratio especially in times of stress as was characteristic of EMAs in jute, throughout, is indicative of a stronger financial position. The position of Indian companies

Table 8.1
Financial Viability of Rupee Companies
Ratio of Net Worth to Total Assets

Industry	Year			
	1933	1939	1945	1950
Jute				
Indians	0.20	0.47	0.46	0.27
EMA's	0.65	0.65	0.84	0.53
Jute Industry	0.59	0.63	0.71	0.44
Engineering				
Indians	0.33	0.42	0.52	0.46
EMA's	0.50	0.68	1.18	0.49
Eng. Industry	0.49	0.65	0.55	0.45
Chemicals				
Indians	0.31	0.40	0.53	0.55
EMA's	0.00	0.00	0.00	0.00
Chem. Industry	0.31	0.40	0.53	0.55
Others				
Indians	0.37	0.48	0.71	0.40
EMA's	0.37	0.50	0.70	0.71
Other Industries	0.41	0.42	0.60	0.45
Cotton				
Indians	0.35	0.34	0.39	0.42
EMA's	0.33	0.41	0.52	0.44
Cotton Industry	0.48	0.44	0.47	0.47
All Industries				
Indians	0.31	0.42	0.52	0.42
EMA's	0.55	0.54	0.65	0.63
Total	0.48	0.53	0.57	1.15

was substantially weaker, with most of their funds coming from borrowings, a possibly destabilizing factor in times of depression and war^{11/}.

Table 8.2
Financial Viability of Rupee Companies
Ratio of Net Block to Net Worth

Industry	Year			
	1933	1939	1945	1950
Jute				
Indians	0.56	1.20	0.82	0.40
EMA's	0.69	0.81	0.51	0.53
Jute Industry	0.65	0.83	0.52	0.47
Engineering				
Indians	0.42	0.77	0.66	0.60
EMA's	0.71	1.33	0.48	0.50
Eng. Industry	0.48	0.71	0.46	0.53
Chemicals				
Indians	0.24	0.39	0.54	0.63
EMA's	0.00	0.00	0.00	0.00
Chem. Industry	0.24	0.39	0.54	0.63
Others				
Indians	0.21	0.39	0.38	0.40
EMA's	0.65	0.46	0.66	0.70
Other Industries	0.36	0.36	0.35	0.40
Cotton				
Indians	1.04	1.28	0.90	0.62
EMA's	1.03	1.19	0.41	0.39
Cotton Industry	1.19	1.46	0.76	0.55
All Industries				
Indians	0.49	0.81	0.66	0.53
EMA's	0.82	0.92	0.44	0.50
Total	0.59	0.74	0.50	0.49

This is also reflected in Table 8.2 which shows that the ratio of net block to net worth^{12/} of these companies had more than doubled in the pre-war period, implying that creditors obligations were financing part of all assets, though it fell subsequently. For EMA managed companies this ratio remained below one through out, again emphasising the dependence on shareholders funds. Thus companies controlled by EMAs in the jute industry seem to have been financially stable and viable even in times of depression and war when profits were fluctuating

using safe and reliable sources of funds for overcoming shortages of capital equipment as well as for declaring high dividends to keep share holders at bay.

In contrast to the jute industry, the cotton textile industry in general performed better. Tables 5.1, 5.2, show substantial increase in profits after an all time low in 1933, (higher even than the all industry profits). EMA controlled companies and Indian ones followed a similar trend, profitability ratios being almost the same for both, ranging from less than one percent to fourteen percent for EMAs and upto sixteen percent for Indian companies. But both accumulation and dividend distribution were much higher in the case of Indian companies (Tables 6,7). This was probably a reflection of the length of their association with the industry and the strength of their position(just as was the case of EMA's in jute). However, accumulation and dividend distribution were not insignificant for EMA companies, touching thirty and thirty-seven percent respectively, by the end of the war period. The financial requirements of the units in the cotton textile industry were met through both internal and external sources (Tables 8.1, 8.2) though the EMA companies seemed to rely much more on shareholders funds during war time, than the Indians. All in all EMA presence in cotton textiles seems to have been marked by the stability of their companies' finances, significant profits and reasonable accumulation and dividend distribution.

As far as the engineering industry was concerned the profitability ratios were much higher than for jute and cotton

textiles primarily due to the boost given to the industry, both by war time demands and post war reconstruction. The ratio of undistributed profits to PUC fell from one half to one fifth in EMA companies and distributed dividends from forty-six to thirty-one percent, the latter falling substantially only in the post-1945 period, both for Indians as well as EMA managed companies. The low rates of accumulation, (inspite of high profits), arose, due to war conditions which made investment difficult and due to the steep excess profits tax imposed by the imperial government.

Reliance on shareholders funds for financing of working capital seems to have been a common trend in companies under EMAs in all industries (to a much greater extent than Indian companies). Engineering was no exception, except at the beginning of the war period when other sources of funds were also utilized.

The profits of EMA companies in 'other' industries^{13/} increased continuously till 1945 and then fell to less than their 1933 level. Substantial accumulation and dividend distribution occurred during the war, but these activities suffered a set back in the subsequent period. As expected, the rate of accumulation was higher and distributed dividends lower for Indian companies than EMAs. Financing followed a pattern similar to that of EMAs in jute, cotton and engineering, with a greater reliance on shareholders funds than on borrowings^{14/}.

Overall, for all the EMAs studied, profitability ratios after fluctuating upwards during the war period (from six percent to thirteen percent), dropped to their pre-war level by 1950. Jute showed a negative ratio of net profits to net worth; while in engineering, the ratio quadrupled (increasing from four

percent to sixteen percent) and in cotton textiles it rose from one percent to thirteen percent in the 1930-50 period; in 'other' industries, the ratio stagnated around seven percent. Accumulation, represented by the ratio of undistributed profits to PUC, increased linearly till 1945 and then slumped, falling from twenty-five percent to seven percent. Following a pattern broadly similar to profitability, it declined for jute and engineering and stagnated for cotton and 'other' industries, throughout the period.

The distribution of dividends by EMA companies, remained high throughout, increasing for cotton and 'other' industries and falling for jute and engineering.

The performance indicators calculated by us reveal the companies managed by EMAs to be financially stable and responsive to economic stimuli. This financial viability even in times of low profitability and political uncertainty arose from their ability to rely on financial sources which were safe and stable, for meeting most of their economic and organisational needs. Thus not only war time accumulation but also the strategic distribution of dividends, to prevent distress and/or speculative sales by shareholders were financed primarily from shareholders funds.

These trends in EMA behavior, given their significant physical presence in manufacturing industry, reflect their interaction with their environment. Their response to war time stimuli (reflected in the upswing of all performances indices)

and their subsequent 'conservatism' are an 'eloquent pointer to their willingness to adapt and their determination to retain their interests in the colony.

Our analysis in this chapter reveals that foreign presence in manufacturing industry^{15/} was significant both in quantitative as well as qualitative (performance) terms^{16/}, and thus substantiates the findings of the previous chapter. Jute and cotton textiles were the largest industries in the manufacturing sector and EMA controlled companies seemed fairly well entrenched and functioning efficiently in both. Rupee companies under EMAs don't seem to have been getting Indianized (in terms of control over existing EMA's passing into Indian hands) in either industry^{17/}; though existing Indian firms were expanding and new ones being set up by Indians in cotton textile industry. In Jute however, EMAs seem to have been dominant, as in the pre-world war I period. Their forays into the 'new' industries viz. engineering, paper, metals, chemicals etc. mostly in response to the increasing pace of industrialization and war time demands, while not as massive or impressive as the Indian efforts, seem both tangible and viable.

The relatively lower rates of accumulation and higher dividend distribution by EMA controlled companies in this period are often considered to be a sign of large scale repatriation and/or panicky declaration of dividends in times of crises to appease shareholders (allegedly Indian) in order to stave off disaster^{18/}. There does not seem to be any concrete evidence to support these contentions^{19/}, at least in our aggregative study of EMAs. Perhaps a look at individual EMAs and their associated

companies (across industries) would be more revealing of their organisational and functional strategies and the role they envisaged for themselves in independent India. A preliminary attempt in this direction is made in Chapter 5, but it is severely restricted by paucity of data on foreign groups and companies.

Notes & References

1. An indicator commonly used in the literature.
2. Refer Chapter 5.
3. N.Das (1936); Refer also to P.S.Lokanathan (1935).
4. Due to non availability of data capacity utilization and employment figures of only some industries are used.
5. Refer Chapter 1, for a detailed review of this literature.
6. The Employment figures of the Bengal region would be more realistic for comparison purposes from the point of view of EMAs, as most were located in this region.
7. In spite of the slight exaggeration in asset figures (especially in the 1945-50 period) due to revaluation of assets by EMA's, the tendency towards EMA concentration (and control) in jute industry is undeniable. Table 2 (2.1 to 2.5) in Appendix II, on concentration of assets in hands of top EMAs, in industries other than jute, reveal that no such concentration existed in these industries, though the percentage of assets in the hands of top four EMAs increased in the case of engineering and textiles.
8. Region specific employment under EMAs: 12% in Bombay region, 32% in Bengal and 62% in Madras, in cotton textiles.
9. At least superficially, see Hazari(1966); it should be also noted that the coverage of these industries in the IIYB is inadequate. These trends should therefore be treated with caution.
10. Refer to Appendix I. Net Profit = Profits after tax less depreciation. Net Worth = Share capital plus reserves.
11. In times of depression and war, economic and political uncertainty, could disrupt the availability and access to credit and thus excessive reliance on borrowing for carrying out various activities could be a weakening factor.
12. Refer Appendix I, on Data Computations.
Net Block = Fixed Assets plus Liquid Assets less depreciation.
13. Results of this group should be treated with extreme caution as their coverage in our data set is insufficient.
14. The limited access of EMA's to borrowed funds within the Indian economy, as also the general paucity of such funds, in the absence of a developed banking system, may have been factors influencing their pattern of financing. The drying up of external sources due to depression and war may also have been important.

