

# The "Manchesterisation" of Ahmedabad

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BY Indian standards Ahmedabad is a rich city. Its wealth rests on its 62 textile mills which employ 130,000 people, about one-tenth of the city's population. They produce about 1,150 million yards of cloth annually, a quarter of all of India's mill production. Although the workers seem under-nourished, overworked, and poorly educated, their basic minimum take home pay of Rs 150 per month, including dearness allowance, puts them among the best paid industrial workers in India. As to the owners and high level personnel, their dress, cars, and homes give ample evidence of their prosperity.

## Gujarati Leadership

The business skills of Ahmedabad, its indigenous entrepreneurship, set it apart from most Indian cities. The leadership which brought industry to the city was, and remains, Gujarati. Many traits that mark the leadership today are carry-overs from pre-industrial patterns. It is close-knit and expert in finance rather than in technology. By caste, most are Jain and Vaishnava banias or Patels from one Ahmedabad and Kaira districts. They are intensely concerned with the status and progress of the city which they seem to rule on Medicean patterns. How the industrial pioneers made Ahmedabad "the Manchester of India", as Ahmedabadis call their city, is the subject of this preliminary research. Hopefully this sketch will form the background of a study of the personal and psychological motivations underlying entrepreneurship.

Ahmedabad got its first mill in 1861. Slowly, over a period of thirty years, the added example of eight more mills as well as vital changes in economic conditions and attitudes prepared the ground for the quick expansion of 1891-1905. Then the Swadeshi movement and World War I pushed both the number and the profits of the mills to new heights. Gandhi came to Ahmedabad in 1915 and for sixteen years made it his home. He brought

labour management harmony, continued swadeshi movements, and surging confidence to Ahmedabad and its people. Industry boomed. Finally, since 1933, first because of the general depression, then because of war conditions, and finally because of the economic policies of the Government of independent India, expansion in the mills stopped. New economic avenues have been pursued while mill growth has remained stationary.

## The Pioneer

The Bombay State Gazetteer for Ahmedabad district, compiled in 1879, presents a rosy, British, and comprehensive account of conditions in the earliest years of industrialization. It states that Ahmedabad was renowned for its high death rate and dirt and that Maratha and Moghul rule despoiled the city, but that in 1817, when the British assumed control of the city, improvements began. Population expanded, trade flourished, and the three traditional Ahmedabad manufactures of cotton, silk, and gold revived. The city walls were repaired, cesses were levied for city improvements. Merchants began to amass money and new public building gave evidence of the prosperity. Charles Heimsain in "Indian Nationalism and Hindu Social Reform" (Princeton, 1964), writes that reform and educational movements of increasing strength were spread by Gujaratis.

Onto this encouraging scene stepped Ranchhodlal Chhotalal, whose imagination, boldness, ingenuity, and success make him a classic example of the Schumpeterian entrepreneur. S M Edwardes, his best English biographer, records his birth in 1812 in a close-knit, honest, and thrifty family of the well-placed Nagar Brahmin community of Gujarat. Like his father, and like many of the subsequent mill leaders, he was orthodoxly religious. He followed his father into a career in government service. From the time he finished his formal education in 1842 until 1853, Ranchhodlal worked in a

variety of clerical and administrative positions both in the Bombay government and privately. He was appointed Assistant Superintendent of Pava-garh in Panchamahals, the highest position to which an Indian in the political department of Government could aspire. With a salary of Rs 300 per month, he was the chief Bombay Government representative in the area. In 1853 his government career ended abruptly when he was charged with taking a bribe. Court proceedings dragged on and although the decisions were not unexceptionable, the slur on Ranchhodlal's reputation forced the government to discharge him.

## From Administration to Business

Like others of the more turbulent times later, having lost the possibility of government work, Ranchhodlal hurried his energies to business. As early as 1847, even before Cowasjee Davar's 1854 venture in Bombay brought the textile industry to West India, Ranchhodlal had, with the help of a Major Fulljames, investigated the possibilities of textile manufacture along British lines. Then, and again in 1851, money was raised, English manufacturers and machine producers were contacted, and preliminary plans were made. Apparently the investors wanted more security than the new industry could offer, however, and they withdrew their capital.

Perhaps the loss of his job and the added time to work on financial affairs were beneficial, for in 1859 Ranchhodlal succeeded in making the desired combination: his imagination and energy, with the skills of British technicians, and Rs 75,000 of investments by wealthy merchants to add to his own Rs 25,000 investment. Ranchhodlal was put in charge of construction and management in return for 2½ per cent on the sale of yarn. Problems of construction followed. Dadabhai Naoroji, who was then in England, served as purchasing agent for the machinery. Legend tells that the machinery burned and went down at sea,

so presumably Dadabhai did the purchasing twice. Insurance covered the costs. Ranchhodlal himself spent about three months in Cambay supervising the unloading of machinery onto the bullock-carts by which it was transported 52 miles to Ahmedabad. Once in Ahmedabad, the death and incompetence of various English technicians led Ranchhodlal and an astrologer friend to attempt, unsuccessfully, to erect the mill themselves (apparently an even bigger break with caste traditions than the movement to business had been). Finally, competent men were found and the mill opened in 1861.

