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The Embedded Trajectory of Small-Scale Enterprises in Provincial India

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Introduction

Given the current government's attempts to rebrand the nation as a manufacturing hub for the global economy (Kaur 2015), small-scale industries have received renewed attention from both scholarship and political discourses in India. However, with few exceptions (e.g. Streefkerk 1985; Chari 2004; Haynes 2012), small-scale capital and its trajectory in the provinces have received scant anthropological attention. This chapter explores the trajectories of small-scale manufacturing enterprises in Palghar, a provincial town near Greater Mumbai.

Discussions of small-scale industrial capital in the provinces very often revolve around its relationship with positive state intervention, while the emergence of a stratum of small- and medium-size enterprises is primarily attributed to the state subsidies that catered to them (see Streefkerk 1979, 1985; Gorter 1997). Besides widening the economic base by increasing the numbers of new businesses and, in the process, generating employment for the young (Tyabji 1989), these policies were also expected to attract people from diverse community, caste and class backgrounds into industrial entrepreneurship, a sector that only a few communities had dominated so far. Though these policies indeed played a crucial role in the proliferation of small-scale enterprises in the provinces, my own empirical investigations, like other scholarly work on the region (Streefkerk 1985, 1997; Gorter 1997), reveal that business owners who share certain characteristics[1] continue to dominate the small-scale industry numerically: either they belong to merchant communities, hail from trading castes or have a family background in business. In fact, two or more of these traits frequently overlap.[2] For instance, business owners from traditional business communities frequently have a family background in business, while some belong to one of the trading castes as well. Moreover, a significant proportion of these business owners have a history of transitioning from 'trade to industry'. This persistent dominance of certain communities leads us to question the impact that policies alone could have had in bringing in new players into the small-scale industry landscape. This question calls for the underlying moral economy and the crucial role that family, kinship and community played in enabling certain businesses to benefit from state policies to be unpacked.

In this chapter, I trace the trajectory of small-scale industrial capital in Palghar. By contrasting the experiences of two groups of business owners, I probe into what enabled businesses to amass their initial capital. In the first part of the chapter, I shed light on the dominant group. Going beyond explanations that essentialize business acumen or the 'entrepreneurial spirit' of traditional business communities, including the trading castes, to explain this dominance, I draw attention to the historical, social, political and spatial aspects that, in combination, played a crucial role. An impressive proportion of this group's capital flowed from 'trade to industry', and though it is widely recognized in the literature, this 'trade to industry' path is often ahistorically attributed to these communities' inclination to diversify their capital. Using the example of the Wala family, I demystify this path and bring into light the crucial roles that kinship, community and institutions played together in shaping such transitions, as well as highlight the underlying motivations that often take the form of a juxtaposition of different values, rather than of simply an urge to diversify capital.

In contrast to this dominant group, the second part of the chapter considers first-generation businessmen from other professional and community backgrounds who have started small-scale industries in Palghar. By means of two brief case studies of such industrialists, I elucidate the ways in which initial capital has been mobilized in the absence of inherited wealth and community orientation.

This group frequently differentiates itself from the first group in terms of the family support they did not benefit from in respect of inherited wealth, business knowhow or connections. In the last part, however, I explore how family played a crucial role in establishing their businesses as well, albeit in different ways.

Overall, the chapter explores how different modes of belonging – to community, family and kinship – shape different strategies of capital accumulation, and how the values, obligations and expectations that arise out of these belongings sometimes aid, sometimes restrict, the running of these enterprises. Also, I argue that while state intervention and subsidies have figured prominently in scholarship and discourses surrounding small-scale industrial capital in provincial India, in practice they benefited different groups unequally. Their role should therefore be understood in relation to an array of interwoven arrangements and forms of support, some explicit, some veiled.

