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Transnational Indian Business in the Twentieth Century

This article argues that migration and investment from India moved in tandem to chart the evolution of transnational Indian business in the twentieth century, first toward South-east Asia and Africa and later toward the United States, Europe, and West Asia. With a focus on the banking and diamond sectors, the overseas investment project of the Aditya Birla Group, and the transnational linkages of India's one hundred richest business leaders, the article locates important events, policies, and actors before economic liberalization in 1991 that laid the foundation for subsequent globalization of Indian firms.

Keywords: migration, investment, transnational, India, Birla, diamond, banking

India's integration or reintegration with the world economy after economic liberalization in 1991 has been spectacular.¹ It is best viewed through the prism of international trade, investment, and mobility over the past century. Trade (export and import) as a percentage of gross domestic product (GDP) peaked at 20 percent in 1913 in an earlier wave of globalization, fell to 7 percent in 1970, breached the 20 percent mark again in 1995, and doubled to more than 50 percent in the past two decades (see [Figure 1](#)). International investment flows

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¹ Even though various reforms were initiated in the 1980s, 1991 is the conventional date marking the wide set of reforms on economic liberalization in India, including a new industrial policy enabling greater foreign investment and trade.

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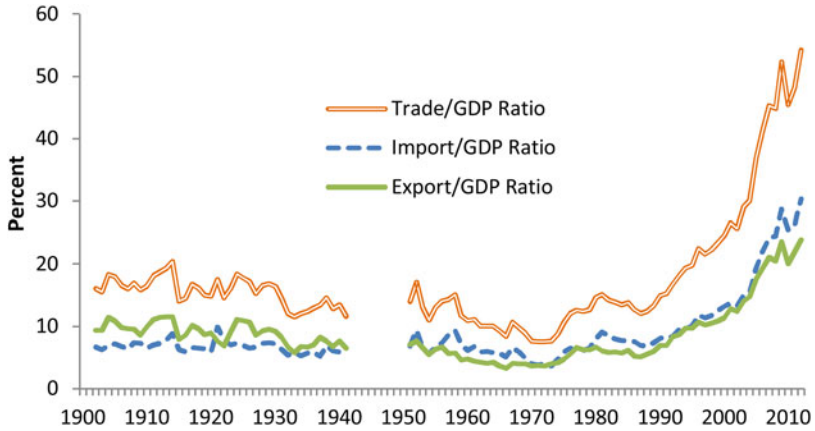


Figure 1. Trade-to-GDP ratios, 1900–2010. Post-1950 data refers to trade in goods and services. Pre-1947 data refers to undivided India. (Sources: Pre-1950 trade data from K. N. Chaudhuri, “Foreign Trade and Balance of Payments [1757–1947],” in *Cambridge Economic History of India*, vol. 2, ed. Dharm Kumar [New Delhi, 1983], table 10.7 C and D; GDP data from S. Sivasubramonian, *The National Income of India in the Twentieth Century* [New Delhi, 2000], table 6.9, at current prices; post-1950 data from Reserve Bank of India, *Handbook of Statistics on the Indian Economy, 2013–14* [Mumbai, 2014].)

have surged, as total foreign direct investment (inward and outward) as a percentage of GDP has risen from less than 1 percent in the 1990s to 3 percent today.² Annual outward direct investment surged to over \$10 billion as close to three thousand international deals and projects were completed in the past decade. In 2007, Tata Steel and Hindalco—of the Tata and Aditya Birla groups of companies—acquired the Anglo-Dutch steelmaker Corus and the North American aluminum giant Novelis, respectively, for \$13 billion and \$6 billion. By 2015, nearly every major Indian firm had investments in other countries.

Along with the movement of goods and capital, labor mobility also increased dramatically. Between 1980 and 2010, the diaspora stock rose from eight million to over twenty-one million people. The diaspora as a percentage of population had stagnated between 1930 and 1980, but then rose to an all-time high of 1.8 percent (see Table 1). International migration of low- and high-skilled workers led to a large number of

² Reserve Bank of India, *Handbook of Statistics on the Indian Economy, 2015–16* (Mumbai, 2016). The figures in colonial India were in the range of 1 to 2 percent of national income and the figure was close to zero in the period from 1950 to 1991. Tirthankar Roy, *India in the World Economy: From Antiquity to the Present* (New Delhi, 2012), 239.

Table 1
Indian Diaspora and Emigrants (% of Total), 1910–2010

<i>Destination</i>	<i>Diaspora</i>					<i>Emigrants</i>	
	<i>1910</i>	<i>1930</i>	<i>1980</i>	<i>2000</i>	<i>2010</i>	<i>1910</i>	<i>2010</i>
North America	0	0	7	16	19	1	21
United States	0	0	4	11	13	0	16
Canada	0	0	3	4	5	0	5
Asia	64	70	44	48	50	74	64
West Asia	1	0	7	21	26	1	50
Sri Lanka	24	26	10	6	4	30	0
Nepal	4	3	3	4	3	5	6
Myanmar	22	21	5	3	2	22	0
Malaysia	11	17	15	11	9	13	1
Singapore	1	1	2	2	3	1	3
Oceania	2	2	5	4	4	2	4
Australia	0	0	1	1	2	0	3
New Zealand	0	0	0	0	1	0	1
Fiji	2	2	4	2	1	2	0
Europe	0	0	10	10	10	0	10
United Kingdom	0	0	8	7	7	0	6
Italy	0	0	0	0	1	0	1
Africa	21	17	22	15	12	10	2
South Africa	7	5	10	7	6	5	0
Mauritius	11	8	8	5	4	2	0
Reunion	1	1	2	1	1	0	0
East Africa	1	3	1	1	1	2	0
Latin America & Caribbean	13	10	12	7	5	12	0
Trinidad & Tobago	5	4	5	3	2	3	0
Guyana	6	4	5	2	1	6	0
Suriname	1	1	1	1	1	2	0
World total (%)	100	100	100	100	100	100	100
World total (million)	2.3	3.4	8.2	15.1	21.7	1.6	11.0
World stock as % of total Indian population	0.9	1.2	1.2	1.5	1.8	0.6	0.9

Source: Chinmay Tumbe, “Migration and Remittances in India: Historical, Regional, Social and Economic Dimensions” (PhD diss., Indian Institute of Management Bangalore, 2012), tables 7.1, 7.2.

Notes: Figures rounded to nearest decimal place. India refers to boundaries of independent India. Emigrants are migrants born in India and enumerated outside India. Diaspora includes emigrants and their descendants. Emigrants in Pakistan and Bangladesh due to Partition are excluded.

Indians working in overseas and international firms, and the remittances they sent back home annually exceeded \$65 billion in 2015, constituting over 3 percent of GDP.³

³ Reserve Bank of India, *Handbook of Statistics, 2015–16*, 217.

The globalization of the Indian economy has thus been closely associated with the internationalization of Indian firms, the growth of a large number of Indian multinationals, and a sizable stock of Indian workers, managers, and entrepreneurs working in firms—Indian and non-Indian—outside India.⁴ This phenomenon unsettles the traditional scholarship on Indian business history, which has concentrated on firms, business communities, and practices *within* the subcontinent.⁵ When global connections before 1991 have been explored, they have primarily been understood as one-way interactions through capital flows *toward* the subcontinent.⁶ As a result, there is little scholarship on international business links cultivated by Indians themselves for the major part of the twentieth century.⁷

In this context, this article provides a framework within which these links can be understood and studied. It proposes that transnational Indian business links can be understood in two key ways. First, “transnational” can take its meaning from the literature on migration and diasporas whereby migrants maintain links with the sending country or continue to reproduce their own customs and practices in the receiving countries.⁸ This would encompass business links such as mercantile trading interests noted in the research on transnational merchant communities.⁹ Or, “transnational” could refer to companies, better known as

⁴ Deepak Nayyar, “The Internationalization of Firms from India: Investment, Mergers and Acquisitions,” *Oxford Development Studies* 36, no. 1 (2008): 111–21; Nagesh Kumar, *India's Emerging Multinationals* (London, 2007).

⁵ Dwijendra Tripathi, *The Oxford History of Indian Business* (New Delhi, 2004); Dwijendra Tripathi and Jyoti Jumani, *The Oxford History of Contemporary Indian Business* (New Delhi, 2013).