. Here one refers only to foreign participation, through EMAs. Other types of participation, like that of subsidiaries of foreign multinationals and India (Ltd) companies is not discussed due to inadequacy of data.

. Though certainly not as dynamic as the growing Indian sector.

. The Sasoons in cotton textiles were a significant exception.

. Refer Chapter 1, especially O.Goswami (1985), A.I.Levkovsky (1972), R.K. Ray (1979).

. Ray(1979), refers to large scale repatriation by EMA's in this period but does not provide supportive evidence.

CHAPTER FIVE

The Transformation of an Institution: EMAs in Colonial India

The importance of EMAs in the corporate life of colonial India has been brought out in the previous chapters. To understand the logic of the trends in the structure and performance of these agencies, (ie.the motivational implications underlying EMA behavior), in the post world war I period and especially in the 1930s and 1940s, it is however necessary to trace their origin and growth in response to the specific but changing needs of the times and to look specifically at the individual conditions of particular EMAs.

The origin of the European managing agency system can be traced to 1793 when the trading monopoly of the East India Company was curtailed (later abolished) and the privilege to trade with India granted to every British national. This privilege granted to private traders brought into existence small trading houses at Calcutta. These trading houses worked as agents to foreign firms, importing goods from Britain and exporting Indian goods, and also as independent traders and so came to be known as agency houses. Besides these commercial activities they also carried on financial activities - receiving deposits and making advances.

As British capitalists found opportunities for profitable investment in India, these agency houses solved their problem of supervision of these investments, and thus became Managing Agency firms. The next stage in the evolution of these

managing agencies was reached when they began to play the part of promoters, themselves. Their trading and banking background facilitated the provision of finance, purchase of raw materials and sale of manufactured goods. The fragmented nature of indigenous capital and enterprise in this period provided further opportunity to British merchants and the managing agency system evolved in response to this opportunity. Thus an integration of the functions of promotion, management and financing, for industry was provided by the EMAs, which arose in India under a gamut of influences.17.

That the EMAs contributed significantly in promoting 'traditional' industries, viz. jute, tea, coal and shipping, has always been recognized, as also the fact that there was a decline in this promotional role after 1919. It was their ability and willingness to be the major source of direct and indirect finance to industry, facilitated initially by the lack of a proper capital market and later by the development of a banking structure complementary to the managing agency system, which was the main reason for the importance of EMAs in the manufacturing sector till the end of the period under consideration. Even in the late 1950s, direct loans by EMAs (in Eastern India) to their managed companies constituted a not inconsiderable 6.52 percent of total loans and advances. Their contribution was particularly significant in the case of smaller companies (ie. companies with PUC upto three crores), where direct loans by EMAs were forty to forty-seven percent of the total. The proportion of total bank loans guaranteed by EMAs was about twenty-three percent, but ranged from seventy-seven to hundred percent for medium and large

companies managed by them^{2/}.

The managing agents provided both equity and loan capital to meet the different term requirements of companies under them. In this respect the scope of their services was much wider than most institutions (including banks) which generally specialized in a single type of credit facility, either for block or for working capital. They also performed the function of under writers without requiring the usual formalities of hypothecation of goods or security of liquid stocks or any other assets; and guaranteed secured and unsecured bank advances^{3/}. The extent, flexibility and promptness of their assistance made them especially capable of helping companies in times of crises in the jute, tea and cotton textile industries, and their links with the British money market and with British banks in India, facilitated by their own banking and trading backgrounds, made such assistance possible^{4/}.

Organizationally too EMAs consolidated their position through contractual agreements with companies, pledging not only to build the enterprises, bring the plant from Britain, provide it with technical staff and supply financial assistance but also to supervise production, purchase raw materials and undertake marketing. All this was made much easier by the appointment of a certain number of their own candidates to be on the board of directors of the controlled companies. Such vast contractualized powers obviously led to malpractices and cheating of share holders by managing agents and an amendment to the Indian Companies Act was passed in 1936 to restrict the misuse of power by managing agents^{5/}. The regulations provided by the amending

act were not strong enough to prevent easy evasion and malpractices continued, giving rise to much discussion on the future viability of the system. However, the managing agency system was brought under legal purview for the first time and general lines of control indicated.

Thus EMAs evolved and developed in order to provide favorable and profitable opportunities for investment of foreign capital, primarily British, in India, by creating an infrastructure, both public and private, to reduce uncertainty, minimize fluctuations and improve knowledge. The importance of India in the imperial set up, of Britain in the world economy and of trade in Britain's development were all very important factors in the growth and domination of EMAs^{6/}. But the progressive dissolution of these traditional links in the inter-war years and their subsequent break down, did not necessarily mean the decline and exit of EMAs from India^{7/}. What it did mean was that the agencies which had created and exploited these links had to adapt not only their activities but also their structural framework to the changed circumstances. The extent to which they were willing or able to do this, determined the position of EMAs in the 1930s and 1940s and also in the 1950s and 1960s.

Thus their behavior in this period should be viewed as part of the process of their evolution, as a consequence of their interaction with, and subsequent adjustment to, the changing environment of their operations. Snapshot comparisons of the relative dynamic of EMA performance, as also of the extent of foreign and Indian participation in organized manufacturing ,

before world war I, in the inter-war period and at independence, tend more often than not to be misleading. This is because not only was the context of their development at various time points different, and the logic of their behavior such, that their articulation in the given socio-political and economic milieu was distinctive; but also because the spaces between what was 'Indian' and what 'foreign' were not well defined nor the relationship between them unambiguous or stable^{8/}

It is in this context that one must view EMAs in particular and other industrial enterprises in general, in the period of our enquiry. The increasing number of Indian shareholders in EMA companies could then be seen, both as a manifestation of faith in the strength of these companies (and their managing agents) on part of Indian investors and of the EMAs willingness to take advantages of new sources funds to industry as could be their increased collaboration with Indian capitalists, especially in the wake of the tariff and subsidy policies of the government of India. Concentration and centralization of capital by EMAs in this period could be a means of continuing to exercise control in changing and uncertain circumstances, as could the relatively higher dividend distribution by their companies, rather than the preliminary stages of their withdrawal from the economy. The emergence of new companies without the direct patronage of EMA firms could be a means of avoiding the legal restrictions increasingly imposed on companies with managing agents and not necessarily a manifestation of their diminished role. Finally, the alleged stagnation of these agency houses could be seen as a pre-

occupation with maintaining control in the companies under their operation rather than as conservatism in their business outlook.

Thus the institutional foundation of these enterprises determined the modes they employed to control or manipulate the larger environment of which they represented a small though significant part and which in turn moulded the structure of these EMAs. It seems necessary therefore to look at the individual circumstances of particular EMAs, in order to understand the logic of the trends visible at the aggregate level, keeping in mind the fact that the managing agency system was itself undergoing rapid changes through out the period. Indeed Hazari's^{9/} 1960 study reveals the business group phenomena to hold for what were earlier just managing agencies.

Bird Heilger and Co.Ltd.^{10/}: It was one of the largest agency houses in Calcutta formed in 1917, through the merger of Bird & Co., an old EMA which originated as a firm supplying labour to the railways in 1864 and then expanded to control the largest investments in jute and coal in India, and F.W. Heilger & Co., a group whose main interests were in paper manufacturing, though it had smaller interests in jute and coal.

During the first world war, Bird Heilger & Co. expanded into silica, brick manufacturing, electricity supply, coke production, lime stone quarrying, structural steel works & steel rolling. The post war boom saw the floating of what were called 'War Babies'. These were small ventures, (in leather processing and boot making, graphite production, railway sleeper manufacture

& sugar refining), all set up in 1918 or 1919, at a time when public funds were flowing into manufacturing, which did well for some time and then perished in seven years or less.

The 1929-39 period was one in which the old ventures in jute manufacturing, coal and paper were kept going only because of financial help from their managing agents, and Bird Heilgers as managing agents for fourteen jute, thirteen coal, five engineering, three quarrying, seven investment companies and the Titaghur Paper mills, provided such support to their managed companies. Thus there was a visible shift in their role, as managing agents, from promotional to financing activities.

The shortage of capital which restricted diversifying activities, and the increasing reliance on managing agents for funds to sustain existing ventures, together with the uncertainty managing agencies (as a system of business organization) were beginning to feel about their own future^{11/}, were all, important stimuli in setting up investment companies by Bird Heilgers, both to secure rupee capital and to retain corporate control through inter-corporate investment. The former was done quite successfully as can be seen from Table 1.1, which provides a picture of over all performance of the two largest investment companies.