### Why Ahmedabad-?

The decision to found the mill in Ahmedabad, despite its dry climate, its distance from port facilities and lack of railways, and the mediocre quality of local cotton surprises many people. Why not begin in Surat, where Ranchhodlal had, in fact, directed his earlier efforts, or in Broach, where James Landon had actually begun a successful mill in 1855? The answer seems to lie with the source of capital. Ranchhodlal's partners, in addition to a "Mr White," were Rao Bahadur Magandas Karamchand, and Rao Bahadur Premabhai Hutheesingh Kesarsingh, both leading financiers in Ahmedabad. It seems natural that they would want the mill in their own city where they could follow its progress without leaving their families or their other business interests.

Ranchhodlal's Shahpur Mill set an example of pioneering success which attracted new efforts.

Ranchhodlal's mill achieved a reputation for technical efficiency that stood in parity with the best of Bombay mills. Lower wages combined with his entrepreneurial genius brought about fabulous profits which set an example that triumphed over the slumbering stupor of the conservative citadels of Gujarati capitalism.<sup>2</sup>

Ranchhodlal became the richest man in Ahmedabad.

Before he died in 1898, Ranchhodlal proposed and carried out other new projects as enterprising as the mill. He controlled and built another mill. As member and sometime chairman of the municipal committee he pushed through novel and necessary programmes of water works and drainage, against powerful and popular opposition and even physical attacks.

As with his mills, he gave his public works careful and meticulous attention. He attempted an iron smelting industry and sponsored preliminary research, but it never came to fruition. He also was a leader in a plan to dredge the Sabarmati River and make it navigable to the Gulf of Cambay (an enterprising but unlikely plan to those who have seen the shallow, narrow Sabarmati in the summer).<sup>3</sup>

### From Cotton Trade to Textile Manufacture

The industrial success of this Brahmin, former Government servant brought him prestige and honour from both the highborn and the rank and file of his city. In his last years it brought him a seat in the Bombay Legislative Council, a position in the Indian National Congress, and, through his charity to medical, educational, and religious institutions, high personal regard. The British, too, honoured him with the title of Companion of the Indian Empire. With Ranchhodlal, Ahmedabad's mill history and, more generally, its modern history was born.

The Becherdas Mill, Ahmedabad's second, rose only in 1867, six years after Ranchhodlal paved the way. The mill remains today the oldest in Ahmedabad and is still controlled, (though as a public limited company, by the same family. According to one of the present managing agents, the founder, Becherdas Ambaidas, was a friend of Ranchhodlal, and the success of the earlier mill attracted him. Becherdas, like Ranchhodlal, was not of the traditional Ahmedabadi bania caste. He was a patel of the Ahmedabad Kadwa community, a group which often works in education, the civil service, or trade, especially with East Africa. His father had been a banker carrying on business with the Peshwa at Poona, the Gaekwad of Baroda, and the military department of the East India Company. Becherdas had a commission from the British to supply grain over a large region of Western India. With branches for trade established, he later moved into cotton trading, and then to textile manufacture. During the 1858 war, he served the English and was also titled Companion of the Indian Empire. Again like Ranchhodlal, and like other industrialists afterwards, he became a leader in city affairs, serving on the municipal committee from 1862 until his death in 1889.

### Entry of the Jains

Ten years elapsed before another newcomer pioneered a mill. In 1877, Mansukhbhai Bhagubhai founded the first of a number of mills he was to control. Mansukhbhai was the first of the wealthy and established Jain merchants of Ahmedabad to invest in the new industry. Prior to his entry, the established merchant classes had lent their money to the new ventures of others but had yet to undertake their own plants. Now others followed. In 1880, Karamchand Premchand, another wealthy Jain merchant and the father of one of Ranchhodlal's original partners, led a consortium of five merchants in founding a mill under his own control. He purchased a liquidated steam calico printing mill built in 1878 and by 1884 had added spindles and looms. Thus was born the 'Calico Mills'.

In 1888 the Trikamlal Harilal Mills opened. Owned by a group of investors, its management was disputed until in 1891, when Maneklal Harilal became the chief managing agent and changed the name of the mill to his own. Maneklal was also a merchant of the Vaishnava bania caste. The entry of such people as Mansukhbhai, Karamchand, and Maneklal signalled the movement of "old money" into the successful new industry. Although for several years to come, mill-managing would remain ancillary to the financial trading of the banias, now they were willing at least to add steam-run factories to their concerns.

### Psychological Impact

Perhaps the most important contribution of the early mills to entrepreneurial efforts was the psychological impact of the examples. Success attracted newcomers. Not only in Ahmedabad was this success evident. By 1890 India had 114 cotton mills with nearly 3 million spindles, 22 thousand looms and one lakh workers. The Bombay industry, spearheaded by its Parsi and later Jewish entrepreneurs, set the pace.

Within Ahmedabad the climate for economic entrepreneurship improved. British rule since 1817 had brought peace. Taxes were reduced. Internal trade was facilitated. In 1864 the Bombay, Baroda, and Central India railway linked Ahmedabad with Bombay. Later years saw the spread of tracks to all parts of Gujarat and Kathiawar. With the railway came also the telegraph. Within the city,

and connecting it with other cities, new roads were built. In the period 1861-65, while the American Civil War left India as the chief supplier of cotton to Lancashire's hungry mills, many fortunes were amassed. Although the end of the boom in 1866 saw many bankruptcies, many fortunes remained intact, available for new investments.