⁶ On foreign investment in India in the twentieth century, see Prithwiraj Choudhury and Tarun Khanna, “Charting Dynamic Trajectories: Multinational Enterprises in India,” *Business History Review* 88, no. 1 (2014): 133–69; and Christina Lubinski, “Global Trade and Indian Politics: The German Dye Business in India before 1947,” *Business History Review* 89, no. 3 (2015): 503–30.

⁷ Claude Markovits, “Indian Merchant Networks outside India in the Nineteenth and Twentieth Centuries: A Preliminary Survey,” *Modern Asian Studies* 33, no. 4 (1999): 883–911, is an exception but the narrative stops in the pre-independence period, as does G. Balachandran, ed., *India and the World Economy, 1850–1950* (New York, 2005), which focuses more on monetary and fiscal arrangements than business per se.

⁸ Rainer Baubock and Thomas Faist, eds., *Diaspora and Transnationalism: Concepts, Theories and Methods* (Amsterdam, 2010).

⁹ There have been several studies on specific transnational Indian merchant communities in the twentieth century, particularly the work of Claude Markovits on Sindhis; Gijsbert Oonk, Shobha Bondre, and Makrand Mehta on Gujaratis; W. A. Weerasooriya, Michael Adas, Raman Mahadevan, and David Rudner on Chettians; and Barbara-Sue White on Sikh traders in Hong Kong. Barring the studies of Oonk and Bondre, however, these have been confined to the pre-independence period. Thomas Timberg discusses the internal migration of Marwaris but not international migration in *The Marwaris: From Traders to Industrialists* (New Delhi, 1979). Medha Kudaisya provides a useful summary of Indian trading networks in Southeast Asia in the twentieth century in “Trading Networks in Southeast Asia,” in *The Encyclopedia of the Indian Diaspora*, ed. Brij V. Lal (Singapore, 2006), 59–65.

multinational companies, such as those initiated by the Birla family in the 1960s in Africa and Asia.

This article examines both of these types of transnational linkages. It juxtaposes the migration trajectories witnessed in the twentieth century against international business interactions, especially in the banking and diamond sectors. It also describes the patterns and trends of overseas investments made by Indian firms before 1991, drawing on existing scholarship and highlighting the case of the Birla group. The article outlines the dilemmas faced by industrialists in an environment with strict controls on foreign-exchange regulations and examines whether existing migrant links guided the choice of destination for outward investment. An analysis of the Forbes rich list of Indian business leaders in 2014 is also presented to map out the extent and variation of pre-1991 transnational linkages among them.

While the 1990s undoubtedly marks an important break in Indian business history, the article argues that key events, policies, and actors in the pre-1991 period laid the foundation for the globalization of Indian firms. It thus attempts to locate hitherto neglected actors such as diamond traders and bankers in the global history of Indian business in the twentieth century.

The rest of the article is arranged as follows: First, it articulates a conceptual framework of transnational business. Then the article describes emigration patterns in the twentieth century and the links between migration and transnational business in the banking and diamond businesses. The next section traces the history of outward investment from India in the twentieth century, with a particular focus on the Birla group, followed by an analysis of the pre-1991 transnational linkages among the Forbes list of the hundred richest Indian business leaders in 2014. The final section summarizes the key events, policies, and actors that have shaped transnational Indian business in the twentieth century.

Conceptualizing Transnational Business

The significance of migration has been noted in the vast literature on international business largely focused on North America and Europe.¹⁰ In other regions of Europe and in Asia, diasporic commercial networks often played an important role in driving the global economy of

¹⁰ For instance, in a seminal work, Mira Wilkins notes emigration as one of thirteen factors driving overseas investment and its particular significance for Germany and Britain. Wilkins, "European and North American Multinationals, 1870–1914: Comparison and Contrasts," *Business History* 30, no. 1 (1988): 8–45.

the late nineteenth century.¹¹ In China, a close link has been observed between migration and overseas investment for much of the twentieth century, decreasing in significance in recent decades with the rise of state-directed overseas investment.¹²

How and why did Indian business operations extend beyond the boundaries of the subcontinent, and was migration a relevant factor in this process? Before the twentieth century, this question was addressed by emphasizing the significance of merchant networks.¹³ Merchants would usually ply along various port and inland towns and connect the coastal economies surrounded by the Indian Ocean as well as parts of central Asia. They would provide trading facilities, financial services, and remittances, often via an extensive indigenous *hundi* system of bills of exchange. Merchant migrations were male dominated and circulatory in nature. The dominant axes of international interactions were trade and migration, with little investment in destination regions. Migration was essential to establish control over information and credit within communities, enabling greater trading opportunities.

The late nineteenth century witnessed a modification of such business activity, as migration volumes increased in response to demand from the international colonial economic system and intense famine-related pressures in the Indian subcontinent. Mass migration created business opportunities to provide the goods and services consumed by migrants, such as food, clothing, remittances, and entertainment. This generated an additional response by firms to set up shop in different lands and to increase trade in products valued by migrants. As Mohandas Gandhi remarked during his stay in South Africa in 1907, “as long as there remain opportunities for business among his own countrymen, there the Indian merchant will be found.”¹⁴ Such migration-linked business opportunities for Indian firms have persisted to date and have been documented in European countries and the Persian Gulf.¹⁵

¹¹ Geoffrey Jones, “Globalization,” in *The Oxford Handbook of Business History*, ed. Geoffrey Jones and Jonathan Zeitlin (New York, 2008), 146.

¹² See Rajeswary A. Brown, *Chinese Big Business and the Wealth of Asian Nations* (London, 2000); Ching-hwang Yen, *Ethnic Chinese Business in Asia: History, Culture and Business Enterprise* (Singapore, 2014); and “Chinese Overseas Direct Investment,” special issue, *China Economic Journal* 7, no. 1 (2014).

¹³ See, for example, Ashin Das Gupta, *Merchants of Maritime India, 1500–1800* (Amsterdam, 1994); and Scott C. Levi, *The Indian Diaspora in Central Asia and Its Trade, 1550–1900* (Leiden, 2002).

¹⁴ M. K. Gandhi, *The Collected Works of Mahatma Gandhi*, vol. 6 (Delhi, 1999), 424.

¹⁵ On Gulf countries, see S. B. Karayil, “Does Migration Matter in Trade: A Study of India’s Exports to the GCC countries,” *South Asia Economic Journal* 8, no. 1 (2007): 1–20; on European countries, see Chinmay Tumble, “EU-India Migration and Trade,” *CARIM-India Research Report* (Florence, 2013).

These linkages deepened in the twentieth century with the emergence in many countries of a settled diasporic population, who began their own ventures and firms. In this scenario, migration led to investment in the host societies that generated trade with countries bypassing India, as experienced by the East African Gujarati merchant communities in the 1950s and 1960s.¹⁶

Finally, the twentieth century also witnessed the birth of the Indian multinational firm with joint ventures or wholly owned subsidiaries in other countries. The expansion of the Birla group of companies in South-east Asia and Africa between 1960 and 1991 has high symbolic value in having been the first major overseas investment project from India. Here, the transnational link is through equity participation and management control via investment, and not necessarily through trade and migration.

In addition to the direct linkages mentioned above, indirect links also spur transnational business. International education of Indian business leaders and, especially, family business scions since the 1950s has led to a gradual shift away from an “inward-looking” attitude that dominated Indian business in the middle of the twentieth century. For instance, A. V. Birla was the first member of the Birla family to study abroad, in the 1960s at Massachusetts Institute of Technology (MIT) in the United States, and this experience considerably shaped his ambition to excel overseas.¹⁷ Taxation and citizenship considerations can also influence the choice of overseas destination, as some family firms strive to hold passports of different countries for easier trading opportunities.¹⁸

International work experience can be put to good use as return migrants bring back skills and knowledge that trigger transnational business activity. Dhirubhai Ambani, founder of India’s largest private company, Reliance Industries, worked in Aden between 1948 and 1958 and closely observed the working of the petrochemical industry and *souk* trading operations that later inspired his foray into the same industry through extensive use of the stock market.¹⁹ Similarly, Kiran Mazumdar-Shaw, one of the few female Indian billionaires, founded Biocon in India

¹⁶ Gijsbert Oonk, *Settled Strangers: Asian Business Elites in East Africa, 1800–2000* (New Delhi, 2013).

¹⁷ Minhaz Merchant, *Aditya Vikram Birla: A Biography* (New Delhi, 1997). According to R. M. Lala, J. R. D. Tata’s lifelong regret was that he did not pursue university education in the United Kingdom, underscoring the importance of international higher education among Indian business leaders. Lala, *Beyond the Last Blue Mountain: A Life of JRD Tata, 1904–1993* (New Delhi, 1992).