Table 1.1
Performance of Investment Companies under Bird Heilgers

<u>Performance Indices:</u>	BIRD HEILGERS		INVESTMENT	
	1939	1945	1950	
Net Profits to Net Worth	0.02	0.07	0.06	
Net Worth to Total Assets	0.45	0.86	0.73	
Net Worth to Net Block	0.55	1.07	1.07	
Total Assets (in crores)	3.78	17.26	21.37	
Undistributed Profits to PUC	0.02	0.08	0.03	
Total Dividends to Net Profits	0.35	0.75	0.87	

Line 2 and 3 reveal, that a large proportion of funds came from sources external to these companies and that creditors obligations financed part of the working capital.12/

Bird Investments Ltd., the larger of these companies was founded in 1936 with a PUC of three crores (which increased to four crores by 1950); Eastern Investments Ltd. founded a year later with a PUC of about eight crores13/, held seventy-one percent of the shares in managed companies owned within the group. It was a major source of controlled finance to a number of companies in the coal, paper and jute industry14/

The outbreak of the second world war affected these adjustments to some extent. In spite of war time troubles viz. transport bottlenecks, rising wage costs, the companies under Bird Heilger & Co. rose to meet war time demands in a big way. The supportive role of their investment companies, in providing adequate finance was extremely important. Their robustness in this period is visible in their rising profitability ratios (from two percent to seven percent) and accumulation (from two percent

to eight percent); and in the increased supply of funds both from shareholders and through borrowings (Table 1.1).

The jute companies^{15/} fared well supplying gunny, sand bags, nets, canvas tents, stretchers and parachutes for war purposes, though the excess-profits tax levied by the government meant that very little of their earnings went into dividends or reserves.

Table 1.2
Performance of Jute Companies under Bird Heilgers

<u>Performance Indices:</u>	BIRD HEILGERS		JUTE	
	1933	1939	1945	1950
Net Profit to Net Worth	0.06	0.04	0.17	0.00
Net Worth to Total Assets	0.72	0.68	0.51	0.60
Net Block to Net Worth	0.53	0.59	0.28	0.51
Total Assets (in crores)	64.10	68.71	103.21	125.58
Loomage (in thousands)	9339	8924	8924	6114
Undistributed Profits to PUC	0.10	0.08	0.10	0.01
Total Dividends to Net Profits	0.80	1.62	0.89	0.62

Table 1.2 showing the performance of the Jute companies under Bird Heilgers reveals these trends in the 1939 to 1945 period; with profitability (line 1) increasing by four times in the war period, assets rising from sixty-seven crores to one hundred and three crores, reserves almost doubling and distribution of dividends declining considerably, though still remaining at a high level.

Table 1.3

Performance of Paper Companies under Bird Heilgers

Performance Indices:	BIRD HEILGER		PAPER	
	1933	1939	1945	1950
Net Profits to Net Worth	0.12	0.18	0.13	0.05
Net Worth to Total Assets	0.72	0.68	0.51	0.60
Net Block to Net Worth	1.44	0.98	0.32	0.52
Total Assets (in crores)	7.37	13.51	32.62	42.82
Undistributed Profits to PUC	0.12	0.11	0.13	0.04
Total Dividends to Net Profits	0.46	0.46	0.35	0.52

Paper too, being an essential war material, did well, with the Titaghur mills doing financially and physically better than the coal and jute companies (see Table 1.3).

Table 1.4

Performance of Engineering Companies under Bird Heilgers

Performance Indices:	BIRD HEILGERS		ENGINEERING	
	1933	1939	1945	1950
Net Profits to Net Worth	0.01	0.02	0.14	0.21
Net Worth in Total Assets	0.64	0.49	0.53	0.24
Net Block to Net Worth	1.39	1.65	0.63	1.27
Total Assets (in crores)	4.61	5.59	5.95	12.36
Undistributed Profits to PUC	0.09	0.06	0.06	0.06
Total Dividends to Net Profits	0.00	0.00	0.52	0.38

The engineering industry prospered during the war (see Table 5.1 in Chapter 4) and the companies under Bird Heilgers were no exception. Profits to net worth ratios increased from two percent in 1939 to twenty-one percent in 1950. Excess war time taxation may have been the reason for the low rate of accumulation/dividend distribution, inspite of such high profits.

Unlike the other industries in which it was operating, Bird Heilgers seemed to have relied much more on borrowed funds for their operations in engineering, than on shareholders resources (except during the war period when credit facilities were severely restricted).

In 1939, Bird Heilgers extended their activities as selling agents, to distribution, collection and handling of various items, ranging from cement to vegetable products and sugar, in response to the economic demands of the war.

Table 1.5(1)

Changing Composition (Foreign) of BOD in Bird Heilgers

Industry	% of Foreigners on BOD.	Number of Companies			
		1933	1940	1945	1950
JUTE					
	0 - 25	0	0	1	1
	26 - 50	1	1	1	2
	51 - 75	7	7	8	6
	76 - 100	2	2	0	0
ENGINEERING					
	0 - 25	0	0	0	0
	26 - 50	0	0	0	0
	51 - 75	0	0	1	1
	76 - 100	1	1	0	0
PAPER					
	0 - 25	0	0	0	0
	26 - 50	1	0	0	1
	51 - 75	0	1	1	0
	76 - 100	0	0	0	0

Source: IYB, relevant years.

Table 1.5(2)

Managerial Integration in Industry (Bird Heilgers)

Year		<u>No. of Companies Managed in</u>		
		Jute	Coal	Paper
1931	Bird	8	3	N.A.
	Heilgers	2	8	N.A.
1939	Bird	8	3	1
	Heilgers	2	8	1
1945	Bird	8	3	1
	Heilgers	2	8	1
1950	Bird	7	3	1
	Heilgers	2	8	1

Source: M.M. Mehta, Structure of Indian Industry (for 1931)
L.A. Joshi, The Control of Industry in India (for other Years).

The post-war period saw the resurgence of many of the trends the war had interrupted (see Table 1.1 to 1.5), accompanied by the ongoing war shortages and the increased political tension against the British. For most EMAs the challenges of the future were further complicated by the uncertainty of their position as managing agents. For Bird Heilgers however, their large share holding in companies under their management^{16/}, their diversified investments, their sound reputation as managing agents, their access to a steady source of funds through the investment trusts run by them; meant that their position, both in terms of control over the companies under them^{17/} (see Table 1.5) and in terms of the liquidity of these companies, (see Table 1.6), was stable enough for them to consider coping with the rather uncertain future.

Table 1.6
Performance of Companies under Bird Heilgers

Performance Indices:	BIRD HEILGERS		ALL INDUSTRIES*	
	1933	1939	1945	1950
Net Profit to Net Worth	0.05	0.07	0.13	0.08
Net Worth to Total Assets	0.43	0.55	0.63	0.57
Net Block to Net Worth	0.84	0.94	0.57	0.84
Total Assets (in crores)	76.09	85.81	141.43	180.74
Loomage (in thousands)	9339	8924	8924	8114
Undistributed Profits to PUC	0.10	0.07	0.10	0.02
Total Dividends to Net Profits	0.32	0.61	0.63	0.65

Note * : Jute, Engineering, Paper and Investment.

The overall performance of the fifteen companies managed by Bird Heilgers in the twenty year period 1930-50 is shown in Table 1.6. Inherent strength and steadiness coupled with responsiveness to their environment seems to have been the hallmark of these companies. The pre-world war II build up of shareholders funds, the war time profits and accumulation and the post war slump, reflected in the behavioral indices, point to an adaptability which belies their reputation for conservatism and inflexibility, emphasised in the literature. The argument for their retreat/withdrawal from the colony, even when expatriate expectations about an adverse political future were realized thus seem overrated.^{18/} This is also clear from Hazari's detailed study of the 1950s^{19/} which reveals that the two largest EMAs in India viz. Bird Heilgers and Andrew Yule employed various techniques of control to ensure their continued operation in India.

Andrew Yule & Co. Ltd 20/: Another old British managing agency in Calcutta, was established as a trading firm in 1863 around the time when the trading monopoly of the East India Company was broken. By 1902, the firm managed four jute mills, fifteen tea companies, four coal companies, one inland navigation company, one cotton mill, two flour mills, one oil mill, a small railway company, a jute pressing house and a zemindary company. It was converted into a joint stock company in 1919 when T.S. Catto joined and Yule & Catto continued to control the group well into the 1960s.

The formation of companies to serve in an ancillary capacity their interests in coal, tea and jute continued during and after the first world war, with the establishment of engineering works (in 1917), power companies and steam navigation works (in 1919); so did the promotion of new industrial ventures, some successful like those in paper production from indigenous bamboo (1919, 1933) and some unsuccessful like the tobacco industries venture in 1931. Andrew Yule & Co., also served as managing agents to a wide range of concerns in the entire period^{21/}.

The financial aspects of their operation became more important in the 1930s and 1940s when insurance (Concord of India in 1931) and investment companies (Clive Investment Holding in 1946) were set up. Like Bird Heilgers, the most important facility provided by Andrew Yule to its managed companies was large scale financial assistance, though it relied much more on borrowed funds (see Tables 2.1, 2.3). Even as late as in 1958,

it provided substantial help to its jute mills to carry out a programme of rationalization and modernization to tide over the crisis the industry was facing due to crop failure in the 1958-62 period.

Table 2.1
Performance of Companies under Andrew Yule

<u>Performance Indices:</u>	<u>ANDREW YULE</u>		<u>ALL INDUSTRIES*</u>	
	1933	1939	1945	1950
Net Profit to Net Worth	0.08	0.07	0.12	0.05
Net Worth to Total Assets	0.60	0.71	0.88	0.50
Net Block to Net Worth	0.92	0.81	1.08	1.03
Total Assets (in crores)	69.49	69.03	83.64	95.62
Loomage (in thousands)	6973	8052	8052	6583
Undistributed Profits to PUC	0.10	0.08	0.06	0.03
Total Dividends to Net Profit	0.76	0.61	0.65	0.38

Note * :Jute, Paper, Investment.