Uneven Access to Business Opportunities: Capital, Family and Moral Economy

As a larger phenomenon in the history of capitalism, inequality has been addressed by Thomas Piketty (2014), who, in his analysis of long-term data from countries like the US and France, shows that capital has almost always enjoyed a higher economic return than labour. While pointing out this uneven distribution between income from labour and income from wealth, he singles out the importance of 'patrimonial capital' – that is, the primacy of inheritance in accumulations of wealth. He has been criticized, however, for failing to distinguish between wealth and capital, especially the latter's role as an 'agent of production' (Yanagisako 2015), leading scholars to question whether his study is more about changes in wealth inequality than inequality of capital (Bear 2014). Explicitly, Sylvia Yanagisako emphasizes, 'distinguishing capital from wealth is crucial because it alerts us that the former is a process that requires certain kinds of social relations; hence an understanding of capital in any century requires situating quantitative findings in the history of these social relations' (Yanagisako 2015: 493). However, she agrees with Piketty's argument about the importance of inherited wealth, which he saw as the most plausible explanation for a large percentage of capital being concentrated in the hands of a few. Echoing the significance of inheritance and kinship throughout the history of capitalism, Yanagisako too postulates that '. . . kinship is still at the core of capital and class' (2015: 492).

While Yanagisako brings out the importance of inheritance in creating an unequal playing field, Stephen Gudeman's work draws attention to the complexities of the market itself, which further contributes to making the playing field unequal (Gudeman 2001, 2009). Gudeman (2015) points out that Piketty's analysis is an oversimplification, as it assumes unequal returns on capital and labour are independent of market imperfections. Gudeman proposes to look at different spheres of the economy and the ways in which they influence one another in order to understand the processes by which capital maintains this inequality over time. Going beyond Karl Polanyi's concept of 'embeddedness' as characteristic of pre-industrial economies, he proposes to see all economies as 'both embedded and disembedded' (Gudeman 2009), and as consisting of two realms: 'community', and 'market or impersonal trade' (Gudeman 2001). These two realms may exist in different variations, and their respective proportions may change both temporally and locally, but all economies contain these two realms, which are interwoven in complex ways (Gudeman 2005). In later works, Gudeman expands his notion of community (individuals sharing an affiliation) as an economic sphere. Communities tend to share their resources so that affiliates can rise up individually and the community can do so in turn, collectively. Within the community sphere, 'the power of capital as well as closely held knowledge and social relationships' gives their members a competitive advantage over others (Gudeman 2016: 5).

Gudeman's work on the entangling of community and market forms the basis of James Carrier's (2018) discussion of moral economy. In his critical revisit of the concept of moral economy, Carrier favours a substantivist definition of economy that includes the 'satisfaction of all wants' (ibid.: 22). In defining moral economy, he places obligations 'that arise from interactions between people' at the centre. Going beyond E.P. Thompson's concerns, he references a myriad of day-to-day obligations, such as those between siblings, neighbours or two parties in a marriage, to name but a few: 'To call an act moral in this sense is to point not only to the obligation that it expresses, but also to its basis, the relationship between the actor and someone else' (Carrier 2018: 23–24). While tracing the path of small-scale capital in Palghar, I follow Carrier's definition of moral economy to explore the role that such relationships and the obligations they entail played in differentiating the trajectories of the two groups of business owners. My aim is to assess critically the (moral) obligations that cascade from individual to family to community and back again. Furthermore, in tracing the historical trajectory of capital accumulation among business communities, my work resonates with Chris Hann's (2018) study of the 'moral dimensions' of the economy in Hungary. While exploring capital accumulation and its moral dimensions, I show how family obligations, ideas of work and social reproduction become entangled within small businesses.

My data[3] on how businessmen from merchant communities in the manufacturing sector pooled their initial and additional capital (see Figure 4.1 below) shows that the first group, consisting of businessmen from families with a background in business (most of whom also belong to merchant communities), mainly used family capital as initial capital, whereas the second group, consisting of first-generation businessmen, rarely benefited from family capital, instead relying on themselves for their initial capital (see Figure 4.2 below). I explore this difference with reference to ethnographic examples of family firms' biographies, which show the role played by obligations, motivations and historically rooted moral and kinship values.