¹⁸ Gijsbert Oonk notes this in the case of transnational East African Gujarati family firms. Oonk, *Settled Strangers*.

¹⁹ Hamish McDonald, *The Polyester Prince: The Rise of Dhirubhai Ambani* (St. Leonards, NSW, Australia, 1998).

in 1978 after working in a brewery in Scotland and establishing contacts in Ireland. Both firms proceeded to establish significant overseas trading and investment operations in the succeeding decades.

Finally, another indirect mechanism of international business activity is through financing operations. Even when Indian firms have no major presence overseas, they now have the option to raise finances abroad by listing on international stock markets and issuing global depository receipts or borrowing from nonresident Indian (NRI) investors.

This article considers transnational business activities only when ethnic Indians or Indian firms are based outside of India, maintaining some linkages with India or Indian customs and business practices.²⁰ For instance, steel baron Lakshmi Mittal's business empire outside India in the late twentieth century would not fall under the definition of an "Indian multinational" and yet his continued possession of an Indian passport and his family's close connection to India and Indian customs brings his career within the fold of transnational Indian business. In recent times, reductions in transportation and communication costs have eroded some of the advantages enjoyed by merchant communities in trading and hence a large part of international trade can be conducted without the physical presence of persons or firms in other countries. This article thus places a greater emphasis on migration and investment overseas and excludes a large number of Indian firms that participate in international trade but do not have operations outside India.

Transnational Indians in the Twentieth Century

There is by now a sizable literature on India's international migration and diaspora.²¹ Table 1 summarizes the quantitative dimension of this phenomenon across the twentieth century. Between 1910 and 2010, emigration patterns swung from locations within the British Empire to other areas. The colonial legacy continued, however, as English-speaking regions including the United Kingdom, the United States, Canada, and Australia attracted over a third of Indian immigrants in the early twenty-first century. Asian countries continued to attract nearly two-thirds of Indian immigrants, though a remarkable shift from locations east of India to those west of India took place with the economic rise of the Persian Gulf states in the late twentieth century.

²⁰ The focus is on India in the post-Independence period and, more broadly, South Asia in the pre-Independence period.

²¹ For a listing of over one thousand publications on this topic, see Chinmay Tumble, *India Migration Bibliography* (Bangalore, 2012).

In 1910, the emigrant and diaspora stock (which includes descendants of emigrants) was 1.5 and 2.2 million respectively. Over 60 percent of these transnational Indians were based in Asia: 20 to 25 percent each in Sri Lanka (earlier Ceylon) and Myanmar (earlier Burma) and 10 percent in Malaysia (earlier Malay States and Straits Settlements). Sri Lanka attracted labor primarily for its tea plantations, Myanmar for its expanding rice frontier and timber business, and Malaysia for its rubber and tin plantations. Figuratively, these regions lay on the east of the Indian subcontinent, along the rim of the Bay of Bengal. The only other eastern region that attracted a significant number of Indians was the plantation economy of Fiji.

Africa and the Caribbean region accounted for the bulk of the remaining transnational Indians. By 1910, however, many of the plantation economies like Mauritius and those in the Caribbean had a settled Indian population, following a long period of labor migration in the nineteenth century. In-migration rates from India had fallen and the bulk of the migration was directed toward East and South Africa along the Arabian Sea, assisting in railroad construction, plantations, and various small businesses. Between 1910 and 1930, these broad migration patterns continued such that by 1930, Burma, Sri Lanka, Malaysia, East Africa, and South Africa accounted for over 70 percent of transnational Indians.

At this juncture, Claude Markovits provides estimates of the number of transnational Indians engaged in commercial occupations.²² Table 2 displays these estimates along with estimates of the percentage distributions out of the total diaspora stock, circa 1930. The first observation is that regions with larger diaspora stocks tended to have larger stocks of merchant migrants, reflecting the complementarity of labor and commercial migration. This was not necessarily because merchants were catering to laborers' needs, but reflected the strong pull factor for job opportunities in the destination regions. Roughly 7 percent of India's diaspora, or over two hundred thousand people, were engaged in commercial occupations outside India. It is evident that East Africa had the highest share of merchants and financiers of the general Indian diasporic population with figures above 20 percent in Uganda, Zanzibar, and Tanganyika (now Tanzania) and a slightly lower figure in Kenya. Among other regions, the share in Burma was relatively high at 14 percent but it was below 10 percent in the rest.

Merchant migration in this period was semipermanent and male dominated in nature. Merchants and financiers in these regions belonged to specific Indian communities, with varying levels of dominance.²³

²² Markovits, "Indian Merchant Networks," table 1A.

²³ *Ibid.*, table 2.

Table 2
Indian Diaspora and Commercial Occupations, c. 1930

<i>Region</i>	<i>Indians engaged in trade and finance</i>	<i>Diaspora stock</i>	<i>Diaspora engaged in trade and finance (%)</i>
<i>(I)</i>	<i>(II)</i>	<i>(III)</i>	<i>(IV)</i>
Burma	96,211	703,000	14
Malaya	30,214	575,000	5
Ceylon	24,823	900,000	3
Mauritius	5,947	270,000	2
Trinidad	3,575	139,000	3
British Guiana	7,498	131,000	6
Fiji	854	75,000	1
South Africa	12,374	166,000	7
<i>East Africa</i>			
Zanzibar	4,980	15,247	33
Tanganyika	6,124	25,144	24
Kenya	5,204	43,623	12
Uganda	3,319	14,150	23
<i>Total</i>	<i>201,123</i>	<i>3,057,164</i>	<i>7</i>

Sources: Col. II from Claude Markovits, "Indian Merchant Networks outside India in the Nineteenth and Twentieth Centuries: A Preliminary Survey," *Modern Asian Studies* 33, no. 4 (1999): table 1A; col. III from Gijsbert Oonk, *Settled Strangers: Asian Business Elites in East Africa, 1800–2000* (New Delhi, 2013), appendix, table 1 and figures for East Africa.

Note: Col. IV is col. II as a percentage of col. III.

Thus, the major merchant communities in East Africa hailed from Gujarat (especially Cutch) and Sindh, in western India: Muslims included Khoja Ismaili and Itna'ashari Bohras, and Memons; Hindus included Lohanas, Bhatias, Patidars, and Patels.²⁴ Bhaiband and Bhattia traders from Sindh plied along scattered routes in the Persian Gulf and other parts of the world. The Chettiars from present-day Tamil Nadu, in the south, were a powerful mercantile community that dominated financial services in Burma, Malaysia, and Sri Lanka. In the 1930s, it was estimated that they owned 1,650 firms in Burma, 1,000 each in Malaysia and Singapore, 500 in Sri Lanka, 200 in Indo-China, and 150 in other East Asian regions.²⁵

Punjabi Khatri and Aroras from northwest India operated in central Asia and in parts of Southeast Asia. In Hong Kong, Sikh migrants who joined the security forces gradually evolved into a class of traders. Marakkayars and Moplah/Mopilla Muslims from Kerala and Tamil

²⁴ Oonk, *Settled Strangers*.

²⁵ Kudaisya, "Trading Networks in Southeast Asia," 61.

Nadu, in southern India, operated in Sri Lanka and Burma. The Marwaris, who had migrated in large numbers within India in the nineteenth and early twentieth centuries, had a limited transnational presence that was restricted to Burma.

The period from 1930 to 1980 marked a dramatic shift in international migration patterns, especially post–World War II, as countries became independent and attitudes toward migrants changed. Burma was the first to be affected as anti–Indian immigrant sentiments simmered in the 1930s and led to a mass exodus of Indians in the 1940s that continued through the 1950s.²⁶ Chettiars, who came to control over 25 percent of the cropped area due to loan defaults in the Great Depression, were badly affected as they lost their assets and returned to India empty-handed. The late 1960s witnessed a Sri Lankan immigration issue as thousands of Tamilian migrants were sent back to India. In the early 1970s, Uganda expelled people of Indian origin, most of whom settled in the United Kingdom, Canada, and the United States. This triggered similar migrations from other East African nations, based on fears of being expelled.²⁷

As a result of these relocations, the 1965 U.S. Immigration Act (which allowed more diversity among immigrants), and the migration of professionals (labeled as the “brain drain”), the United States, the United Kingdom, and Canada increased their share in the Indian diaspora from 0 to 15 percent between 1930 and 1980. Emigrants from the states of Gujarat and Punjab were overrepresented. If the Chettiars and Cutchi merchants were dislocated from their host societies, the Sindhis were dislocated from their homeland due to Partition in 1947. They settled in large numbers in leading cities of India, only to relocate in the next decades to other countries. One estimate places the contemporary global Sindhi diaspora to be above 120,000, with roughly half of them classified as traders, particularly in Southeast Asia and the United Kingdom.²⁸ The last major development in the period from 1930 to 1980 was the rise in the 1970s of West Asia as a destination for Indian migrants following the construction boom amid high oil prices. These migrations occurred from India’s west coast and overwhelmingly from the southern state of Kerala.