The performance of companies under Andrew Yule is shown in Tables 2.1. In contrast to Bird Heilgers, this EMA seems to have been less robust, showing lower profitability, greater reliance on borrowed funds and declining reserves and distribution of dividends. Assets however, continued to rise through out the period as did over all efficiency of the managed companies. This relative inability to cope with the changing environment resulted in the loss of several companies, especially jute mills during the late 1940s and 1950s, though controlling interests were not affected. The managing agents raised their equity participation, indicating a desire to safeguard their position and continue their business in India^{22/}.

Table 2.2
Performance of Jute Companies under Andrew Yule

<u>Performance Indices:</u>	ANDREW YULE		JUTE	
	1933	1939	1945	1950
Net Profit to Net Worth	0.08	0.07	0.13	0.05
Net Worth to Total Assets	0.59	0.69	0.68	0.47
Net Block to Net Worth	0.96	0.84	1.00	1.03
Total Assets (in crores)	65.47	64.85	77.00	91.59
Loomage (in thousands)	6973	8052	8052	6563
Undistributed Profits to PUC	0.10	0.09	0.06	0.03
Total Dividends to Net Profit	0.83	0.58	0.62	0.36

Table 2.3
Performance of Paper Companies under Andrew Yule

<u>Performance Indices:</u>	ANDREW YULE		PAPER	
	1933	1939	1945	1950
Net Profit to Net Worth	0.00	0.03	0.08	0.03
Net Worth to Total Assets	0.77	0.90	0.70	0.73
Net Block to Net Worth	0.51	0.40	1.10	1.02
Total Assets (in crores)	4.03	4.18	8.62	4.03
Undistributed Profits to PUC	0.05	0.03	0.03	0.02
Total Dividends to Net Profit	0.00	0.95	0.98	0.58

Source: IYB, relevant years.

Companies in the Jute and Paper industries (Tables 2.2, 2.3) stagnated in the entire period both in physical and in financial terms. Even the response to war stimuli seems sluggish, though profits did tend to increase (from seven percent to thirteen percent in jute and three percent to eight percent in paper) in the 1939-45 period.

The changing role of EMAs in late colonial India was a response to the changing logic of their existence in the economy. The relative importance of their promotional, managerial and financing activities, and the extent of their success in performing them, varied according to the needs of the industrial sector and their individual circumstances. Thus even managing agencies like Andrew Yule and Bird Heilgers, operating in the same region and in similar fields, showed different degrees of responsiveness to their environment; though the nature (direction) of the response remained broadly the same. This seems true for other regions too. Thus you have Binnys, Harveys and Parrys in Southern India, retaining their pre-eminence through out the forties, responding profitably to war demands and not facing any serious resource crunch in this period, but still showing variation in response. 23/

Table 3.1
Performance of Textile Companies under Binnys

Performance Indices:	BINNYS		COTTON TEXTILES	
	1933	1939	1945	1950
Net Profits to Net Worth	0.04	0.04	0.14	0.11
Net Worth in Total Assets	0.67	0.54	0.60	0.59
Net Block to Net Worth	0.59	0.77	0.17	0.34
Total Assets (in crores)	30.43	30.65	35.86	68.38
Loomage (in thousands)	3621	3916	3920	3927
Spindlage (in thousand)	135492	143410	161388	160820
Undistributed Profits to PUC	0.06	0.03	0.02	0.02
Total Dividends to Net Profits	0.34	0.69	0.27	1.85

Table 3.2
Performance of Textile Companies under Harveys

Performance Indices	HARVEYS		COTTON TEXTILES	
	1933	1939	1945	1950
Net Profits to Net Worth	0.03	0.08	0.16	0.11
Net Worth in Total Assets	0.89	0.80	0.45	0.38
Not Block to Net Worth	0.76	0.56	0.27	0.32
Total Assets (in crores)	22.02	14.98	56.95	71.72
Spindage (in thousand)	445508	465324	46534	465324
Undistributed Profits to PUC	0.05	0.09	0.64	0.51
Total Dividends to Net Profits	1.015	0.69	0.63	0.83

Source: IYB, relevant years.

Tables 3.1, 3.2, giving a profile of the performance of cotton mills under Binnys and Harveys respectively, reflect different behavioral responses to similar circumstances. The Binny mills recovered from a setback in their profitability due to the boycott movement and trade depression in the 1930s, making tremendous profits during the war (the ratio of net profits to net worth increased from four percent to fourteen percent, (Table 3.1)), by pioneering the sodium bichromate industry for khaki dye.^{24/} However, these high profits were not used either for accumulation or distributed as dividends; although the 1945-50 period saw a high rate of dividend distribution, while all other performance indices showed stagnation or decline, indicative of a somewhat defensive strategy of existence.

In contrast, the Harveys used the high profits of the war period primarily for expansion and diversification activities (Table 3.2), adopting a much more aggressive strategy of survival in the 1930s and 1940s. Here again, two EMAs operating in the

same region and industry, adopted individual mechanisms of functioning, to continue their operations in India.

The individual circumstances of particular EMAs are indicative of their preoccupation with control not only over their managed companies, but also over economic variables (viz. sources of finance, economies of size/organization, marketing networks, transportation etc.), affecting their performance. Their willingness to cope with the larger industrial and political environment and the dynamics arising therefrom is amply clear; their ability to do so, at least to some extent, seems to have been a function of their long association with particular industrial interests, as in jute, coal, tea, paper, engineering, power, shipping and their use of various techniques of business organization to retain control. The latter ranging from, the exercise of managerial control in their companies, through a favorable composition on their boards, interlocking of directorship, managerial integration and contractual stipulations^{25/}, to concentration of economic power as manifested most explicitly in the nature of their asset distribution in major industries^{26/} and to a lesser degree in the diversification of their financial portfolios^{27/}. The use of dividend distribution policies to manipulate fickle share holders, the key role of inter-corporate investments, financial trusts and the ownership of large equity blocks were all, various operational manifestations of the mechanism of control employed by these EMAs in adjusting to the diverse circumstances, so characteristic of the economic environment of that time. The managing agencies in their turn also influenced this environment, shaping the course of industrializa-

tion, through the formation of corporate entities much broader and more complex, than the original managing agency houses of the late 18th and early 19th centuries. Thus the formation of Business Groups as defined by Hazari today seem to owe their evolution to the managing agency houses of yester years. It is such complex interplay of forces: geographic and historical; economic and political; organizational and motivational, which continue even today to shape the structure and strategy of industrialization in India.

Notes and References

1. This description of the origin of EMAs relies on: R.S. Lokanathan (1935), Samant & Mulky (1988), R.S. Rungta (1970), (1987), A.F. Brimmer (1955).
2. NCAER (1959), Pgs. 76-77, Table 7,8.
3. Ibid. Pg.79-80.
4. The Chairman of the Presidency Banks and many other members of the BOD belonged to leading managing agency houses. Similar links existed between British managing agencies and exchange banks eg. N.C. Turner was a partner of Mackinnon, Mackenzie & Co. became the president of the Chartered Bank of India, Australia & China; the National Bank of India had on its board at various times partners of Jardine, Skinner and Co., Hoare Miller & Co., Binny & Co., Duncan Bros, Dunlop & Co., Finlay & Co. Bird & Co., Kilburn & Co., Balmer Lawrie & Co. (G. Tyson (1963)).
5. This was the first more or less general legislative act concerning the managing agents, the basic provisions of which were: (a) Managing Agents powers to expire in twenty years; (b) it was forbidden to receive remuneration on the basis of gross receipts (c) the practice of investing the funds of one factory in other enterprises was restricted, and the purchase of shares and bonds of a company of the same group without an unanimous decision of the BOD of the purchasing company was not permitted; (d) the rendering of collateral services by the managing agency firm was not forbidden, but any additional remuneration for these services had to have the sanction of the company; (e) the number of directors appointed by the managing agency firm could not exceed one-third of the total (A.I. Levkovsky, Capitalism in India).
6. See B.R. Tomlinson (1975), (1976), (1979) for a detailed discussion of how these factors influenced the 'progress' of EMAs.
7. As is opioned in all the major literature on the subject.
8. There exist evidences of both collaboration and conflict between the two groups, most often of co-existence:

According to an API dispatch after Nehru's announcement of the official policy towards foreign capital in 1949, "British trade and industrial enterprises are expanding their activities in India on the basis of a 'working partnership' calculated to be of mutual benefit..... Among business deals of this kind is the Nuffield-Birla arrangement for the assembly of motor cars....."

The engineering firm of Kirloskars of Bombay has links with British Oil Engines (Export) Ltd., Bush Electri-

cals Engineering Co. Ltd., Parry & Co. Ltd. - all British firms. CAPITAL DEC. 22, 1948.

"As regards cooperation between British & Indian enterprises may we ask those who are the exponents of such views whether they would work for the Indian and British cooperation for the expansion of industries in Great Britain? Cooperation cannot be a one way traffic. It must be Let them give us proof of such mutual obligation and mutual responsibilities. Thus only can we consider their advice. . . . It will not be cooperation amongst equals in a free country. It will be the cooperation between the rulers and ruled". M.A. Masters, President of the Indian Merchants Chamber, Bombay, at the 38th Annual General Meeting on 24th Jan. 1946, in response to the Viceroy's call for cooperation between foreign and Indian business.