Education, too, advanced. By 1879, twenty government schools had opened. In addition to five private schools which the government aided, a high school had been built in 1846, and Gujarat College opened in 1879. The Gujarat Vidyasabha (Vernacular Society) was established in 1848 by A K Forbes for the encouragement of vernacular literature and education and for the collection of manuscripts and printed books. Under Forbes' supervision Ahmedabad's first newspaper, a weekly, was founded. By 1879 three weeklies had a total circulation of 710 copies. Two libraries were founded, the larger with about 5,000 books. Thus the facilities for the spread of ideas and knowledge expanded.

#### Loan Finance

The new possibilities for economic growth came to a people ready for investment. Justice Ranade suggested that the West Coast of India was more sober, more practical, and more cautious than other regions of the country. These qualities, valuable in business, were especially prevalent in the traditional bania groups. The Gazetteer describes them as "prudent, sober, quiet, forbearing, and inoffensive... curiously thrifty in every-day life". Their Vaishnava and Jain traditions, as Max Weber has pointed out, helped foster such characteristics. Their standard of trade morality, though in some decline, was traditionally high. A similar judgment would probably be made by most people today, though in an era when the goal is a "socialistic pattern of society", the phrasing might be quite different.

Among the first problems of the new industry was the development of financial and managerial institutions for the mills. Of the new instruments which evolved, some came from the historic traditions of Gujarati business and some were adopted from British policies.

Although they knew little if anything about machinery, the shroffs, through their experience in money lending and cotton trading especially,

were knowledgeable in financial organisation. Gujarat had for centuries been a centre for national and international trade. The combination of high trade morality and a smallish city, with about one lakh population, where the wealthy men were known to one another, facilitated capital borrowing. For borrowing Ahmedabad evolved a system of deposits. Individuals would entrust their money to successful and known businessmen. The businessmen could use the money at their own discretion and, though the money could be withdrawn at any time, usually the deposits were made on a long-term basis. Repayment and terms of interest, sometimes as low as 2 per cent, were worked out privately. The system was based on a high degree of personal as well as business trust. Then, as today, an investor often lent personally two or three times the amount that he invested in the form of stock purchases.

#### Tradition of Co-operation

The examples of professional co-operation evident in Ahmedabad's traditional mahajans, or trade guilds, also seem to have influenced the millowners, for they early adopted patterns of mutual assistance. Ranchhodlal especially seems to have helped those who followed his example. That he presided over the opening of every new Ahmedabad mill until he died suggests a pattern of cooperation rather than of competition. In the new endeavour the owners had many common interests and problems. With a large market, they had little to fear and much to gain from cooperation. Among the first of their new organizations came the Swadeshi Udyam Vardhak Mandali in 1876. Following the advice of Ranade, industrialists led by Ambalal Sakarlal, Premabhai Himabhai, and Ranchhodlal founded this organization to promote the use of indigenous manufactures.<sup>4</sup>

#### Managing Agency System

For financing and managing the textile mills, the managing agency system, introduced by the British, took root. Under this system, the investors in a mill contracted with a group of professional managers to pay a commission in return for their management and financial services. Usually at least one member of the agency was an important share-holder in the mill. In Ahmedabad especially, the agents once employed, usually held the rights of management hereditarily and in per-

petuity. To dislodge them was almost impossible. Thus management and ownership were in theory separated, though in fact the agency members and the large mill investors tended to be identical. The successful managing agency became a magnet for deposits and investments from the public. With these deposits and with the profits of earlier successes, a managing agent could invest his capital in new mills. From the profits of one he could build the capital to start others. The managing agency firm could invite to membership a variety of specialists, such as bankers, traders, engineers, or even managers of other mills who could then pool their knowledge and skills.

While Indians controlled the finances, and managed with a primary concern for financial matters, the technical cadre to run the mills came from Great Britain. Although Bombay had already opened the Victoria Jubilee Institute in 1882 to (re)train Indian technical personnel, Ahmedabad preferred British men. Similarly the machinery for the mills was imported from Great Britain, mostly by the firm of Greaves Cotton. This firm, founded in India in 1859 understood the potential market for machinery and made special sales efforts to overcome the reluctance of investors to try new machinery. During and after the era of great profits in cotton, from 1861-65, they established themselves as the foremost import agency for textile machinery.

By 1891, thirty years after the opening of the first mill, Ahmedabad had a total of nine mills. The bania community had entered the industrial field. Modernized transportation and communication facilities had been introduced. Education was spreading. Institutions for financing and managing the mills had been developed. Channels for obtaining machinery and for recruiting personnel from, England had been opened.

#### Period of Rapid Growth

The fifteen years from 1891 to '905 saw two major developments in the Ahmedabad industry: extremely rapid growth and the establishment of the institutions that mark a sizable industry. The number of mills rose from nine to thirty-two. Spindleage increased from about 2 lakhs to 5.77 lakhs. Looms rose from about 2,500 to about 7,200. The number of workers tripled from about 7,500 to about 21,500. Ahmedabad's capacity

grew at almost twice the rate of all India growth, and by 1905, Ahmedabad mill facilities were about 15 per cent at the country's total.