Over the decades between 1980 and 2010, these migration patterns consolidated themselves. In 2010, 50 percent of the emigrants were based in West Asia, 20 percent in North America, and 10 percent in

²⁶ Usha Mahajani, *The Role of Indian Minorities in Burma and Malaysia* (Bombay, 1960).

²⁷ These migrations were also preceded by migrations for education and citizenship to the United Kingdom in the 1950s and 1960s. See Oonk, *Settled Strangers*.

²⁸ Claude Markovits, *The Global World of Indian Merchants, 1750–1947: Traders of Sind from Bukhara to Panama* (Cambridge, U.K., 2000), table 9.1.

Europe (see [Table 1](#)). Contemporary migration to North America tends to be highly selective in terms of attracting highly qualified individuals, especially in the software sector, from the southern states of Karnataka and Andhra Pradesh. Migration to the United Kingdom is slightly less selective, while migration to the Gulf is overwhelmingly low- and semi-skilled in nature and overrepresented by Muslims and Keralites.

Transnational Banking and the Diamond Business

The changing regional composition of India's emigrant profile in the mid-twentieth century is closely related to developments in India's overseas banking operations. While several Indian banks had operations abroad, the rise of the Bank of Baroda in catering to Gujarati emigrants in East Africa and the Indian Overseas Bank in catering to emigrants in Southeast Asia were the most significant developments in the middle of the twentieth century.²⁹

The Indian Overseas Bank (IOB) was set up in 1937 simultaneously in Madras (now Chennai), Karaikudi, Rangoon, and Penang (Malaysia), by M. Ct. M. Chidambaram Chettyar (1908–1954) to cater to the needs of Indian merchants overseas in Southeast Asia.³⁰ Chettyar belonged to an illustrious banking family with operations in Burma and was a serving member on the board of the Indian Bank, which was founded in 1907 as one of the first Indian-managed joint stock banks. The other directors on IOB's board included Chunilal B. Mehta, a cotton merchant from Bombay (now Mumbai), and P. K. N. Nagappa Chettiar, a well-known businessman with investments in Malaysia.

From its inception, IOB was focused on helping overseas Indians and promoting the industrial sector within India. Apart from retail banking, remittances, and credit facilities, it provided foreign exchange to Indian traders, especially those from the Chettiar community. Within the first decade of its operations, it had branches in most major cities in Southeast Asia (see [Figure 2](#)). By the time of Independence, in 1947, it had thirty-eight offices in India and seven offices overseas. Starting with a capital of Rs 2.5 million, IOB increased its capital base to Rs 5 million in 1945 and Rs 10 million in 1951. World War II affected its operations: IOB was forced to close down some of its branches, but most of

²⁹ State Bank of India (SBI), India's largest lending bank, expanded rapidly overseas after 1991. In 1967, it had overseas offices only in London and Colombo (SBI, *1967 Annual Report*, 18). In 1982, the Export-Import (EXIM) Bank of India was set up to deal extensively with international trading operations.

³⁰ Information on the Indian Overseas Bank is sourced from "Building a Bank, the MCT. Way," *The Hindu*, 12 Apr. 2004; company annual reports; and the Indian Overseas Bank website celebrating the bank's seventy-fifth anniversary in 2011–2012.

them resumed after the war. In 1947, IOB opened a branch in Bangkok and, some years later, one in Hong Kong. It faced a setback in 1963 with the nationalization of banks in Burma. Through the 1960s, IOB

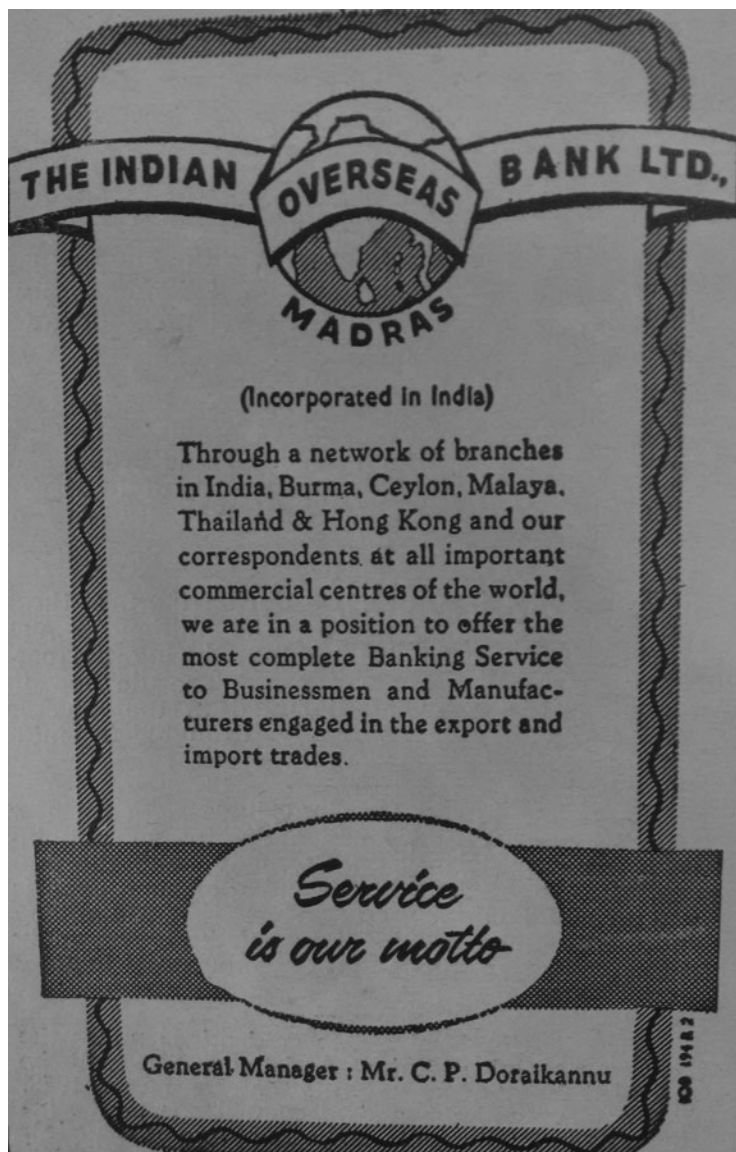


Figure 2. Indian Overseas Bank advertisement, 1956. (Source: *Commerce* [Bombay] 92, no. 2357 [5 May 1956], 850.)

merged with numerous local private banks within India, and finally, in 1969, it was one of the fourteen banks to be nationalized by the Indira Gandhi-led government. Before nationalization, a large proportion of its bank offices operated overseas. After nationalization, it extended its operations mainly in rural India, with limited overseas expansion. In 1973, IOB, Indian Bank, and United Commercial Bank (UCO) established United Asian Bank Berhad in Malaysia to overcome government regulations on equity ownership by foreign investors. In the 1980s, IOB faced a setback in Sri Lanka where its office was burnt in anti-Tamil riots. Over the next three decades, its international expansion was muted, and in 2015, it had branch offices only in Colombo, Hong Kong, Seoul, Singapore, and Bangkok and representatives in West Asian countries and China. However, IOB has continued its legacy of overseas operations by focusing on Indians in Southeast Asia.