"On a general survey of industries of Southern India, my committee finds that in some industries Indian control is complete, in some others Indians & Europeans are completing on equal terms, there are other cases in which production has been solely in the hands of Europeans, in none of the above cases can it be said that Indian enterprises have been stifled by European competition" - Letter dated 29th May 1935 from the South India Chamber of Commerce to FICCI, in response to a circular asking them about the extent of nature of foreign participation in their region.

9. See R.K. Hazari, (1966).
10. This summary of the origin and growth of Bird Heilgers & Co. relies primarily on: G. Harrison (1964), R.K. Hazari (1966) and B.R. Tomlinson (1981).
11. This period was characterized by an increasing amount of public discussion regarding the merits and demerits of the Managing Agency system culminating in the companies of the Indian Companies (Amendment) Bill of 1936 which imposed restrictions on the relations between the companies and their managing agents.
12. Tomlinson (1981), refers to the shortage of capital faced by Bird Heilgers as the main reason for their lack of expansion and diversification in this period, but this does not seem to be true as their Investment companies were able to borrow funds, and so were their engineering companies. (refer Tables 1.1, 1.4)
13. Investors India Year Book, 1933, 1939, 1945-47, 1950.
14. "Memorandum on Shares held in Birds Cos., by subsidiaries" in Benthall Papers XIV, quoted in B.R. Tomlinson (1981).
15. Though the raw jute business was adversely affected, with the war compounding the supply and transport difficulties and the perennial uncertainty of weather and crop. The

partition in 1947 was almost a death blow to the industry as raw jute supplies from East Bengal were totally disrupted.

16. Bird Heilgers had the general reputation of being more concerned than most expatriate houses with maintaining direct control of the companies, it managed by investing in them. To combat threat of takeovers, Benthall had rules in 1929 that a holding of 25 percent of the issued shares capital of all public companies was essential to ensure control. By 1941, Benthall increased the requirement to 33 percent holdings - From Benthall Papers XV, VII quoted in B.R. Tomlinson (1981).

17. Also refer Chapters 3,4.

18. "We will not be eliminated. We must hang on to our position by our eyelids as the only hope of the British Empires future existence". Diary entry, 30.4.40. in Benthall Papers VII, quoted in B.R. Tomlinson, MAS (1981).

"..... It (British Enterprise in India) has no desire to entrench itself behind a bastion of privilege.... Equally it has no intention of quitting India, because for a period political conditions are likely to be unsettled and difficult or for fear of a war of nerves - President of the Associated Chamber of Commerce, Sir Renwick Haddow as quoted in 'Capital' dated Dec. 13, 1945.

19. R.K. Hazari, (1966), Pgs. 116-142.

20. Information on Andrew Yule & Co. derived from: Andrew Yule & Col Ltd. (1963), and R.K. Hazari (1966).

21. Managerial Integration in Industry (Andrew Yule)

Year	No. of Companies Managed			
	Jute	Coal	Tea	Paper
1933	10	12	15	N.A.
1939	11	12	N.A.	1
1945	11	12	N.A.	1
1950	8	10	17	1

Source: M.M. Metha, Structure of Indian Industry, LA Joshi, Control of Industry in India and IIYB, 1939, 1945.

22. (a) R.K. Hazari, (1966), pg.121-125;
 (b) 'I come to the question of the British commercial community remarks have been made to the effect that the community has had a long innings. The inference would be that it was time for the members of this community to depart and that their would be little place for them in any new India. This is a view point which is completely untenable, and one which indicates an entire lack of understanding of the part being played by the British commercial community, and of the part that has been played by Britons in India

over a long period of time. in the creation of wealth in and for India'. - Lord Catto, Chairman of Andrew Yule & Co. on 'Common Rights of Citizenship' in 'Capital' Nov.26, 1942.

23. Refer Mahadevan (1990) for details of these EMAs.
24. Ray (1979).
25. Refer (1) Tables 1.4(1) and 1.4(2) in text.
(2) Foot note (21)
(3) Tables 1.1 to 1.5; 2.1, 2.2; 3.1, 3.2, 3.3, 4 in Chapter 3; see also Appendix II.
26. Refer Tables 2.1 to 2.5 in Appendix II.
27. Refer Hazari (1966).

CONCLUSION

The transformation of EMAs has been the focus of our enquiry in this thesis. The motivation for this, manifested not only in the trends in sterling and rupee investments in the 1930's and 1940's but also in our analysis of EMA operations in the manufacturing sector, seems to have been an unwillingness to withdraw their trading and manufacturing interests in India in the wake of the changing nature of the colonial state in this period. The 'conservatism' of their companies in this period, visible in their unchanging resource utilization and cautious financial policies, was thus an operational manifestation of this desire to continue their independent operations even in adverse political and economic conditions.

This preoccupation with control rather than expansion had explicit organizational implications, given the structure of EMAs. Interlocking and multiple directorships on the boards of their companies, managerial integration across industries, dividend distribution strategies to hold marginal share-holders, setting up of investment trusts and inter-corporate investments to regulate the financing of their interests; were all organizational adjustments to restrict Indianization of control in a period characterized by active Indian participation in manufacturing industry.

Our analysis of managerial, physical and financial indicators reveals the nature and extent of these adjustments across industries. The one hundred and one companies under twenty

EMAs, in the jute, cotton textiles, engineering and 'other' industry categories, which have been studied, seem responsive to the economic stimuli of the time, especially to the demands of the second world war and the subsequent demand and supply rigidities. Thus profits and accumulation were on the increase during the war, while dividend distribution stagnated at a high level, and reliance on shareholders funds for financing economic activity persisted. For the period as a whole, all physical indicators (except employment) viz. assets and capacity, showed a relative decline, especially in the last five years. While there were significant inter-industry variations, in all cases the Indianization (of ownership) that occurred was limited and was not at the expense of existing foreign holdings.

The jute industry in Eastern India was a traditional EMA stronghold. Not surprisingly the size of the physical stocks held by them in the industry were large. The managerial setup characterised by, a majority of foreigners on the boards of their managed companies, multiple and interlocking directorships and the interlinking of various industries and sectors through managing agents, was also typical of EMAs of the time.

Our analysis of company-wise balance sheet data reveals these trends to be valid for the 1930s and 1940s too. Concentration of assets in the hands of the top three EMAs in the jute industry increased from forty-three percent to forty-six percent in this period; the top four EMAs controlled fifty-six percent of industry assets even in 1950. Low profitability in the industry as a whole and especially in EMA units during and after the war,

reduced but did not curtail the process of accumulation (except in the 1945-50 period). Dividend distribution, even in times of financial stress remained high, indicating a desire to appease shareholders who continued to be the main source of working capital.

Individual EMAs in jute revealed broadly similar trends which together with their forays into newer industries like engineering, paper, metals etc. especially during the war period, and the intake of a limited number of Indian directors in the late 1940s, point towards a tendency to continue operations in India. The revaluation of assets that must have been occurring and the high rate of declared dividends, seem to have been more an effort to consolidate control than a preparation for repatriation.

The cotton textile industry in Bombay was traditionally an Indian stronghold. Both in physical and financial terms it was dominated by Indians, right till the end of our period of enquiry (and after). What is significant however is the fact that British interests accounted for about thirty percent of assets and capacity and about fifteen percent of employment, as late as in 1950. What is more accumulation by EMA units after fluctuating in the war period, hovered above its 1930 level, reaching twelve percent in 1950. Distributed dividends also showed a slight increase in these twenty years. EMAs in cotton textiles thus seemed firmly entrenched albeit in a subordinate position.

Among the new industries, it was engineering and paper

in which EMAs invested responding in all cases to the demands of the second world war. The post war slump in all indicators was an attempt by EMAs to consolidate their position vis-a-vis the industrial economy, given their performance in the war period and their entrenchment in traditional industries.

Thus EMA operations in the 1930s and 1940s were a response to both internal compulsions and external stimuli. Their transformation in the inter-war years, when seen as part of the historical process of their evolution (individually and as an institutional entity) in conjunction with the changing domestic and international economies, negates the unilinear and unidimensional notion of change in the existing literature and widens the scope for enquiry into foreign investment in this period.

This work focuses primarily on organizational aspects of EMA operations in the 1930-50 period. Using detailed data on individual managing agencies it shows that their experience in the 1930s and 1940s did not indicate any sign of imminent collapse or withdrawal from the industrial scene. At least in this period EMAs did not lose interest or clout. Thus it belies the connection implicitly drawn (in the decolonization literature) between weakening of the colonial state and weakening of foreign enterprises in India. It attributes the survival and maintenance of EMAs to endemic structural adaptations, to their environment; but by suggesting that political change may not have been that important it also leaves the field open to other explanations for their experiences in this and subsequent periods.

APPENDIX ONE

The Data and its Limitations

The major data source used in this analysis of rupee companies under EMA's, is the Investors' India Year Book, published by Messrs. Place, Siddons & Gough, Calcutta. It gives industry-wise, balance sheet data for publicly held, joint stock, limited liability, rupee companies whose shares are quoted in the stock exchange. From this data (for the year 1930), foreign controlled rupee companies have been identified by referring to their managing agents. In cases where some ambiguity exists, the racial composition of the board of directors of these companies have been considered for purposes of identification. A foreign controlled company is identified as one having more foreigners (than Indians) on its board. Indian controlled rupee companies have been similarly identified, and the entire analysis conducted on the basis of this managing agency wise classification. Companies without managing agents are not analysed. Two hundred and one companies under twenty European and Indian managing agencies, across four industries (viz. jute, cotton, engineering and 'others') are studied.