As important as the physical growth was the psychological and institutional change. In 1891, the Mill-owners' Association of Ahmedabad was founded with Ranchhodlal as first president. Bombay had established such an organization in 1875 to represent the interests of the millowners and Ahmedabad was now following suit. In 1894, the Ahmedabad stock exchange was founded. Investment in cotton mills was booming and local trade could now support a local market. The Ahmedabad stock exchange replaced the Bombay market as an instrument for meeting the capital needs of the local mills. The investigation into the possibilities of dredging the Sabarmati River and opening a channel to the Gulf of Cambay, further indicated that, the millowners recognized their common interests.

Among the managing agency firms, commissions based on sales generally replaced the system of commissions based on production. The 1927 Indian Tariff Board Report on textiles noted that this change took place generally in 1895 and was almost completed around 1917. It indicated greater responsibility on the part of the agents.

### Parsis Come to Ahmedabad

Ahmedabad still trailed behind Bombay, remaining a regional or national, rather than international centre. It had no training institute like Bombay's Victoria Jubilee. It had far fewer mills. It carried on little international trade. By the turn of the century, however, when the Indian National Congress and the Bombay industrialists led the fight against the British free trade policy, Ahmedabad's business leaders and newspapers lent their voices to the protest. The local economic sensitivity to national political questions which would motivate Ahmedabad during the twentieth century began to appear fifteen years before the arrival of Gandhi.

New kinds of firms were opened. In 1899, the firm of Ardeshir D Wadia, with Motilal Hiralal, began as engineers, contractors, and manufacturers of cotton gins as well as other industrial machinery. The firm had good success. From a capital of Rs 25,000 at the beginning, it expanded to Rs 4 lakhs by 1917. Thus Parsis finally entered Ahmedabad industry as entre-

preneurs. In contrast to their foremost position in Bombay, they never played an important role in the financier-dominated Ahmedabad arena. By the time that Tata founded the first Parsee mill in Ahmedabad in 1903, the infancy of the industry had passed.

### Problems of Industrial Labour

Another Parsi firm which met with less success was begun by Sorabjee D Karaka to weave fine cloth from imported British yarns. Its failure helped demonstrate the hold of the British on the spinning and weaving market in fine counts above 24s.

In the early years of this period Ahmedabad began to face the problems of industrial labour. Strikes were numerous. In 1893 every mill in the city was shut down by strikes. Workers even attacked Ranchhodlal's house. The working conditions in textile mills had been investigated and legislation regarding women and child labour had been passed in 1881 and 1891. Although some claimed that these investigations resulted from pressures from Lancashire to drive up Indian prices by increasing the cost of labour, the investigations showed conditions in the mills to be intolerable. The working day ran as long as fifteen hours and men, women, and children shabbily treated. The increasing size of the industry spread these conditions and they festered.

### Three Families

Among the families which opened new mills in this period, three were to become most important in the future, and each came from a somewhat different background. Lalbhai Dalpatbhai, who opened the Saraspur Mill in 1897, was a wealthy and orthodox Jain bania whose education went up to matriculation. Lalbhai was a prominent financier who probably entered the mill industry as just one new investment. On it his son Kasturbhai was to build his fortune.

Mangaldas Girdhardas Parekh's father was a poor clerk who saved his money, went to Bombay and entered the cotton trade. With two friends he began to trade on the international market, but with little capital and often unprofitably. In the same year that Mangaldas passed his matriculation, however, his father executed a highly successful international cotton transaction and began to prosper. Mangaldas took a job as store clerk at Ranchhodlal's first mill. With the financial backing of Ranchhodlal and Mansukhbhai

Bhagubhai, he founded the Aryodaya Spinning Mills in 1892 in partnership with Balabhai Damodardas. The Mangaldas pattern of a boy with a good education working in a mill office and gaining recognition from the owner who then helped him to start on his own was a common experience while the industry was in this formative stage. Relatively small, close-knit agencies, often supplemented by caste ties made this possible.

Mangaldas' partner, Balabhai Damodardas Shodhan, was, like him, a Vaisnava bania. His father was a clerk to a shroff and had arranged to get cotton market quotations from New York and London. These he supplied to various local merchants. For this work he won the family name of "Shodhan", which translates approximately as "entrepreneur" or "innovator". Balabhai also served in Ranchhodlal's mill as a store clerk. Once gaining control of one mill, he expanded to more, first in co-operation with his brother and then with his son. As managing agent, he applied the profits of one mill to the capital requirements of new ones. Also, like other agents, he solicited public and private deposits: to cover the major capital requirements and depended on stocks for only about one third of his capital.

By 1905, the textile industry of Ahmedabad had developed an organizational and institutional framework. Its systems of finance and management were firm. It was developing and attempting to cope with the problems of a sizable industry. Labour strikes, foreign competition, and tariff policies were becoming vital. Most important of all, textiles had become a respectable and profitable investment. As Ahmedabad traditionally had a climate which favoured business, it now had a climate which specifically favoured textiles. The early examples, the chances of working in the mill offices, and the backing of experienced men invited and furthered expansion.