The Bank of Baroda was formally established in 1908 by the Maharaja Sayajirao Gaekwad III in Baroda (part of present-day Gujarat) and was one of the first major banks to be established in a princely state of India.³¹ The bank grew domestically until Independence and then established its first overseas branches, in Mombasa (Kenya) and Kampala (Uganda), in 1953 to cater to Indian emigrants, drawn mainly from Gujarat. C. P. Shah, the manager overlooking overseas expansion, was selected for the job because he had prior family business connections with East Africa. The Bank of Baroda quickly gained the trust of the diasporic Indian community by offering savings deposit and remittance facilities not offered by its European counterparts. Branch expansion followed the Indian emigrant trail, with two more offices in East Africa by 1956. Concerned about the erosion of its deposit base due to the exodus of East African Indians to England, the Bank of Baroda opened an office in London in 1957.³² More branches were opened in Fiji, Mauritius, and Guyana in the 1960s. In 1967, it lost its Tanzanian office due to a bank nationalization drive, and in 1969, the Bank of Baroda was itself nationalized. However, this did not stop its international expansion, as in the case of IOB. In 1972, the year Indians were expelled from Uganda, the Bank of Baroda acquired the Bank of India's operations in Uganda. The bank then opened branches in Dubai and Abu Dhabi (UAE) in 1974, Belgium in 1976, New York in 1978, and Bahrain in 1980 as part of its policy to "follow in the footsteps of Indian influx abroad."³³ The new destinations reflected the changing geography of overseas migration from India. Foreign branches also helped Indian business by providing

³¹ Dwijendra Tripathi and Priti Misra, *Towards a New Frontier: History of the Bank of Baroda, 1908–1983* (New Delhi, 1985), 58.

³² *Ibid.*, 136, 138.

³³ *Ibid.*, 200, 224.

financial assistance to Indian joint ventures and importers of Indian goods.³⁴

International expansion over the past four decades has been steady and the Bank of Baroda now has over seventy offices worldwide through branches, subsidiaries, and joint ventures. Its tagline reads “India’s International Bank” with good reason and its international exposure has made it one of the largest banks of contemporary India.

Beyond banking, Gujarati transnationalism extended to the diamond business in the twentieth century, a business that had swayed between Europe and India over the five preceding centuries.³⁵ Starting in the 1950s, the Palanpuri Jain merchants of Gujarat—a group with a long history of gem trading—entered the trust-based wholesale operations in Antwerp where diamond roughs, mined in southern Africa, were traditionally cut and polished.³⁶ The Palanpuri Jains began to outsource the cutting and polishing operations, first to Mumbai and then to Surat, to take advantage of lower labor costs in India.

In 1953, Kirtilal Mehta, a diamond trader from Palanpur, in Gujarat, set up one of the first Indian firms in Belgium: Gembel, or Gem of Belgium. Mehta (1907–1993) had joined the diamond industry at a young age following the sudden death of his father and uncle and looked after his family’s branch office in Rangoon. He then moved to Bombay, where he set up his own firm in 1944.³⁷ In 1940, he began traveling to Antwerp and importing diamonds from Israel. In the 1940s, the Antwerp wholesale diamond market was dominated by Hasidic Jews maintaining links with Israel. After founding Gembel in 1953 in Antwerp, Mehta set up offices in Hong Kong in 1956, in Tel Aviv in 1968, and in New York in 1973. He was feted by the governments of India (Leading Exporter Award, 1973), Israel (Outstanding Marketer Award), and Belgium (Office of the Order of the Leopold, a prestigious civilian award).

Mehta’s life in Europe coincided with several policy initiatives by the Indian government to promote the diamond trade. The Indian

³⁴ *Ibid.*, 227.

³⁵ Karin Hofmeester, “Shifting Trajectories of Diamond Processing: From India to Europe and Back, from the Fifteenth Century to the Twentieth,” *Journal of Global History* 8, no. 1 (2013): 25–49.

³⁶ Information on the Indian diamond trade before 1950 is sparse. The notes of Manchershah Godrej, a Paris-based trader of precious stones in the early twentieth century, confirm that many of the traders were Palanpuri Jains. Manchershah Godrej Papers, Doc 1, MS06-01-94-23, Godrej Archives, Mumbai.

³⁷ “Kirtilal M. Mehta, 86; Built a Gem Company,” obituary, *New York Times*, 23 July 1993, <http://www.nytimes.com/1993/07/23/obituaries/kirtilal-m-mehta-86-built-a-gem-company.html>.

government recognized the potential of diamond exports and began providing infrastructural and policy support to the industry in the 1960s. A major shift in consumer preferences in the 1980s aided the growth of the “small diamonds” segment of the market, in which the Indian merchants held a comparative advantage. The Indian *diamantaires*’ share of trading activities in Antwerp rose from 2 percent in 1968 to 25 percent in 1980 to over 60 percent in 2003.³⁸ By the end of the twentieth century, over 70 percent of all diamonds in the world were routed through India and the diamond business accounted for 10 percent of India’s merchandise exports.³⁹ Migration and transnational connections were critical in placing India in the global supply chain of the diamond business.

Investment and Transnational Business

When and where did Indian firms make their first overseas investment? This is a difficult question to answer as it depends on the nature and scale of investment. The previous sections reviewed the extensive merchant networks prevalent in Southeast Asia and East Africa in the early twentieth century. These merchant firms, often headquartered in India, invested abroad in trading and moneylending activities and remitted profits back to India or retained earnings for further investment overseas. The consideration of “investment” in this section departs from this notion and focuses instead on investment in nontrading and, especially, manufacturing operations. Such investment typically required more capital and a departure from traditional business activities.

In the colonial period, evidence for this type of investment is sparse and scattered. A. K. Banerji’s detailed construction of the balance of payments in the interwar period does not discuss foreign investment *from* India, even though a chapter is dedicated to investment *toward* India.⁴⁰ Claude Markovits notes Parsi, Sindhi, and Chettiar firms overseas but concludes that “Indian businessmen abroad, prior to the 1950s, remained a trading class and the big shift towards industry occurred at a later stage.”⁴¹ This statement may require a slight qualification. In Burma, some information is available on firms by sector and nationality of ownership in the early twentieth century.⁴² The data

³⁸ Devesh Kapur, *Diaspora, Development and Democracy* (Delhi, 2010), 100.

³⁹ Tumble, “EU-India Migration and Trade”; see also the studies cited therein.

⁴⁰ A. K. Banerji, *India’s Balance of Payments: Estimates of Current and Capital Accounts from 1921–22 to 1938–39* (Bombay, 1963).

⁴¹ Markovits, “Indian Merchant Networks,” 906.

⁴² This has been described using the Burma trade directories for 1895 and 1930. See K. S. Sandhu and A. Mani, eds., *Indian Communities in Southeast Asia* (Singapore, 1993), tables 26.2, 26.3, 26.4.

show the domination of Indian firms in trading and moneylending activities. In Rangoon, over 70 percent of traders were Indian.⁴³ But the data also show that in 1895, 3 out of 30 “owners and millers” were Indian-owned business firms. By 1930, this number had risen to 106 of 655 “owners and millers,” reflecting the growth in the rice milling industry in the intervening decades. Further, 3 out of the 10 manufacturers in 1895 were Indian-owned; by 1930, this figure was 35 out of 193 such firms. It is quite likely that these firms were saw and timber mills and the owners were Chettiars who had accumulated enough capital in the early twentieth century to push into nontrading sectors.⁴⁴ In Malaysia, Chettiars began to purchase rubber plantations. For instance, the transnational PKN Group acquired a rubber plantation in 1926. After Independence, the investments collapsed in Burma but continued in Southeast Asia and Africa, led in large part by the Birla group.

Birla's Overseas Expansion, 1950s–1990s

Aditya Vikram Birla (1943–1995) is widely considered to be India's first international industrialist because he undertook large ventures outside of India, beginning in 1969.⁴⁵ His grandfather G. D. Birla (1894–1983), who had been a close confidante of Mahatma Gandhi, ran India's second-largest private business enterprise, but within the boundaries of the subcontinent. His uncle L. N. Birla had set up a starch factory in Rangoon and his father, B. K. Birla, had set up a textile mill in Ethiopia in 1959–1960 under a joint venture.

A. V. Birla pursued a degree in chemical engineering at MIT and returned to India to start Eastern Spinning Mills and Industries in Calcutta in 1965. His first inclination to expand the business overseas stemmed from a sense of fatigue with licenses, red tape, and quotas. In 1968, a delegation of the Indo-Thai Chamber of Commerce comprising many NRI business leaders arrived in Calcutta seeking foreign investment for Thailand. A year later, after a market research study, twenty-five-year-old Birla clinched a deal with the Thai government's Board of Investment. He would set up a spinning mill, Indo-Thai Synthetics Ltd., in 1969, and the Thai government assured Birla a tax holiday, concessional land, and zero government interference. The decision to invest in Thailand was premised on three key factors: low prospects of growth

⁴³ J. Baxter, *Report on Indian Immigration* (Rangoon, 1941).