For our analysis of the changing pattern of control (rather than ownership), in the 1930-50 period, managerial physical and financial indices reflecting controlling interests i.e. decision making authority, are delineated. Thus the changing racial composition of directors, as well as proportion of assets, capacity and employment under EMA's are measured, at four time points viz. 1930, 1939, 1945, 1950, for each industry.

Using the criteria discussed in the Stock Exchange Directory, various performance indices are calculated for companies under each managing agency, in each industry:

(a) Profitability Ratio = Net Profits / Net Worth.

where, Net Profits = Profits after tax less Depreciation.

Net Worth = Share Capital + Reserves.

It summarises overall profitability in relation to invested capital. It takes into account the efficiency of operation, the margin of profits and the way in which the business is capitalized.

(b) Stability Ratio = Net Worth / Total Assets

It shows the percentage of assets financed by share holders. The higher the ratio the stronger is the financial position of the company and the more satisfactory its financial structure from the point of view of creditors. A lower ratio indicates a decrease in the amount of share holders funds in relation to the amount of debt indicating greater dependence on creditors for working funds. In times of depression and low business activity it may reflect under capitalization and potential speculative possibilities. In times of financial stress the position is less burdensome if the ratio is high.

(c) Stability Ratio = Net Block to Net Worth

where, Net Block = Total Assets less Depreciation.

It gives the percentage of working capital provided by share holders. An unduly high ratio signifies greater dependence on outside finance for funds. A smaller percentage is therefore more favorable.

(d) Accumulation Index = Undistributed Profits / Paid-up-Capital

It gives the changing position of reserves to PUC.

(e) **Distribution Index** = Total Dividends / Net Profits.

It gives the proportion of profits distributed as dividends.

Both (d), (e), together give some picture of the long term strategy of the managing agency.

The major limitation of the data from the Investors' India Year Book is its some what biased coverage of Eastern India. Other regions viz. Western and Southern India are not so exhaustively covered. It also concentrates only on registered companies, in the organized sector, especially European ones. But for our analysis of the pattern of control in rupee companies managed by EMA's, between 1930 and 1950; and its organizational and functional implications for the institution of managing agencies, as well as for Indian industry as a whole, this emphasis on the registered, European sector is more an asset than a limitation.

The annual government reports on Joint Stock Companies in British India and the Indian States, having a better (though less detailed) coverage of companies at work in India, are used to get a picture of inter-sectoral trends in rupee and sterling investment at the aggregate level.

Another government publication, Large Industrial Establishments in India, gives yearly, company wise, average daily employment figures. Estimates of total foreign investment in India, including foreign branches, subsidiaries and managing agencies, in the late 1940's, are got from the Census of Foreign Assets & Liabilities published by the RBI.

Data from all sources is reclassified to suit the purpose of our analysis and for comparison purposes.

APPENDIX TWO

Table 1.1
CHANGING COMPOSITION OF BOD IN EMA'S
 (Percentage of Foreigners)

NAME OF EMA	INDUSTRY	COMPANIES (SL.NO.)	YEAR			
			1933	1940	1945	1950
ANDERSON WRIGHT	JUTE	1	100	100	100	100
	INVSMT.	2	--	--	--	100
ANDREW YULE & CO.LD.	JUTE	1	50	75	50	0
	JUTE	2	50	50	50	25
	JUTE	3	50	75	50	0
	JUTE	4	50	50	50	25
	JUTE	5	33	33	50	50
	JUTE	6	50	50	50	25
	JUTE	7	100	33	20	0
	JUTE	8	50	75	75	50
	JUTE	9	50	50	50	50
	JUTE	10	50	50	50	0
	JUTE	11	50	60	33	17
	PAPER	12	25	33	29	17
BALMER LAWRIE	ENG.	1	100	100	0	0
	ENG.	2	--	100	100	100
	ENG.	3	100	100	100	100
	ENG.	4	100	100	100	100
	PAPER	5	67	60	67	67
	INVSMT.	6	100	100	100	0
DUNLOP & CO.	JUTE	1	100	100	100	100
	JUTE	2	75	75	75	75
	JUTE	3	50	50	75	75
	JUTE	4	75	75	75	75
	ENG.	5	100	100	100	100
	COTTON	6	50	50	50	60
	COTTON	7	66.7	66.7	40	40
BINNY	COTTON	1	50	71	57	71
	COTTON	2	57	50	60	60
BIRD-HEILGER & CO.	JUTE	1	60	60	60	
	JUTE	2	40	40	0	0
	JUTE	3	60	60	75	50
	JUTE	4	100	100	75	75
	JUTE	5	75	75	50	60
	JUTE	6	75	75	60	60
	JUTE	7	100	100	75	75
	JUTE	8	60	60	60	60
	JUTE	9	60	60	60	60
	JUTE	10	60	60	60	60
	ENG.	11	100	100	75	75
	PAPER	12	43	50	50	40
	INVSMT.	13	100	100	50	
	INVEST.	14			80	80

Table 1.1 contd.

BRADY	COTTON	1	50	43	50	0
	COTTON	2	50	50	57	50
	COTTON	3	60	43	50	38
FINLAYS	JUTE	1	100	100	100	100
	COTTON	2	50	50	50	50
	COTTON	3	57	50	50	50
	COTTON	4	60	50	33	50
FORBES	COTTON	1	60	40	40	40
	COTTON	2	29	40	40	40
GILLANDER ARBUTHNOT	JUTE	1	75	75	60	60
	JUTE	2	75	75	60	60
	INVSMT.	3	--	--	--	71
HARVEY	COTTON	1	33	20	40	20
JARDINE SKINNER/ HENDERSON	JUTE	1	100	100	75	0
	JUTE	2	100	100	100	0
	JUTE	3	100	100	80	80
	JUTE	4	75	75	75	75
	JUTE	5	75	75	75	75
	JUTE	6	100	100	100	100
	INVSMT.	7	--	--	80	67
KETTLEWELL BULLEN	JUTE	1	100	66.7	66.7	66.7
	JUTE	2	66.7	66.7	66.7	66.7
	COTTON	3	66.7	66.7	100	66.7
	COTTON	4	100	66.7	66.7	66.7
KILLICK NIXON	CEMENT	1	44	0	0	0*
	CEMENT	2	56	0	0	0
	COTTON	3	38	57	33	43
MACKINNON MACKENZIE	JUTE	1	100	83	83	80
	JUTE	2	100	100	100	80
MACNEILL BARRY	JUTE	1	100	100	86	86
	JUTE	2	80	100	80	75
	JUTE	3	80	100	80	75
	JUTE	4	--	--	60	75
MARTIN BURN	ENG.	1	40	67	67	50
	ENG.	2	33	25	25	25
	ENG.	3	55	55	30	33
	ENG.	4	33	50	43	43
	ENG.	5	--	50	33	33
	ENG.	6	--	--	75	75
	INVSMT.	7	--	--	80	75
MCLOID & CO.	JUTE	1	50	50	50	25
	JUTE	2	100	100	75	75
	JUTE	3	67	67	50	50
	JUTE	4	--	67	50	25
	JUTE	5	75	75	80	80
	JUTE	6	50	50	33	29

Table 1.1 contd.

	JUTE	7	75	75	75	75
	ENG.	8	75	80	80	100
SASOON	COTTON	1	50	60	37.5	0
	COTTON	2	50	33	17	14
	COTTON	3	50	60	0	0
	COTTON	4	50	50	43	0
	COTTON	5	50	50	0	0
	COTTON	6	62.5	60	0	0
	COTTON	7	40	40	50	33
SHAW WALLACE	INVSMT.	1	--	--	--	78
	COTTON	2	75	75	60	60
TURNER MORRISON	ENG.	1	40	33	87	67

Note *: Due to formation of the Associated Cement Company (ACC).

Table 1.2

CHANGING COMPOSITION OF BOD IN EMAs
(Frequency Distribution of Foreigners)

Name of EMA/ Industry	Class	No. of Cos.	1933	Years 1939	1945	1950
ANDERSON WRIGHT						
JUTE		1				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		0	0	0	0
	76-100		1	1	1	1
ANDREW YULE						
JUTE		11				
	0-25		0	0	0	6
	26-50		2	1	2	0
	51-75		0	9	9	3
	76-100		0	1	0	0
PAPER						
		1				
	0-25		1	1	1	1
	26-50		0	0	0	0
	51-75		0	0	0	0
	76-100		0	0	0	0
BALMER LAWRIE						
ENG.		4				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		0	0	0	0
	76-100		3	4	3	3
PAPER						
		1				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		1	1	1	1
	76-100		0	0	0	0
BEGG DUNLOP & CO.						
JUTE		4				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		3	3	3	3
	76-100		1	1	1	1
ENG.						
		1				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		0	0	0	0
	76-100		1	1	1	1
COTTON						
		2				
	0-25		0	0	0	0
	26-50		0	0	1	1
	51-75		2	2	1	1
	76-100		0	0	0	0

Table 1.2 contd.