In the following section, I start with the case study of a multi-generation business in a traditional merchant community and chart the different forms that capital took in being invested in small-scale industry in Palghar.

From Shyam Trading to Srikant Enterprise: Three Generations of the Wala Family Firm(s)

Srikant enterprise's path to Palghar follows the archetypal trajectory that is shared by many businesses. The enterprise has its roots in colonial Bombay, to which the current owner Nitin's grandfather, Ramesh, came as a migrant. Pushed by arid lands and unfavourable geography, and pulled by the prior presence of fellow caste and community members who had already consolidated their economic base in Bombay, Ramesh's trajectory was part of a larger trend of mass migration to colonial hubs of commerce like Calcutta and Bombay. Born in a remote village in Rajasthan, Ramesh and his younger brother Brijesh set out for Bombay at the suggestion of an elderly neighbour, as declining agriculture and the scarcity of work was further aggravating their living conditions. Relying on a *chitthi* (letter) from this neighbour to an acquaintance in Bombay who could help them with initial accommodation, the brothers left the village. Like thousands of migrants at that time, they eventually found work in a large textile mill. 'He started as a labourer only!' Nitin emphasized while recalling Ramesh's move. The two brothers worked in a packaging unit. Thanks to the few years of schooling Brijesh had received in the village, he was then able to take up a position in accounting and record-keeping, which paid marginally better, even though salaries in general were still low. Given the low salary and the lack of any scope for vertical occupational mobility, a few years down the line the two brothers decided to start a small cloth-trading business, a widespread activity among Marwaris in post-colonial Bombay.

This small shop marked their transition from workers to business owners. Tracing the family's history from Shyam Trading (Ramesh and Brijesh's small shop) to Srikant Enterprise (a mould-manufacturing factory that grandson Nitin still runs today) reveals how diverse motivations, ties of kinship and community, and institutions have all shaped this journey from trade to industry.

Beyond the Individual: Family, Kinship and Community

At that time, Bombay's burgeoning business landscape was dominated by a few communities like the Parsis, Gujaratis and Marwaris,[4] and this persists to a great extent even today. A wave of literature (Singer 1956; Goheen et al. 1958; McClelland 1961) attributes the dominance of certain castes and communities to an 'entrepreneurial spirit' or a form of asceticism along the lines of the Protestant work ethic (Weber 1978), while popular perceptions attribute it to certain communities' 'business-mindedness'. However, historical enquiry traces their dominance back to colonial India,[5] where they enjoyed a quite privileged position through trade relations with Europeans (Rutten 2005; Markovits 2008). This engagement with the colonial economy established a base from which these communities could later find ways to support the integration of newly arrived community members into the business landscape of these big cities over the coming decades.

Belonging to the Marwari community (and also the Baniya caste), Ramesh was able to benefit from an intricate community safety net from the onset of his migration to the big city. His Marwari background, confirmed by the letter of reference from the brothers' neighbour, gave him access to this closed circle. After producing the letter, the two brothers were accommodated in a *basa*, a hostel-like form of accommodation philanthropically financed by a successful Marwari businessman. These *basa*s were also doorways to effectively functioning 'resource groups', which gave Marwaris a competitive advantage at the onset of their careers (Timberg 1973, 1978). Thomas Timberg's extensive work shows how such arrangements within the community enabled Marwaris from rural areas to enter the world of trading in the cities (Timberg 1970, 1971, 1978). He wrote, 'a young Marwari starting out in business would find hostels or "*basa*" where he could stay, often initially free, a certification of his creditworthiness from a guaranteed broker if he wished to enter the field of cloth brokerage, and centres where he could pick up and transmit commercial gossip' (Timberg 1971: 265–66). Timberg also mentioned how newly arrived Marwaris first worked in larger Marwari firms as clerks and mediators before many started their own ventures. What benefited individuals with no prior business experience like Ramesh and Brijesh, who came to Bombay around the mid-twentieth century, was getting incorporated into these resource groups.[6] The *basa* was where they acquired useful contacts and also became acquainted with the dynamics and processes of cloth-trading from their mentors and others who had taken the plunge already.