⁴⁴ Medha Kudaisya notes that “in 1916–17, out of a total of 318 rice mills, 16 were owned by Chettiars. They also set up saw and timber mills in Burma.” Kudaisya, “Trading Networks in Southeast Asia,” 61.

⁴⁵ The Tatas had representative offices overseas but no major joint ventures outside India before 1970. This section is based on Merchant, *Aditya Vikram Birla*.

in India, with anti-big-business sentiments harbored by the government; high prospects of growth in Thailand, as it was actively seeking investment; and the aspiration to build a company from scratch, geographically away from the gaze of his family.

The major problem Birla faced was in the arrangement of finances. The scarcity of foreign exchange in the Indian economy meant that overseas investment was discouraged and cash remittances were restricted. In the end, a Rs 2.5 million loan was secured from the Bank of America and another Rs 2.5 million from the IOB in Bangkok. Over Rs 5 million had been assured by local investors and NRIs, the most prominent among them being Vijay Mehta, a diamond merchant based in Antwerp and Bangkok and a cousin of Birla's best friend. The Birlas' equity contribution was Rs 1.25 million, capitalized through export of equipment and fabrications from Birla companies in India to Thailand. Thus, transnational Indian business activities in banking and diamonds noted in the previous section played a significant role in financing A. V. Birla's first overseas investment.

Birla launched a major overseas expansion drive in the next two decades, such that by 1997 there were dozens of factories and offices in over twenty countries, with an annual turnover of Rs 80 to 100 billion and contributing more than 30 percent to the Birla group's worldwide revenues. In the mid-1990s, the Birla group of companies had nineteen firms operating outside India: ten in Thailand, three in Indonesia, three in Malaysia, and one each in the Philippines, Egypt, and Mauritius. These firms manufactured textiles, chemicals, and edible oils through joint ventures with local businesspeople and "wealthy NRI investors and Palanpuri diamond merchants."⁴⁶ Overseas firms were staffed by local managers, but key financial positions were retained for Indians. Birla's expansion strategy involved boosting capacities overseas and integrating products with those being produced in India. This strategy was substantially influenced by existing government policies restricting domestic expansion in the 1970s.

In a speech to the Indo-American Society on June 27, 1978, Birla said,

The government's restriction on expansion of large houses in India could be one of the reasons for our expansion in Southeast Asia. It may be amusing to you if I were to tell you that the government did not permit Gwalior Rayon, one of our large concerns, to add to its capacity of viscose fiber in India, but we were permitted to set up a joint venture in Thailand. . . . India, which cannot meet its viscose demand by local production, is today importing from our joint venture plant.⁴⁷

⁴⁶ *Ibid.*, 258.

⁴⁷ *Ibid.*, 146.

Overseas Direct Investment from India since the 1960s

Birla's overseas expansion in the 1960s coincided with the rise of the "Third World multinational" across the world, and this phenomenon gained further momentum in the 1970s, principally in the newly industrializing countries of East Asia. The bulk of the projects and investments were directed toward developing economies. India's overseas direct investment (ODI) stock rose slowly in the 1960s and early 1970s but then increased rapidly to \$122 million in 1984, mostly in manufacturing operations.⁴⁸ Investments in engineering, iron and steel, and commercial vehicles comprised 20 percent of the ODI stock; other significant sectors were textiles (16 percent), chemicals (19 percent), and paper and pulp (12 percent). Investments were made through joint ventures rather than wholly owned subsidiaries. By the mid-1980s over two hundred projects were in operation or under implementation, with investments concentrated in Southeast Asia, Africa, and West Asia. Malaysia, Thailand, Indonesia, and Kenya were countries that attracted a large number of projects, reflecting the synergies associated with dealing in countries with a large number of Indians. For instance, in postwar Indonesia, the Indian diaspora consisted mainly of Sindhis, Sikhs, Tamils, and expatriates working on joint ventures (JVs). By the early 1980s, around twenty Indian firms had participated in JVs in Indonesia.⁴⁹ These JVs were "generally with Indonesian citizens of Indian origin" and concentrated in the textile and chemical sector, often between Gujaratis from India and Sindhis based in Indonesia.⁵⁰ More generally, half of the overseas joint venture agreements in the 1980s had persons of Indian origins as participants in the host country.⁵¹

In the 1980s, a body of scholarship emerged to explain the paradox of capital-scarce countries exporting capital. This literature addressed topics related to ODI and the export of technology from developing countries, including India.⁵² Scholars drew attention to the fact that the 1970s

⁴⁸ R. B. Lall, *Multinationals from the Third World: Indian Firms Investing Abroad* (Delhi, 1986), 4.

⁴⁹ Examples of firms include those from the Birla group (Indo Bharat Rayon, Elegant Textile), Indo Rama Synthetics, Ispat, Jay Kay Files, Air India, State Bank of India, Bank of India, Engineering Export Promotion Council India, and Godrej, among others. See Sandhu and Mani, *Indian Communities*, tables 4.1, 4.3.

⁵⁰ Sandhu and Mani, *Indian Communities*, 113.

⁵¹ Sebastian Morris, "Foreign Direct Investment from India: Ownership and Control of Joint Ventures Abroad," *Economic and Political Weekly* 25, no. 7–8 (1990): M-30.

⁵² See Sanjaya Lall, "The Emergence of Third World Multinationals: Indian Joint Ventures Overseas," *World Development* 10, no. 2 (1982): 127–46; Sanjaya Lall, *Developing Countries as Exporters of Technology: A First Look at the Indian Experience* (London, 1982); Sanjaya Lall, *Multinationals, Technology and Exports: Selected Papers* (London, 1985); R. B. Lall, *Multinationals from the Third World*; Sebastian Morris, "Trends in Foreign Direct Investment

witnessed net capital outflows from India. Foreign direct investments (FDI) to India shrunk in an FDI-hostile environment and ODI grew rapidly due to domestic industrial stagnation linked with laws such as the Monopolies and Restrictive Trade Practice (MRTP) Act of 1969.⁵³ In contrast to other developing countries, firm-level surveys in India revealed a strong push factor to invest abroad.⁵⁴ Frequently cited problems included the high cost of inputs that hurt export competitiveness, labor unrest, high transport costs, and infrastructural deficiencies. Most firms in the survey catered to local markets in their overseas enterprises and were not necessarily geared to exports. Firms cited the quality of Indian managers and technical personnel as a major source of competitive advantage in overseas enterprises, though this was offset by poor marketing skills and limited access to finances. Because the Foreign Exchange Regulation Act (FERA) of 1973 imposed stringent regulations on foreign-exchange usage, most ODI was conducted through capitalized exports rather than cash remittances in the 1970s.

Indian firms investing abroad were more likely to belong to large and established industrial houses. This was because of the resources needed to overcome transaction costs in a new setting and the ability to garner foreign exchange in a scenario where foreign-exchange supply was limited. Till 1979, the Birla group held nearly 40 percent of the total ODI stock, with operations in Southeast Asia and Africa; its share then fell to 15 percent in 1981.⁵⁵ The Tata group of companies accounted for 11 percent of ODI stock in truck assembly operations and precision tool manufacturers in Southeast Asia in 1981.⁵⁶ Five business groups held 50 percent of the total ODI stock in 1981: Birla and Tata along with the Thapar, Modi, and JK groups. Other prominent groups with overseas JVs included the Sarabhais (chemicals), Kirloskars (engines and machinery), Shahibag Enterprises (textiles), and Godrej.⁵⁷ Godrej commenced operations to manufacture steel furniture in Malaysia in 1967 and in Singapore in 1972.⁵⁸ In the services sector, Tata's Taj

from India (1950–1982),” *Economic and Political Weekly* 22, no. 45–46 (1987): 1909–18, 1963–69.

⁵³ B. R. Tomlinson, *The Economy of Modern India: From 1860 to the Twenty-First Century* (Delhi, 2013), 177–78.

⁵⁴ R. B. Lall, *Multinationals from the Third World*.

⁵⁵ *Ibid.*, 19.

⁵⁶ J. R. D. Tata founded Air India International, Asia's first international airline, in 1948; however, it was nationalized in 1953 by the Nehru government. Tata's international engagement came primarily through Tata Engineering and Locomotive Company (TELCO, now Tata Motors), Tata Consultancy Services (TCS), and Tata Exports.

⁵⁷ For a useful summary of major Indian firms investing overseas, see S. Lall, “Emergence of Third World Multinationals.”