### Swadeshi Movement

Between 1905 and the beginning of World War II, growth in the Ahmedabad industry proceeded rapidly. The Swadeshi movement, the needs of World War I, the first protective tariff, peaceful labour-management agreements, and, above all, the confidence inspired by Gandhi brought very favourable conditions. New technological and managerial pioneering as well as the entrance of yet more families into textiles marked the period.

Swadeshi, the nationalist movement to support domestic manufactures, gave a necessary and tremendous boost to the textile industry everywhere in India. Breaking forth in Bengal as a reaction to the partition of 1905, swadeshi included two schemes: a boycott of British imports and an emphasis on the use of domestically produced goods. This joint action at once exerted pressure on British business interests to change their government's policies in regard to India, and promoted the growth of indigenous industry. While Bengalis tended to emphasize the political importance of the campaigns, the Gujaratis saw swadeshi as economically profitable. India was willing to sacrifice better quality in order to create a strong home industry; Ahmediabadiis seized the opportunity. The number of mills in Ahmedabad jumped from 32 in June 1905 to 52 in June 1910. Spinolage rose from 577,166 to 917,590, and loomage from 7197 to 15,526. To run these plants the number of workers increased from 21,585 to 30,013.

When the first swadeshi drive had slackened, in 1915, Mohandas Kararuehand Gandhi came to live in Ahmedabad, bringing with him a new era or growth. As ne later aid for all of India, Gandhi introduced new expectations, possibilities, and goals. He continued the swadeshi drives and most important for business, he inspired a high morale and confidence in the future.

### Profits of War

At the same time, World War 1 brought profits so great that in 1917 the Government imposed an excess profits tax. Wartime snipping snonages, although depriving India of foreign markets, also rid her of competition at home. The mills of Ahmedabad, including those that had just been built in the first swadeshi campaign boomed.

The end of the war generally brought cut-backs and depression, but not to Ahmedabad. Here, beginning in 1921, Gandhi was leading further nation-wide swadeshi drives. Many of the millowners tell of the effect of his spirit in impressing on them the importance of a strong Indian economy. Despite Gandhi's general opposition to machine industry, his work in Ahmedabad is credited as one of the driving spirits behind the growth which between 1920 and 1930 added 21 mills, 600,000 spindles, 16,000 looms, and

employed an additional 20,000 workers per day.

### Gandhi's Contribution

As Gandhi helped Ahmedabad to prosper even during years of general depression, so he insured labour peace during years of general unrest. Ahmeabad had earlier had the experience of labour violence and in 1918 when a general strike broke out to protest against the elimination of a "plague bonus", violence threatened again. Gandhi, however, exercising his personal influence and fasting to focus attention on the issue, brought together Ambaiial Sarabhai representing the millowners and his sister, Anasuyaoen Sarabhai, representing the workers. Their settlement began a new tradition of peaceful labour relations and equitable settlements arranged out of court. Emerging from the workers' new-found strength and Gandhi's leadership, the Textile Labour Association, generally considered India's most effective labour union, was born. Ahmedabad had further strikes, until the general one in 1923, but almost all were short and none were violent. Since 1923 no strikes have occurred.<sup>6</sup> A general feeling of harmony obtained between labour and management.

Tariff reform helped the industry too. In 1919 the Government of India was granted financial responsibility, and in 1922 it instituted the first protective tariff since 1894. Protecting the vast home market for Indian manufactures did much to save the textile industry from the ravages of the worldwide depression between the Wars. What swadeshi had attempted to do by voluntary measures, the Government could now effect through the tariff. In the protected markets, Ahmedabad began to push expansion of cloth production through a rapid increase in loom facilities.<sup>7</sup>

### Conservatism, a Continuing Problem

Although growth marked this period, failures came, too. Even with the help of a protective tariff, foreign manufacturers as well as the carefully managed Indian mills could undersell the products of inefficient mills. By comparison with the war years when profits came to almost all, the post war years brought more limited returns. While the greater number of mills prospered, others were sold, liquidated, or closed down. Among them was Ranehhodlars original Shaphur Mill.

Apart from the possibility of mis-

management, one of Ahmedabad's difficulties continued to be conservatism. The Indian Tariff Board reports on the textile industry in 1927 and 1932 praised the Ahmedabad methods of finance through the deposit system and through large investments by the agency firm, but noted that while encouraging honesty and careful attention to finance, such practices also encouraged conservatism. In some plants, at least, the traditions of conservative financial backing inhibited progressive innovation.

Paradoxically, as conservatism crippled some firms, the new pioneering efforts of other Ahmedabad mills, especially Calico Mills, brought Ahmedabad to the forefront of the Indian industry. Ambaiial Sarabhai, as chief managing agent and great-grandson of the founder of the company, introduced the innovations. Although personally reticent and aloof, Sarabhai has a reputation for being progressive, businesslike, anxious to exploit new ideas, and with his amazingly accomplished family, highly cultured. That he has left Jainism and that he, as many people say, "does not believe in charity", evoke a variety of comments. In fact, Ambaiial has given considerable sums of money to educational and cultural institutions in Ahmedabad and throughout India. His support for Gandhi's ashram at the time the Mahatma was scorned for admitting non-Jains is legendary.