Relying on their own experience of working in a mill and their insider's knowledge about pitfalls and issues in the cloth-trading business they acquired from fellow Marwaris, the brothers started their own small trading shop. Starting the venture did not need significant investment, only a down payment for the shop premises and the cost of the first batch of materials. In order to support the nascent venture and sustain their livelihoods, Brijesh, who had a relatively better salary, kept his job at the textile mill to ensure a steady flow of income, while Ramesh left his job to look after the business. Once the business broke even and started bringing in profit, Brijesh too left the mill to focus full time on the business.

They then decided to bring their two other brothers to Bombay to involve them in the business too.[7] Reunited in Bombay, the brothers ran the business together and gradually expanded its operations while living under the same roof as a joint family with their spouses and children. For Ramesh and Brijesh, I was told, not leaving the two other brothers in poverty and bringing them into the business was driven by family values and obligations, and was thus the morally right thing to do. However, it is plausible to suggest that certain social obligations may also underlie such 'morality'. In a community where the joint family is perceived as the ideal form of organization, abandoning other family members still in poverty while one has done well oneself is very likely to affect one's reputation and image in society adversely. Also, joint families played crucial functional roles. When some of the men travelled for business to different places, their wives and children were looked after by other members (Timberg 1978: 5) at a time when leaving women alone in the house was considered both inappropriate and unsafe.

The shared household had started dispersing, with members moving out, when the second generation, the sons of the first, started getting married. Eventually, by the late 1960s the family business had also been divided between the brothers keeping in mind both the number of dependent family members each had and which section of the business each of them had already been overlooking. Ultimately, each nuclear family ran their share of the business with their own children.

At a time when merchant communities did not value education, their children would typically go to school for just a few years before dropping out to provide an extra pair of hands for the family business. Ramesh's son Sameer turned out to be an exception, not only by doing well at school but also by pursuing higher education, much to his father's dismay. Sameer, as his son Nitin puts it, had different interests: 'he was a brilliant student, he was a very good carom player and a good athlete who won many awards; he also did engineering from a reputed engineering college.' Ramesh's opposition to Sameer's educational pursuits makes sense in the erstwhile context of business communities, for whom passing down a gradually established business to a son was the preferred way of ensuring its perpetuation, as well as the family's. Nitin's proud portrayal of his father's achievements captures the later change in business communities' attitudes towards education and their evolving ideas about what constituted prestige. The fact that Sameer valued education might have jarred with the Marwari community at the time but not in the broader multicultural context of Bombay, where it was hardly an exception. Higher education was already held in high esteem, especially in upper-caste, middle-class circles in erstwhile Bombay, and it was the most desirable means of achieving social mobility through jobs in different bureaucratic positions. In fact, the traditional middle class, who greatly valued education, did not identify themselves with the 'new commercial middle class' on account of this distinction (Markovits 2002).

After taking a bachelor's degree in engineering, Sameer enrolled for a master's degree at a prestigious university but was forced to drop out shortly afterwards to look after his father's trading business after Ramesh fell ill. One day, the Gujarati *muneeb* (manager) of their cloth-trading shop brought Ramesh a proposal to invest in a factory run by two of his fellow Gujarati neighbours. This manufacturing business was on the verge of ceasing production unless some capital was injected into it. Ramesh was hesitant to take up the offer at first, since he did not know the owners well, nor the possible yield on such an investment. However, the *muneeb* managed to convince Ramesh by referring to the conspicuous lack of alignment between Sameer's qualifications and his occupation: '*Itna padhai karke dukan me kya baithega*' ('what is the point of so much education, if he is made to just sit in the shop?'). Thanks to Ramesh's decision to invest, Sameer became the third partner in the manufacturing unit. This entire arrangement through the Gujarati *muneeb* mediated different interests: a struggling business was saved, Ramesh cashed in on an opportunity to diversify, and Sameer found a position prestigious enough to match his educational attainments.