⁵⁸ B. K. Karanjia, *Godrej: A Hundred Years, 1897–1997*, vol. 2 (New Delhi, 1997). A large fraction of workers employed at Godrej's Malaysian factory were women (see [Figure 3](#)). One

group and the Oberoi group expanded their overseas presence in the hotel sector. Investments in the banking sector have already been noted in the previous section.

India's ODI profile differed from that of other developing countries in two important aspects. The first aspect, as discussed above, was the dominance of the push factors in driving ODI. Second, India's ODI sectoral profile was highly diverse and included complex, capital-intensive projects. This has been explained by the development of capacity in the capital goods sector since the late 1950s as part of a conscious state-driven policy paradigm. Further, Indian firms gained considerable experience in the 1970s by exporting technology even without formal ODI. They executed several turnkey projects in West Asia and Africa, provided consultancy services, generated revenues from licenses and technical fees, and exported capital goods.⁵⁹ A growing stock of engineers and managers created by public investment in higher education in the 1960s provided the human capital to execute such projects, at a much lower cost than what was provided by the relatively advanced countries.

Between the 1980s and the 2000s, several aspects of Indian ODI changed. The sheer scale of ODI has grown; India's share of developing-economy ODI rose from 0.5 percent in the 1990s to nearly 4 percent in 2011.⁶⁰ Most overseas investment today is made through acquisitions or wholly owned subsidiaries instead of going the JV route because it is much easier to raise finances overseas or send cash remittances in a climate of liberalized foreign-exchange regulations. Information and technology (IT) and health have emerged as two new and major sectors of investment. The pharmaceutical sector, in particular, witnessed considerable foreign acquisitions by Indian firms as they sought to build capacity to market low-cost drugs and deal with foreign regulations and patent regimes. But perhaps the most important shift has been in the geographical distribution of ODI. As a recent report notes,

While the first wave of Indian overseas direct investments in the pre-liberalization period was made by a handful of firms and concentrated largely in Asian and African developing countries, the

manager who worked in Malaysia, Mr. Thanewalla, recounted the common stereotype at that time that women were more effective workers than men. Mr. Thanewalla, interview, 10 Feb. 2006, Oral History Collection, Godrej Archives, Mumbai.

⁵⁹ For the names of over fifty firms participating in such technology exports—including PSUs such as BHEL, SAIL, HMT, and ITI—see S. Lall, "Emergence of Third World Multinationals," esp. appendices.

⁶⁰ EXIM Bank, "Outward Direct Investment from India: Trends, Objectives and Policy Perspectives" (Occasional Paper No. 165, Mumbai, 2014).



Figure 3. Godrej's factory in Malaysia in the 1970s. (Source: Accession no. PH06-01-96-90-10, Photographs Collection, Godrej Archives, Mumbai.)

second wave of Indian ODI, in terms of real investments (and not just flow of funds, captured by RBI data)—especially since 2000—has been in developed countries.⁶¹

Between 2003 and 2012, the United States, the United Kingdom, and the United Arab Emirates were the major destinations for Indian investments, accounting for over a third of the 2,745 projects.⁶² This geographical shift in ODI has coincided with a shift in migration patterns toward the United States, the United Kingdom, and the United Arab Emirates (or more generally, West Asia), noted in the previous sections and in [Table 1](#). Migration, investment, and transnational business thus

⁶¹ *Ibid.*, 16.

⁶² *Ibid.*, 15.

appear to be intimately connected. While earlier migrant links were important for arranging finances, today they are valued in the services sector that now dominates the manufacturing sector in India's ODI profile. This is also reflected in the sectors that have propped up India's billionaires, discussed in the next section.

Pre-1991 Transnational Links among India's Richest Business Leaders

How did pre-1991 transnational links translate in the past two decades for business leaders and families? Did such links matter at all and for which types of firms and business leaders? This question is addressed by analyzing the Forbes list of richest Indian-origin business leaders in India.⁶³ The list has some limitations: it is based on net worth, which can fluctuate sharply year to year as per share prices, and it excludes public sector units (PSUs). On the other hand, company lists omit important wealthy families running private businesses, such as the Godrej family, and conceal the identities of the owners.

In 2014, *Forbes India* listed the one hundred richest Indians, each with a net worth above \$1 billion. The richest person on the list, Mukesh Ambani, had a net worth of \$23.6 billion, and nine names on the list had a net worth above \$9 billion.⁶⁴ Among the top one hundred, the health sector dominated the list with eighteen names, followed by real estate (ten), auto parts/cars/tractors (nine), diversified holdings (nine), and software (seven). We categorize the Forbes sample by a fourfold community/regional grouping—Marwari, Gujarati, South Indian, and Other—based on the heritage of the individual or family. In the few cases of overlapping identities, parental heritage is considered. For instance, Kiran Mazumdar-Shaw is considered to be Gujarati even though she grew up and worked in Bangalore in South India. As per this categorization, [Table 3](#) shows that 32 percent of the Forbes sample is Marwari, 16 percent Gujarati, 24 percent South Indian, and 28 percent other. Among South Indians, there was roughly an equal split between the southern states of Kerala, Karnataka, Andhra Pradesh, and Tamil Nadu. Within the “other” category, seven are Sindhis, five Punjabis, four Parsis, and the remaining twelve from different communities and regions of India. This classification shows the continued stronghold of Marwaris and Gujaratis among Indian business communities; the persistence of some other traditional business

⁶³ This section relies extensively on corporate histories drawn from biographies, company websites, and business magazines.

⁶⁴ They were Mukesh Ambani (Reliance), Dilip Shangvi (Sun Pharma), Azim Premji (Wipro), Pallonji Mistry (stakes in Tata group), Lakshmi Mittal (Arcelor Mittal), Hinduja Brothers (Ashok Leyland), Shiv Nadar (HCL), Godrej, and Kumar Birla.

Table 3
Pre-1991 Transnational Links of “100 Richest Indians,” 2014

<i>Pre-1991 transnational links</i>	<i>Total</i>	<i>Marwari</i>	<i>Gujarati</i>	<i>South Indian</i>	<i>Other</i>	<i>Names</i>
Strong links	13	2	1	7	3	Lakshmi Mittal, Kumar Birla, Nirav Modi, Ravi Pillai, M. A. Yussuffali, Azad Moopen, Sunny Varkey, P. N. C. Menon, B. R. Shetty, Murugappa family, Godrej family, Hinduja Brothers, Micky Jagtiani
Semi-strong links	12	1	5	5	1	Sunil Mittal & family, Mukesh Ambani, Gautam Adani, Anil Ambani, Azim Premji, Kiran Mazumdar-Shaw, Reddy family, Murali Divi, N. R. Narayana Murthy & family, S. Gopalakrishnan & family, Nandan Nilekani & family, Pallonji Mistry
Weak or no links	75	29	10	12	24	See Forbes list
<i>Total</i>	<i>100</i>	<i>32</i>	<i>16</i>	<i>24</i>	<i>28</i>	
% weak links/total	75	91	63	50	86	

Source: “India Rich List 2014,” *Forbes India*, <http://www.forbesindia.com/lists/india-rich-list-2014/1483/1>, accessed on September 27, 2017.

Notes: Names are presented in order of community. For example, of the “strong” transnational links, the two Marwaris are Lakshmi Mittal and Kumar Birla, one Gujarati is Nirav Modi, etc.

communities, such as Sindhis, Parsis, and Punjabis; and the emergence of many South Indian business leaders and families unheard of in the past.⁶⁵ They include South Indian Brahmins (founders of Infosys), Reddys in Andhra Pradesh, and upcoming business communities in Kerala and Tamil Nadu. A comparison with the communities mentioned in previous sections reveals the near absence of one community: Chettiars. The Forbes list includes only one Chettiar name—the Murugappa family—which indicates the relative decline in the Chettiar network over the twentieth century.

In order to understand the pre-1991 transnational linkages of these hundred leaders/families, we categorize them as having strong, semi-strong, and weak/no linkages. Strong linkages involve overseas expansion before 1991, and semi-strong linkages involve extensive trading links prior to 1991 with a significant part of revenues sourced from overseas. Table 3 presents this categorization: 13 percent of the Forbes sample had strong pre-1991 transnational linkages, 12 percent had semi-strong linkages, and 75 percent had weak/no linkages. Therefore, despite India's autarkic conditions pre-1991, around 25 percent of the richest Indian business leaders today maintained strong or semi-strong transnational linkages in that era.