### Pace-Setting Innovator

When Sarabhai was about five years old, in 1894, his father died. He was raised by his uncle, Chimanlal. Nagmtas. Subsequently, Chimanlal's death forced Ambaiial to leave Gujarat College and to enter the textile industry. At about the age of twenty he found himself the managing director of both the Calico Mills and its sister concern, Jubilee Mills. In the 1918 strike when he was but 29 years old, he served as representative of the Ahmedabad Millowners Association. In 1922 he demonstrated that he was as interested in pace-selling experimentation as he was in adding to his fortune. Despite dissuasion from friends, he pioneered finer count spinning in India and found quick and impressive success. Calico began spinning counts even up to 140s and led the way to recapturing from Lancashire the fine yam and cloth market of India. From that time on, Ahmedabad turned to producing fine cloth. Today that is its forte.

In addition to pioneering new products and qualities in India, Sarabhai wanted to replace British managerial and technical personnel, the mainstay of the upper echelons, with Indian men. He began a programme to attract the brightest of college graduates regardless of their fields of study. For one or two years he put them under the tutelage of his British employees and within two years he began the change-over. Sarabhai's plan for future Indianization of the mills was a success.

To the present day Sarabhai has continued to employ pace-setting innovations. He introduced the first plant in India for producing sewing thread (1922) and diamond mesh mosquito netting (1937). At Calico he has installed automatic loom sheds and has completely air-conditioned both the spinning and the weaving sheds. In collaboration with the Tavistock Corporation of London, Calico has worked out programmes for proper group relations for management and labour teams."

#### Expansion Along Family Lines

As Sarabhai experimented with modernized methods of production, Kasturbhai Lalbhai was demonstrating that a business could profitably expand along family lines. In building his textile chain to seven mills, he promoted three mills for the benefit of the sons of his three married sisters. Yet while he expanded his holdings to create places for his relatives, he was also hiring top-level management for his mills on the basis of merit. After learning the working of the mill, these men often succeeded to the highest positions of management, either with Kasturbhai or with other millowners who, desiring such highly trained men, lured them with higher pay.

Kasturbhai seemed intent on coupling the virtues of family controlled business — quick, unified decision making, trusted personnel to oversee expansion — with the best of open business practices — personnel chosen on the basis of talent.

Indicative of the value system among the millowners has been Kasturbhai's rise to prominence. Not to be overlooked is the sheer fact of his wealth and the lakhs of rupees of charity he has given. Like many millowners he observes religious prescriptions, and he serves as president of the Anandji Kalyanji, an institution which looks after Jain temples and shrines through-

out India. In times of famine he has served on relief committees and has himself travelled on foot through stricken villages. He has been an important representative to and for the Government of India on tariff and textile questions. During periods of Hindu-Muslim rioting in Ahmedabad he led movements of reconciliation, even at physical risk to himself. Ahmedabadis today generally regard him as the final authority on charity, municipal matters and industrial policies. In patterns reminiscent of the old *nagarsheths* and of Ranchhodlal in his day, Kasturbhai stands pre-eminent in Ahmedabad.

#### Changed Priorities

Other millowners also continued to expand their control. The various branches of the Shodhan, Mangaldas, Hiralal, and Hirabhai families all added to their textile holdings. Those who had come to textiles from *snaraffi* businesses now found that their priority of interests had changed: industry came first, *snaraffi* finances and trading second. Generally the old families who did not invest in textiles, or who invested unwisely, dropped sharply in importance as the wealth of the textile magnates rose to prominence. The family of Premabhai Himabhai Nagarsheth, for example, which had received the honour of consideration as the most prominent business family in the city, declined in importance and was superseded by the new leading families. Also at this time the family of Ranchhodlal left the textile field and his family fortune, too, diminished in importance. The Becherdas family, whose one mill grew but little, *liufletted* the same fate.

In the leading circles of Ahmedabad millowners, personal relations became closer. This led to some forms of co-operation among the mills. Since the market seemed always large enough, millowners and managers helped one another to open new enterprises. For example, two cotton trading families with much experience in Africa, the Patel family, which today controls the Asarwa mills, and the Parikh family, which purchased the Jupiter mill in 1935, were assisted by the Sarabhais and the Mafatlais (of Bombay), respectively. Mafatlal-Parikh co-operation began with the personal friendship of Mafatlal with Ins chief engineer, Bapalal. Through this friendship, Mafatlal decided to help his relatives enter cotton trading in Africa and later open a mill industry both

there and in India. The Sarabhai-Patel agreement began in a joint investment in an East African cotton trading concern. Sarabhai was the principal financier and the Patels held a financial interest and served as managers. When the Patels returned from Africa, they used their prongs to purchase the Asarwa Mill in 1943.

#### Marriages Strengthen Links

Marriages among the leading mill families strengthened the links between them. One of Ambalai Sarabhai's sons married a niece of Kasturbhai; one of his daughters married the son of Mangaldas Girdhardas Parckin. Another marriage united the Snodhan and Mangaldas families, early partners in textile entrepreneurship. Socially as well as economically the new class consolidated itself.

The successful and expanding industry also attracted new families. In 1913, Bhikhabhai Jivabhai Patei, born in a farming family and serving as a school teacher, founded a small power weaving factory. In 1917 he expanded the plant and in 1928, despite a damaging flood, he pooled his resources and opened a new and successful composite spinning and weaving mill, the New Rajpur Mill.