An examination of the historiography of industrialization in India reveals that capital from trade has often found its way into industry (Rutten 2005). This trend, which continued in independent India, has frequently been attributed to a desire to diversify capital (see Oonk 2004, 2014), but Sameer's case allows us to unpack the different motivations and values such a transition may entail. Sameer's transition from 'trade to industry' was more than a matter of diversifying his capital or increasing his social prestige: it was a means to navigate the misalignment between his traditional occupation and his divergent interests and values. Being the owner of a manufacturing unit was a relatively more appropriate position matching his interests and profile, though it also provided the family with an opportunity to diversify their capital.

The manufacturing business consisted of a foundry producing moulds (casts). Though Sameer was initially brought on board as a financial partner, he voluntarily started becoming involved in the day-to-day activities of the business, learning about its functions in the process. A couple of years after Sameer joined, his two considerably older partners, neither of whom had any male heirs, decided to dissolve the business altogether. Sameer used this opportunity to buy out their shares and, using the existing infrastructure and company name, started his own venture in 1974 by introducing a new product line.

This happened at a time when the economy and urban landscape of Bombay started experiencing spatial and industrial restructuring. In the decades that followed, Bombay transitioned from a Fordist to a post-Fordist city, its predominantly manufacturing-based economy slowly being replaced by a burgeoning service sector and a 'property-based (and finance-led) regime of accumulation' (Whitehead 2008). Furthermore, the rise of the service sector was accompanied by massive spatial restructuring of the city, which not only brought in new infrastructure but also many new regulations. Between the late 1990s and early 2000s, the area around Sameer's factory shed went through an accelerated phase of gentrification. A school was built in the shed's vicinity, and the surrounding infrastructure was upgraded to resemble a residential area. This made it increasingly difficult for Sameer to renew industrial licenses and permits for his business at that location.

Driven by these circumstances, Sameer started looking for alternative locations and opted for Palghar both for its affordable commercial real estate and because of an attractive 20% subsidy on capital investment,[8] on top of various tax exemptions. The subsidies, however, could only be claimed retroactively. Thanks to Sameer's family capital and capital accrued from his previous business, he was able to purchase a decent-size plot and reap the benefit of the subsidies without having to take out a bank loan. Accordingly, he built two factory sheds, one to deal in cast iron, the other in alloy steel.

Along the way, Sameer's son Nitin, who also has a degree in engineering, joined his father and currently manages the business. At the time of my fieldwork, Sameer's age and the strain of commuting had caused him to stop coming to Palghar every day. Nitin enjoys the freedom to take the day-to-day business decisions himself, but, as he puts it, when it comes to very crucial decisions he still consults his father out of choice.

First-Generation Businessmen in Palghar's Small-Scale Industrial Landscape

Unlike the 'trade to industry' path followed so frequently by the first group, it is hard to identify any trajectory as typical of first-generation small-scale industrialists without a family background in business. This group, though smaller, has various caste, community and professional backgrounds. They therefore had to resort to multiple strategies depending on their structural position. The next section will delve into two of these common strategies and the contradictions they entail.

Needless to say, these first-generation businessmen among my informants, as they themselves often regretted, lacked a 'business (family) background' and did not belong to a close-knit merchant community. To counter this handicap, they often formed alliances with those who had easy access to capital. How partnerships facilitated the entry of first-generation businessmen into manufacturing is well exemplified by Amay's case, described below.