BINNY						
COTTON		2				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		2	2	2	2
	76-100		0	0	0	0
BIRD-HEILGER & CO.						
JUTE		10				
	0-25		0	0	1	1
	26-50		1	1	1	2
	51-75		7	7	8	6
	76-100		2	2	0	0
ENG.		1				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		0	0	1	1
	76-100		1	1	0	0
PAPER		1				
	0-25		0	0	0	0
	26-50		1	0	0	1
	51-75		0	1	1	0
	76-100		0	0	0	0
BRADY						
COTTON		3				
	0-25		0	0	0	1
	26-50		0	2	0	1
	51-75		3	1	3	1
	76-100		0	0	0	0
FINLAYS						
COTTON		3				
	0-25		0	0	0	0
	26-50		0	0	0	1
	51-75		3	3	3	2
	76-100		0	0	0	0
FORBES						
COTTON		2				
	0-25		0	0	0	0
	26-50		1	2	2	2
	51-75		1	0	0	0
	76-100		0	0	0	0
GILLANDER ARBUTHNOT						
JUTE		2				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		2	2	2	2
	76-100		0	0	0	0
HARVEY						
COTTON		1				
	0-25		0	1	0	1
	26-50		1	0	1	0
	51-75		0	0	0	0
	76-100		0	0	0	0

Table 1.2 contd.

JARDINE HENDERSON

JUTE	6				
0-25		0	0	0	0
26-50		0	0	0	0
51-75		2	2	3	2
76-100		4	4	3	2

KETTLEWELL BULLEN

JUTE	2				
0-25		0	0	0	0
26-50		0	0	0	0
51-75		1	2	2	2
76-100		1	0	0	0

COTTON

	2				
0-25		0	0	0	0
26-50		0	0	0	0
51-75		1	2	1	2
76-100		1	0	1	0

KILLICK NIXON

COTTON	1				
0-25		0	0	0	0
26-50		1	0	1	1
51-75		0	1	0	0
76-100		0	0	0	0

MACKINNON MACKENZIE

JUTE	2				
0-25		0	0	0	0
26-50		0	0	0	0
51-75		0	0	0	0
76-100		1	1	1	1

MACNEILL BARRY

JUTE	4				
0-25		0	0	0	0
26-50		0	0	0	0
51-75		0	0	1	1
76-100		3	3	3	3

MARTIN BURN

ENG	6				
0-25		0	1	1	1
26-50		3	0	3	3
51-75		1	4	2	2
76-100		0	0	0	0

MCLOID & CO.

JUTE	7				
0-25		0	0	0	2
26-50		0	0	1	1
51-75		5	6	5	3
76-100		1	1	1	1

ENG.

	1				
0-25		0	0	0	0
26-50		0	0	0	0
51-75		0	0	0	0
76-100		1	1	1	1

Table 1.2 contd.

SASOON						
COTTON		7				
	0-25		0	0	3	4
	26-50		1	2	2	1
	51-75		6	5	1	0
	76-100		0	0	0	0
SHAW WALLACE						
COTTON		1				
	0-25		0	0	0	0
	26-50		0	0	0	0
	51-75		0	0	1	1
	76-100		1	1	0	0
TURNER MORRISON						
ENG.		1				
	0-25		0	0	0	0
	26-50		1	1	0	0
	51-75		0	0	1	1
	76-100		0	0	0	0

Table 2

CONCENTRATION IN INDUSTRY

Table 2.1

NAME OF EMA.	TOTAL ASSETS - ALL INDUSTRIES			
	1933	1939	1945	1950
BIRD-HEILGER	76.09	85.81	141.43	180.74
ANDREW YULE	69.49	69.03	83.64	95.62
JARDINE SKNR\HEND.	48.91	48.50	71.53	86.05
MARTIN BURN	44.76	151.44	225.62	270.28
TOT(ALL INDS.	1270.93	1686.79	2914.63	3427.50

Concentration of Assets in the hands of top EMAs : All Industries

EMAs	Share of Assets in :			
	1933	1939	1945	1950
First one	5.99	8.98	7.74	7.89
First two	11.46	14.07	12.59	13.18
First three	15.30	18.16	15.46	15.95
First four	18.83	21.03	17.92	17.93

Table 2.2

NAME OF EMA.	TOTAL ASSETS -JUTE INDUSTRY			
	1933	1939	1945	1950
BIRD-HEILGER	64.11	66.71	103.21	125.56
ANDREW YULE	65.47	64.85	77.02	91.59
JARDINE SKNR\	48.91	48.50	71.53	86.05
MACNEILL BARR	41.38	36.32	38.44	84.27
TOTAL(JUTE)	417.67	413.98	569.22	625.80

Concentration of Assets in the hands of top EMAs : Jute Industry

EMAs	Share of Assets in :			
	1933	1939	1945	1950
First one	15.67	15.66	13.53	14.64
First two	31.02	31.78	31.66	34.70
First three	42.73	43.49	44.23	45.57
First four	52.64	52.27	50.98	55.84

NAME OF EMA.	TOTAL ASSETS -COTTON TEXTILE INDUSTRY			
	1933	1939	1945	1950
BINNY	30.43	30.65	55.86	68.38
HARVEY	22.02	14.98	56.95	71.72
BRADY	14.59	16.38	26.48	29.40
FORBES	14.30	15.91	27.28	31.52
FINLAYS	14.19	15.79	37.65	39.32
TOTAL(Cotton)	533.14	562.92	1072.44	1210.05

Concentration of Assets in the hands of top EMAs:
Cotton Textile Industry

EMA's	Share of Assets in :			
	1933	1939	1945	1950
First one	5.71	5.44	5.31	5.93
First two	9.84	8.11	10.52	11.58
First three	12.57	11.02	12.99	14.01
First four	15.26	13.84	15.53	16.61

NAME OF EMA.	TOTAL ASSETS -ENGINEERING			
	1933	1939	1945	1950
MARTIN BURN	44.76	151.44	215.36	258.23
BIRD-HEILGER	4.81	5.59	5.95	12.36
MCLOID & CO.	2.21	2.18	4.20	6.90
BALMER LAWRIE	2.20	3.77	7.54	14.09
TOTAL(Eng.)	253.18	534.59	884.95	1026.20

Concentration of Assets in the hands of top EMAs : Engineering

EMAs	Share of Assets in :			
	1933	1939	1945	1950
First one	17.68	28.33	24.34	25.16
First two	19.50	29.37	25.01	26.37
First three	20.37	30.08	25.86	27.79
First four	21.29	30.49	26.33	28.41

Table 2.5

TOTAL ASSETS - 'OTHER' INDUSTRIES

NAME OF EMA.	1933	1939	1945	1950
BIRD HEILGER	7.37	13.51	32.26	42.82
ANDREW YULE	4.03	4.18	6.62	4.03
MARTIN BURN	-	-	10.26	12.05
TOTAL(Others)	51.87	139.33	279.09	411.91

Concentration of Assets in the hands of top EMAs:
'Other' Industries

EMA's	1933	Share of Assets in :		
		1939	1945	1950
First one	14.22	9.70	11.56	10.40
First two	21.98	12.70	13.93	11.37
First three	21.98	12.70	17.61	14.30

Table 3

DISTRIBUTION OF ASSETS

Table 3.1 NAME OF EMA	TOTAL ASSETS		(in crores)	
	1933	1939	1945	1950
ANDERSON WRIGHT	10.92	8.84	16.62	15.68
ANDREW YULE & CO. LD.	69.49	69.03	83.64	95.62
BEGG DUNLOP & CO.	30.51	32.54	51.41	59.62
BIRD-HEILGER & CO.	152.18	85.81	141.43	180.74
BINNY	30.43	30.65	55.86	68.38
BRADY	14.59	16.38	26.48	29.40
BALMER LAWRIE	2.20	3.77	7.54	14.09
FINLAYS	14.19	15.79	37.65	39.32
FORBES	14.30	15.91	27.28	31.52
GILLANDER ARBUTHNOT	8.77	10.04	14.34	20.95
HARVEY	22.02	14.98	56.95	71.72
JARDINE SKNR\HENDERSON	48.91	48.50	71.53	88.05
KETTLEWELL BULLEN	26.01	15.30	29.20	39.39
KILLICK NIXON	7.37	8.02	26.70	32.69
MACNEILL BARRY	41.38	36.32	38.44	64.27
MARTIN BURN	44.76	151.44	225.62	270.28
MCLOID & CO.	30.28	24.15	43.10	60.01
MACKINNON MACKENZIE	30.73	26.41	24.89	34.31
SASOON	86.84	95.44	34.80	20.75
SHAW WALLACE	3.09	2.35	5.15	37.80
TOT. EMAS.	612.87	711.63	1018.61	1254.58
TOT. (ALL INDS.)	1270.93	1686.79	2914.63	3427.50

DISTRIBUTION OF ASSETS OF EMAS: ALL INDUSTRIES

ASSETS (in crores)	1933	1939	1945	1950
<1	0	0	0	0
1 - 5	2	2	0	0
6 - 10	1	2	2	0
11 - 50	13	11	10	10
51 - 100	3	3	5	7
>100	0	0	2	2
No. of EMAS	20	20	20	20