Another Patel from *the* Kaira district, a caste renowned for their success in education, government service, and business, Khiushakias Gokuldas Patel of Nadiad, having studied up to Matriculation, came to Ahmedabad and found a bank job in 1871. Through the years his position and income grew and in 1914 he and his son acquired control of the Himabhai Mill. Finding this profitable, they extended their control to two more mills in 1925.

In 1920, the two Marsden brothers, Ben and Charles, promoted the Marsden Mill and, following its success, added the Monogram Mill in 1927. These were the only mills in Ahmedabad ever controlled by Englishmen. The brothers had come to India, Ben in 1907 and Charles in 1916, to serve as weaving masters. In promoting their own mill, they experienced difficulties in finance, the default of a British company in supplying machinery, and the resignation of three of the directors. In 1921, however, they found in Manilal Mulchand a financier and helper and the mill began to succeed. In the early 'fifties, the Marsdens returned to England, selling out their interests to the grandchildren of Mulchand.

### Modern Management

Apart from new families buying and serving as agents for textile mills, jobs within the mills opened for new personnel. High-level executive jobs were available to new men, unrelated to the agents by family or caste. The growing sophistication of the mills required increasingly skilled personnel, regardless of caste. Sarahhai's recruitment policies especially favoured well qualified college graduates. Such people today serve as important executive managers in the Sarabhai and Kasturbhai enterprises and, in lesser positions, in other Ahmedabad mills as well.<sup>10</sup> They now take part in entrepreneurial decisions.

Among the young men who came, many broke with caste occupational traditions. Some had worked in the civil disobedience movements and now found the traditional government jobs closed to them. Some were sound Indian Brahmins escaping the growing anti-Brahmin prejudice in their home regions. Some consciously wanted to try a new field. More documentation is needed, but conversations with a few of the present day managers in the Ahmedabad mills indicate that in the managerial positions in the mills, traditional occupational patterns began to break down.

### Renovation and Modernisation

Since 1933 no new mills have come to Ahmedabad. The last years before the war were years of world-wide depression that did not favour expansion. The war itself brought a boom with unparalleled profits, but restrictions on material needed for the war effort precluded the construction of new facilities.

The war years saw also the continuation of Congress' struggle for independence. In this struggle the Ahmedabad industry helped with funds and workers, and in 1942, during the "Quit India" movement, with a three month voluntary shutdown of all of Ahmedabad's mills. The influence of Gandhi remained strong in the city.

Following the war, the prompts that had accumulated were free for investment in new equipment and machinery. Many mills took this opportunity to renovate and modernize. In 1947, however, the Government of independent India issued a new policy ending the possibility for expansion. Ahmedabad, Bombay, and certain other centres were declared surplus areas in textiles. In order to favour the handloom industry and to give an opportu-

nity to new textile centres to grow, the surplus areas were forbidden to expand their facilities. The Government also felt that with existing capacity, these centres could increase production by 25 per cent. In fact, production has risen and technical improvements have been instituted, but the limitation on expansion has dampened many spirits. In October 1963, the order was relaxed to permit expansion up to 10 per cent, but sufficient figures are not yet available to evaluate the effect of the new policy.

### Diversification of Chemicals

Forbidden expansion, the leading managing agencies have sought, diversification, primarily in the chemical industry. Kasturbhai, who had already founded the Anil Starch company in 1939 and had followed it with the Amrit Chemical Company, and the Atul dye manufacturing plant, now made arrangements with American Cyanamid and Ciba of Switzerland to begin chemical and drug production. Sarabhai, in 1947, opened a plant in Ahmedabad to manufacture caustic soda, chlorine, and related chemicals. He, too, contacted foreign chemical companies and continued to build in this field. His plants in Bombay and Baroda make him one of India's most important drug manufacturers.

The ATIRA, the Ahmedabad Textile Industry Research Association, was established in 1947. The mill industry regards it as a symbol of a new age of science in industry. It provides some of the training, education, and research which are today necessary for pioneering development. In the construction of ATIRA, as in the increasing quality of the education they are insuring for their own children, the millowners indicate that money and perspicacity alone are no

longer sufficient, to meet the complex needs of industry. ATIRA primarily carries on applied scientific research, but it also does work in quality control within the mills and holds occasional conferences on management techniques. It opened with a capital of Rs 71 lakhs, of which Rs 19 lakhs were given by the Central Government. Today it encompasses 88 mills, including many from outside the city. More active in training for management is the three year old Indian Institute of Management in Ahmedabad. Supported jointly by the Government of India, the Government of Gujarat, the Ford Foundation, the millowners, and the Harvard School of Business, it provides degree and certificate courses in business administration.

### Fears About the Future

Since World War II, the Ahmedabad industry seems to face the future with mixed feelings. The stronger mills, especially, look to a bright future. The days of struggling for establishment are past. They thrive and prosper with the finest mills in the world. Their reputations are international. Mill management is no longer a part-time, small-scale enterprise, it requires training, skill, and effort. Those unwilling or unable to supply these ingredients suffer.