Collaboration and Its Tensions

Amay, whose first job brought him to Mumbai in early 2000, relocated a few years later to Palghar to oversee the production of a new unit there. After the first two years, he got wind of speculation that the company might shut down his unit because of certain complications. At this juncture, he was approached by a Gujarati colleague suggesting they start a business together. The proposal was for a partnership in which Mathur, his colleague, would invest 80% of the capital, but the profit would be divided equally between them. Amay, who had to invest only 20% of the capital, would have to oversee the technical side and the everyday running of the business. For his part, Mathur had enough liquidity for the initial investment, a business family background and access to contacts in the industry, but he lacked the technical ability that Amay possessed. Amay, a Brahmin from Uttar Pradesh, had always cherished the idea of starting a business, but, as he put it, the lack of a 'family background' and the associated inherent 'support' had curtailed his aspirations up to this point. Thus, banking on their individual strengths, they agreed the terms and in 1998 leased a factory shed on an industrial estate.

The two partners ran the joint unit 'together' for the next six years. With the growth of the firm, however, the frequency of disagreements between them as partners also grew, leading them to consider dissolving the partnership before it impacted on the firm's reputation. Mathur proposed to buy out Amay's share and suggested that he start his own separate business, as Mathur still lacked the technical ability to set up a new unit from scratch. Settling for this amicable solution, they ended their partnership. Amay used the proceeds of the sale to acquire a new plot and construct a factory shed in Palghar. A modest team of four skilled workers followed in his footsteps.

As part of their new arrangements, Mathur and Amay split their former partnership's product line, with Mathur continuing to produce coils and Amay taking over the production of tubes. Nevertheless, they co-operated and coordinated customer orders, referring each other to interested customers. This arrangement flourished for two years until Mathur took on a different project in Gujarat and dissolved his company in Palghar. This worked out quite well for Amay, who eagerly jumped at the opportunity to take Mathur's product line into his business as well. Today, almost a decade later, Amay has transformed his business into a private limited company and added his wife as a shareholder. His brother is also involved as a manager and supervises production and logistics.

Even though partnership provided an alternative strategy for Amay to start a business, the experience of doing so was not without its problems. While he had agreed that he would have to invest more of his own labour into the firm's day-to-day operations, he had not expected Mathur to contribute so little time to the venture. In addition, Mathur had championed the idea of working with copper and producing tubes (pipes), in which Amay had limited expertise. Since Mathur was the primary investor and had more work experience, Amay felt obliged to acquiesce, only to discover later that Mathur hardly possessed any knowledge in the field.

Though the issues piled up over the years, leading the partnership to dissolve, the reputation, contacts and connections that Amay developed over the years in the partnership proved crucial when starting his own venture. Here, he could avoid some of the constraints that a newcomer in the market usually faces. As Amay put it: 'Suppliers ask you to provide guarantees. Now, when you are new in the market, nobody knows you, so you can't find any guarantors. In that case, you have to make the payment in advance. To do that you need capital separately earmarked for that purpose.' This differential treatment made it difficult for newcomers to start production against a backdrop of local practices of customers making only retroactive payments. Arrangements that circumvent these constraints involve a different kind of tension, as was evident in Namit and Niraj's case (below).

Subcontracting and Its Challenges

While in Amay's case it was the partnership that facilitated his entry into business, informal actors in the market also played a crucial role in navigating the informational asymmetries of the market by mediating between new businessmen who lacked insider knowledge of the local market and providing them with relevant connections, albeit in mutually beneficial arrangements.

Namit, who left a job in Africa and returned to Mumbai with his young son Niraj to look after his elderly parents, joined a venture run by his cousin and his friend in which his job was to oversee the production process. Later, Niraj and Namit decided to start a business together to manufacture and process metal tubes. They selected this line of products due to Namit's educational background in science, his experience with metals and a friend's tip about the rising demand for metal tubes in particular in the market at that time. Their strategy was to start small and expand gradually. Niraj decided to keep his job and contribute part-time. The father–son duo provided the lion's share of the capital from their savings. With the initial investment pooled from their savings, they could only afford to construct a factory shed big enough to cover a quarter of the plot they had purchased.

Next, to procure raw materials they tracked down a supplier and, driven by their risk-averse strategy and limited capital, put in an initial order for 500 kg of raw material. Since the delivery van had a ten-ton load capacity, the supplier was surprised by this request and pointed out that they were likely to massively underutilize their operational capacity and make production more expensive by adopting this strategy. Offering support, he volunteered to put them in touch with a potential customer while also tipping them off about a unit nearby that was closing down due to labour unrest. From the latter, they could procure discounted machinery and recruit three workers with experience of operating them.