Table 3.2

1933 NAME OF EMA	TOTAL ASSETS IN :				TOTAL
	JUTE	COTTON	ENG.	OTHERS	
ANDERSON WRIGHT	10.92	0.00	0.00	0.00	10.92
ANDREW YULE & CO. LD.	65.47	0.00	0.00	4.03	69.49
BEGG DUNLOP & CO.	20.73	9.35	0.43	0.00	30.51
BIRD-HEILGER & CO.	64.11	0.00	4.61	7.37	76.09
BINNY	0.00	30.43	0.00	0.00	30.43
BRADY	0.00	14.59	0.00	0.00	14.59
BALMER LAWRIE	0.00	0.00	2.20	0.00	2.20
FINLAYS	0.00	14.19	0.00	0.00	14.19
FORBES	0.00	14.30	0.00	0.00	14.30
GILLANDER & ARBUTHNOT	8.77	0.00	0.00	0.00	8.77
HARVEY	0.00	22.02	0.00	0.00	22.02
JARDINE SKNR\HENDERSON	48.91	0.00	0.00	0.00	48.91
KETTLEWELL BULLEN	17.03	8.98	0.00	0.00	26.01
KILLICK NIXON	7.37	0.00	0.00	0.00	7.37
MACNEILL BARRY	41.38	0.00	0.00	0.00	41.38
MARTIN BURN	0.00	0.00	44.76	0.00	44.76
MCLOID & CO.	28.07	0.00	2.21	0.00	30.28
MACKINNON MACKENZIE	30.73	0.00	0.00	0.00	30.73
SASOON	0.00	66.84	0.00	0.00	66.84
SHAW WALLACE	0.00	3.09	0.00	0.00	3.09
TOT. EMAs.	343.47	203.78	54.22	11.40	612.87

1933 DISTRIBUTION OF ASSETS OF EMAS: ALL INDUSTRIES

ASSETS (in crores)	JUTE	COTTON	ENG.	OTHERS
<1	0	0	1	0
1 - 5	0	1	3	1
6 - 10	1	2	0	1
11 - 50	7	5	1	0
51 - 100	2	1	0	0
>100	0	0	0	0
No. of EMAs	11	9	5	2

Table 3.3

1939 NAME OF EMA	TOTAL ASSETS IN :				TOTAL
	JUTE	COTTON	ENG.	OTHERS	
ANDERSON WRIGHT	8.84	0.00	0.00	0.00	8.84
ANDREW YULE & CO. LD.	64.85	0.00	0.00	4.18	69.03
BEGG DUNLOP & CO.	19.80	12.17	0.56	0.00	32.54
BIRD-HEILGER & CO.	66.71	0.00	5.59	13.51	85.81
BINNY	0.00	30.65	0.00	0.00	30.65
BRADY	0.00	16.38	0.00	0.00	16.38
BALMER LAWRIE	0.00	0.00	3.77	0.00	3.77
FINLAYS	0.00	15.79	0.00	0.00	15.79
FORBES	0.00	15.91	0.00	0.00	15.91
GILLANDER ARBUTHNOT	10.04	0.00	0.00	0.00	10.04
HARVEY	0.00	14.98	0.00	0.00	14.98
JARDINE SKNR\HENDERSON	48.50	0.00	0.00	0.00	48.50
KETTLEWELL BULLEN	7.45	7.85	0.00	0.00	15.30
KILLICK NIXON	8.02	0.00	0.00	0.00	8.02
MACNEILL BARRY	36.32	0.00	0.00	0.00	36.32
MARTIN BURN	0.00	0.00	151.44	0.00	151.44
MCLOID & CO.	21.97	0.00	2.18	0.00	24.15
MACKINNON MACKENZIE	26.41	0.00	0.00	0.00	26.41
SASOON	0.00	95.44	0.00	0.00	95.44
SHAW WALLACE	0.00	2.35	0.00	0.00	2.35
TOT. EMAs.	319.02	211.52	163.55	17.69	711.68

1939 DISTRIBUTION OF ASSETS OF EMAS: ALL INDUSTRIES

ASSETS (in crores)	JUTE	COTTON	ENG.	OTHERS
<1	0	0	1	0
1 - 5	0	1	3	1
6 - 10	3	1	0	0
11 - 50	5	6	0	1
51 - 100	2	1	0	0
>100	0	0	1	0
No. of EMAs	11	9	5	2

Table 3.4

1945 NAME OF EMA	TOTAL ASSETS IN :				TOTAL
	JUTE	COTTON	ENG.	OTHERS	
ANDERSON WRIGHT	16.62	0.00	0.00	0.00	16.62
ANDREW YULE & CO. LD.	77.02	0.00	0.00	6.62	83.64
DEGG DUNLOP & CO.	23.64	26.50	1.27	0.00	51.41
BIRD-HEILGER & CO.	103.21	0.00	5.95	32.26	141.43
BINNY	0.00	55.86	0.00	0.00	55.86
BRADY	0.00	26.48	0.00	0.00	26.48
BALMER LAWRIE	0.00	0.00	7.54	0.00	7.54
FINLAYS	0.00	37.65	0.00	0.00	37.65
FORBES	0.00	27.28	0.00	0.00	27.28
GILLANDER ARBUTHNOT	14.34	0.00	0.00	0.00	14.34
HARVEY	0.00	56.95	0.00	0.00	56.95
JARDINE SKNR\HENDERSON	71.53	0.00	0.00	0.00	71.53
KETTLEWELL BULLEN	18.64	10.56	0.00	0.00	29.20
KILLICK NIXON	26.70	0.00	0.00	0.00	26.70
MACNEILL BARRY	38.44	0.00	0.00	0.00	38.44
MARTIN BURN	0.00	0.00	215.36	10.28	225.62
MCLOID & CO.	38.90	0.00	4.20	0.00	43.10
MACKINNON MACKENZIE	24.89	0.00	0.00	0.00	24.89
SASOON	0.00	34.80	0.00	0.00	34.80
SHAW WALLACE	0.00	5.15	0.00	0.00	5.15
TOT. EMAs.	453.93	281.21	234.33	49.14	1018.61

1945 DISTRIBUTION OF ASSETS OF EMAS: ALL INDUSTRIES

ASSETS (in crores)	JUTE	COTTON	ENG.	OTHERS
<1	0	0	0	0
1 - 5	0	0	2	0
5 - 10	0	1	2	1
10 - 50	7	6	0	2
50 - 100	2	2	0	0
>100	1	0	1	0
No. of EMAs	11	9	5	3

Table 3.5

1950 NAME OF EMA	TOTAL ASSETS IN :				TOTAL
	JUTE	COTTON	ENG.	OTHERS	
ANDERSON WRIGHT	15.68	0.00	0.00	0.00	15.68
ANDREW YULE & CO. LD.	91.59	0.00	0.00	4.03	95.62
BEGG DUNLOP & CO.	31.64	26.15	1.84	0.00	59.62
BIRD-HEILGER & CO.	125.56	0.00	12.36	42.82	180.74
BINNY	0.00	68.38	0.00	0.00	68.38
BRADY	0.00	29.40	0.00	0.00	29.40
BALMER LAWRIE	0.00	0.00	14.09	0.00	14.09
FINLAYS	0.00	39.32	0.00	0.00	39.32
FORBES	0.00	31.52	0.00	0.00	31.52
GILLANDER ARBUTHNOT	20.95	0.00	0.00	0.00	20.95
HARVEY	0.00	71.72	0.00	0.00	71.72
JARDINE SKNR\HENDERSON	68.05	0.00	0.00	0.00	68.05
KETTLEWELL BULLEN	23.54	15.85	0.00	0.00	39.39
KILLICK NIXON	32.69	0.00	0.00	0.00	32.69
MACNEILL BARRY	64.27	0.00	0.00	0.00	64.27
MARTIN BURN	0.00	0.00	258.23	12.05	270.28
MCLOID & CO.	53.10	0.00	6.90	0.00	60.01
MACKINNON MACKENZIE	34.31	0.00	0.00	0.00	34.31
SASOON	0.00	20.75	0.00	0.00	20.75
SHAW WALLACE	0.00	37.80	0.00	0.00	37.80
TOT. EMAs.	561.37	340.89	293.43	58.90	1254.58

1950 DISTRIBUTION OF ASSETS OF EMAS: ALL INDUSTRIES

ASSETS (in crores)	JUTE	COTTON	ENG.	OTHERS
<1	0	0	0	0
1 - 5	0	0	1	1
6 - 10	0	0	1	0
11 - 50	5	7	2	2
51 - 100	4	2	0	0
>100	1	0	1	0
No. of EMAs	11	9	5	3

APPENDIX THREE

Table 1

PROFILE OF EMAs STUDIED

NAME OF EMA/INDUSTRY	NUMBER OF COMPANIES IN :				TOTAL
	JUTE	COTTON	ENGN.	OTHERS	
ANDERSON WRIGHT	1	0	0	1	2
ANDREW YULE & CO. LTD.	11	0	0	1	12
BALMER LAWRIE	0	0	4	2	6
BEGG DUNLOP & CO.	4	2	1	0	7
BINNY	0	2	0	0	2
BIRD HEILGERS	10	0	2	3	15
BRADY	0	3	0	0	3
FINLAYS	0	3	0	0	3
FORBES	0	2	0	0	2
GILLANDER ARBUTHNOT	2	0	0	1	3
HARVEY	0	1	0	0	1
JARDINE SKNR\HENDERSON	6	0	0	2	8
KETTLEWELL BULLEN	2	2	0	1	5
KILLICK NIXON	0	1	0	2	3
MARTIN BURN	0	0	5	2	7
MCLOID & CO.	6	0	1	0	7
MACKINNON MACKENZIE	2	0	0	0	2
MACNEILL BARRY	4	0	0	0	4
SASOON	0	7	0	0	7
SHAW WALLACE	0	1	0	0	1
TURNER MORRISON	0	0	1	0	1
TOTAL UDR.EMA'S	48	23	14	18	101
TOTAL NO. OF COS.	62	64	27	36	201



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