Further, the community/region categorization of these linkages shows a robust correlation with the migration patterns discussed in the previous sections. Even though A. V. Birla, a Marwari businessman, pioneered the art of overseas expansion, over 90 percent of the Marwaris on the rich list had weak/no transnational linkages prior to 1991. This is in line with the limited transnational Marwari presence noted earlier. Lakshmi Mittal, the steel baron, and Sunil Mittal, the telecom mogul, are two exceptions. Mittal opened his first overseas steel plant, Ispat, in Indonesia in 1976 in order to circumvent production quotas in India and break free from family squabbles. His steel empire expanded rapidly, with acquisitions across the world in the next three decades. Sunil Mittal started an import-export business in the 1980s before branching out into telecommunication in the 1990s and finally expanding overseas in the 2000s through his firm, Bharti Airtel/Enterprise.

The pre-1991 transnational connection among the Gujaratis is slightly stronger, with 37 percent of the richest having some transnational links prior to 1991. Nirav Modi of Firestar Diamond is one of the leading faces of the Indian diamond industry, discussed earlier for its extensive transnational linkages. Modi's grandfather traded in diamonds

⁶⁵ For a discussion on business groups, see Dwijendra Tripathi and Jyoti Jumani, *The Concise Oxford History of Indian Business* (New Delhi, 2007); for research on the "new capitalists" of India, see Harish Damodaran, *India's New Capitalists: Caste, Business, and Industry in a Modern Nation* (Delhi, 2008).

in the 1930s and 1940s and moved to Singapore, and his father moved to Antwerp in the 1960s. The other Gujaratis—Ambani, Azim Premji, and Adani—had weaker transnational linkages.⁶⁶ Dhirubhai Ambani worked in Aden for ten years in the 1950s and the Ambanis started intensive international trading and technology exports in the 1980s. Azim Premji, the IT czar of Wipro, hails from a Cutchi Muslim family but is currently based in Bangalore; his IT exports began in the 1980s but his transnational connection goes back two generations—his grandfather was dubbed the “rice king of Burma,” presumably because he was a rice miller or trader.⁶⁷ Gautam Adani worked as a diamond sorter and dealer in Mumbai, in the midst of thick transnational networks, before setting up an export company in the late 1980s. He then moved on to big projects in infrastructure and power generation.

Five of the seven South Indians with strong transnational linkages pre-1991 hail from the state of Kerala and migrated to West Asia between 1950 and 1991, setting up business empires straddling the Arabian Sea.⁶⁸ Ravi Pillai (construction sector) went to Saudi Arabia in 1978 after a labor strike in Kerala closed his business; M. A. Yussuffali (retail) and P. N. C. Menon (real estate) also left Kerala in the 1970s. Sunny Varkey (education) moved with his parents to the Gulf in the 1950s; relocating again in the 1970s, he proceeded to set up schools for children of expatriate children. Azad Moopen and B. R. Shetty (from coastal Karnataka) carved niches in the health-care sector. The Murugappa family business, the lone Chettiar family in the Forbes sample, was founded in 1900; it had extensive operations across Southeast Asia, lost much of it in the 1930s, established Tube Investments in the 1950s, and diversified its operations in the remaining part of the twentieth century. South Indians with semi-strong transnational linkages pre-1991 were associated with the health-care sector (Reddy family and Murali Divi) and Infosys in the IT sector. Both sectors had close connections with the United States in the 1980s through exports and technical and managerial exchanges. Thus, the rising transnationalism of South Indians in the past five decades is reflected in the Forbes sample: 50 percent of South Indians on the list had transnational links pre-1991—the highest among the four community/region categories. The “other” category includes Sindhis such as the Hinduja Brothers (based in the United Kingdom and part owners of Ashok Leyland) and

⁶⁶ The case of Kiran Mazumdar-Shaw was discussed in an earlier section.

⁶⁷ Wipro was founded as Western India Vegetable Products Limited in 1945 in Mumbai.

⁶⁸ Buhari Syed Abdur Rahman (1927–2015) does not feature on the Forbes list but created a large business empire (Emirates Trading Agency, or ETA) with diversified interests in West Asia and India. Born in Tamil Nadu, he worked in Sri Lanka and Hong Kong in the diamond business before moving to Dubai in the 1970s.

Micky Jagtiani (retail mogul in India and the Gulf). It also includes Parsis such as Godrej, whose international operations have been noted earlier, and Pallonji Mistry, an important stakeholder in the Tata group that built up its transnational business in the 1970s.

Conclusion

The 1990s marks an important break in Indian business history, as Indian firms began to globalize rapidly. Conventional narratives of contemporary Indian business laud the IT sector for leading India's way into the global economy. This article attempts to place this phenomenon in the larger context of the twentieth century and locates events, policies, and actors in the pre-1991 period that laid the foundation for the globalization of Indian firms.

Five key events shaped migration and transnational business activity in the twentieth century. Three of these events had specific impacts on communities: the closure of Burma and its negative impact on overseas Chettiar business, Partition in 1947 and the expansion of the commercial diaspora of the Sindhis, and the relocation of East African Indians in the 1970s, associated with the widening of the commercial diaspora of the Gujaratis. The fourth event, the U.S. Immigration Act of 1965, enabled more Indians to access the American dream, and that enabled substantial transnational connections before 1991 in the IT and health sectors. The fifth major event was the rise of West Asia as a new destination for Indian migrants and potential entrepreneurs in the 1970s. Seven of the richest one hundred Indians in the world today amassed their wealth through this transnational connection, most of them from the state of Kerala.

In terms of specific policies, the MRTP Act of 1969 and FERA Act of 1973 were instrumental in guiding the overseas investments of many large Indian firms. India, a capital-scarce country, was notable as a net exporter of capital in the 1970s. Tight foreign-exchange regulations stimulated an ingenious method of overseas financing through the capitalization of exports and JVs with local investors who were often nonresident Indians. When foreign-exchange regulations were liberalized in the 1990s, a major financing constraint was alleviated enabling more firms to participate in ODI, through acquisitions and wholly owned subsidiaries in diverse settings, as migrant links were less important for financing considerations. Public investments in higher education in the 1960s led to a class of professionals that aided capital exports and transnational business in the succeeding decades. Firm-level surveys in the late 1970s cited this factor as a key source of comparative advantage of Indian firms overseas. In addition to their relative managerial

competence, accumulated knowledge in specific sectors—such as textiles for the Birlas and steel furniture for Godrej—enabled them to step into overseas markets. Birla's tremendous overseas expansion was facilitated by sector-specific growth and government concessions, both of which had been hard to get in India in the pre-liberalization era.

Apart from events and policies, important actors were involved in facilitating transnational business in the twentieth century. In the early part of the century, they comprised specific business communities such as the Gujaratis, Sindhis, and Chettiars. Toward the end of the twentieth century, the transnationalism of new actors in business—especially from South India—led to investment in new sectors and destinations; 24 percent of the one hundred richest Indians were South Indian, and half of them had transnational links before 1991, particularly in the IT and health sectors. The IT sector witnessed the emergence of a “new transnational capitalist class” with weak links to traditional business communities.⁶⁹ Nevertheless, the traditional family business group model continued to thrive among Indian firms, albeit less markedly than before.⁷⁰ Overseas banks and diamond merchants were also significant players in cultivating transnational links before 1991 and were critical to A. V. Birla's first overseas project. Indian PSUs and overseas chambers of commerce are other important actors that invite further research attention.

Migrant links were important in the early twentieth century to facilitate trade, were critical in the latter half of the century for financing investment, and continue to be valued for investments in the service sector today. Despite autarkic conditions prior to 1991, a quarter of the richest hundred Indians today claim transnational linkages in the pre-1991 era, to varying degrees across community and regional heritages proportionately with observed migration propensities. This was a period when India closed itself to the world economy, but its individuals and firms did not. Migration and investment, first toward Southeast Asia and Africa and then toward the United States, Europe, and West Asia, moved in sync to chart the evolution of transnational Indian business in the twentieth century.

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⁶⁹ Carol Upadhyaya, “A New Transnational Capitalist Class? Capital Flows, Business Networks and Entrepreneurs in the Indian Software Industry,” *Economic and Political Weekly* 39, no. 48 (2004): 5141–51.

⁷⁰ Of the top one hundred Indian companies by net sales in 2014, around 70 percent are private companies and 55 percent are family-owned private companies (author's estimates). There is close congruence between these companies and the names on the Forbes 100 rich list.

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