Finally, to minds trained in terms of private enterprise, the government's regulating policies seem threatening. Especially since the death of Saruar Patel, the great champion of business, and the estrangement of Morarji Desai both from Congress and from the business communities, Ahmedabad's millowners feel unrepresented and at a disadvantage. Many managing agents seem uncertain of the independence and stability of private enterprise in India. This feeling, they say,

Table : Size of the Ahmedabad Textile Industry

Year	Mills <sup>1</sup>	Spindles	Looms	Hands <sup>2</sup>
1891	9	193737	2485	7451
1900	27	477242	5690	15943
1910	52	917590	15526	30013
1920	51	1079996	22718	43515
1930	72	1656202	38812	64480
1940	76	1898530	46278	73887
1950	74	1916908	42256	72761
1960	71	2112322	41997	135237
1964	72	2275642	44059	131454

Source: Figures from the Bombay Millowners Association.

<sup>1</sup> Figures here refer to the number of mills. The number of mill companies is somewhat less, because some companies hold two mills, eg, in 1964 sixty-two companies owned 72 mills.

<sup>2</sup> After 1960 the figures include workers on all shifts. Prior to that time they include only the first shift.

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cannot but affect their plans for their own mills. Within this framework, Ahmedabad's present executive must work and plan their innovations' for the future.

### Appendix

Mill holdings by religion and caste .

Today, of Ahmedabad's 62 mill companies, eight are held by Patels, ten by Jains, two by Marwari Hindus, one by a Jain-Vaishnava partnership, and the rest by Vaishnava banias. In many cases, more than one mill is controlled by the same man or the same family. I include Sarabhai among the Jains though he disavows the religion, for I have followed the family tradition regardless of the present attitude. The two Marwari compiles are controlled from offices in Calcutta, one by the enormous Birla industrial empire, the other by Kanoria Co, Ltd.

### Notes

<sup>1</sup> Although the basic minimum pay with dearness allowance is about Rs 150, the average pay is Rs 181. This figure is supplied by H G Acharya, the Secretary of the Ahmedabad Millowners' Association. Acharya seems to have encyclopedic knowledge of The Ahmedabad textile industry. He has been a kind and helpful adviser in the preparation of this paper,

S D Mehta, "The Cotton Mills of India 1854 to 1954" The Textile Association 1954, p 24.

K L Gillian of the Australian National University, who is preparing a history of nineteenth century Ahmedabad, found the records of this scheme in the Bombay records office and brought it to my attention.

<sup>2</sup> Government of Bombay, "Source Material for a History of the Freedom Movement in India," v 2, p 605.

<sup>3</sup> From conversations with Nandabhai Haridas, managing agent of Vijaya Mills and Sachin Chaudhuri, editor of *The Economic Weekly*.

<sup>4</sup> In 1964, the City of Ahmedabad had a general strike, but the issue concerned rising food prices rather than any textile mill issue,

<sup>5</sup> Bombay had done this earlier in response to the loss of the Far Eastern yarn market. Ahmedabad, never very active in foreign trade, found her motivation in home market conditions.

<sup>6</sup> Information on Calico's pioneering activities is available in a booklet prepared by the mill, evidently for

stockholders.

<sup>7</sup> See A K Rice : "Productivity and Social Organization : The Ahmedabad Experiment", London, Tavistock Publications, 1958.

<sup>8</sup> S A Kher, general manager of Sarabhai's textile concerns, was hired in 1928, following his return from Cambridge where he had

studied maths. Kind as well as brilliant, he has been most helpful to me. Chandraprasad Desai, general manager of Kasurbhai's textile concerns, was hired out of law school in 1932. Expansive and brilliant, he has been kind in giving me much time and assistance.

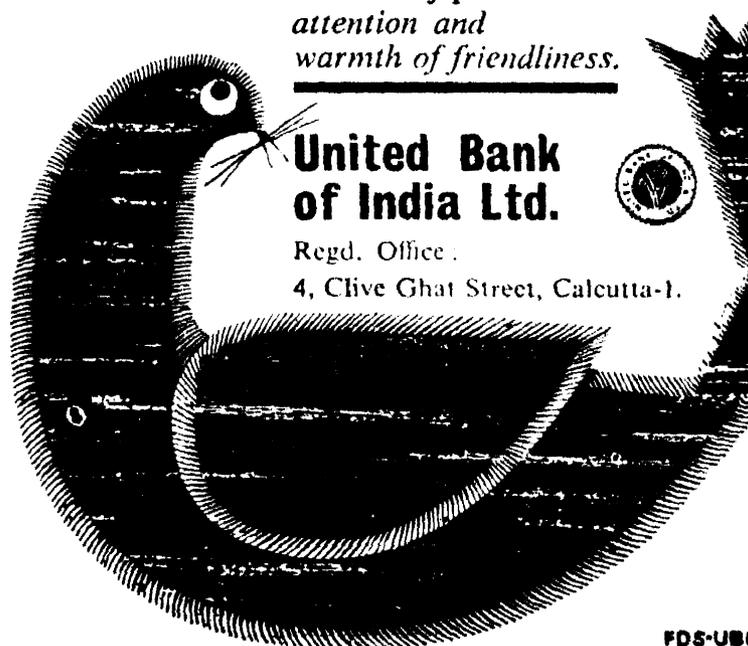
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