Repurposing the technical expertise from the older factory paid off, as its reputation was enough to assure the potential customer of their new business's capabilities. The customer called their supplier and placed an order for five tons of raw materials (worth 500,000 INR, about 5800 EUR) instead of the 500 kg (worth 50,000 INR, about 580 EUR) they had originally ordered, while assuring the surprised duo that he was going to pay in advance for the raw materials. For the next two years all their production capacity was devoted exclusively to this customer. The business became financially strong, allowing them to move forward with their plans to scale up by extending the entire plot with a bigger shed, new machines and workers. These 'weak ties' (Granovetter 1973, 1983) with the raw materials supplier and the potential customer allowed them as two outsiders to occupy the tube-manufacturing niche and overcome the information asymmetry.

While the extension of credit in the form of advanced payment for raw materials by this customer was crucial for their nascent firm to hit the ground running, it eventually restricted the firm's growth. The customer was buying the entire production output of their firm, removing any necessity for them to look for other customers. In addition, the 'trust' that the customer had put in them created a sense of obligation for Namit, which persisted beyond the period of their firm's financial dependence on the customer's orders. This continued relation of dependence and trust between the customer and Niraj not only expresses a cascading mutuality (Gudeman 2001); it also exemplifies Carrier's conceptualization of moral economy; namely, how 'people's interaction in their economic activities can generate obligation' (2018: 24). It was only after two years that Niraj and Namit realized that the customer was still paying below the market rate. Namit did not want to sever ties with the customer's firm suddenly, given their prior history of 'favours', so he suggested selling only a part of their production capacity to him, as they wanted to cater to other customers. However, the customer insisted on sticking to their original agreement and even offered to buy more if they could ramp up production. For new players in the market, the lack of a reliable network often ties them to such collaborations, which they continue to rely upon, given the circumstances. Around the same time, Niraj found out that the customer had simultaneously started his own tube-manufacturing unit without their knowledge. This was common practice: that is, larger firms often started their own supplier units and discontinued orders with their former collaborators without advance notice. Fearing the worst, in the months that followed Namit seriously ramped up his pursuit of new customers, which led him to his current clientele.

Tenacity of Kinship

As mentioned earlier, first-generation business owners have frequently described themselves as devoid of any family support, in contrast to the first group, who were able to benefit from their access to family capital, insider knowledge, close-knit networks and sometimes the safety nets of merchant communities. In launching a new business, the obvious role that inherited wealth plays becomes even clearer when one considers the problem of the availability of credit from formal financial institutions such as banks.

This is reflected in the survey results I conducted among my informants. Among those active in the manufacturing sector, fewer than 20% received any assistance from the banks while starting their businesses (see Figure 4.3 below). The two main sources of initial capital were 'my parents' and 'myself'. In contrast, when we look at how these businessmen obtained 'extra capital', we see bank credit starting to play a significant role, with almost 70% reporting it as a source. Thus, only later, when one already had a venture up and running and needed additional capital to grow, were banks willing to grant loans. This observation is hardly unique to Palghar: Susan Greenhalgh noted how such 'ultraconservative bank lending policies', which declined loans to small and nascent manufacturing ventures in Taiwan, left entrepreneurs with few choices but to rely on relatives and friends for capital (1994: 751). Those of the first generation who did approach banks for initial capital were rarely successful in securing it. Amay's experience was typical: 'banks did not have enough confidence [in him]', since he was new and could not provide the collateral needed for a guarantee. While both groups have been able to access bank credit mostly for 'extra capital,' what puts those from a business background (with inherited wealth) in a comparatively advantageous position is their access to family capital in the initial start-up phase: almost 60% in this category reported having received initial capital from their parents, and 15% received support from their spouses (Figure 4.1).

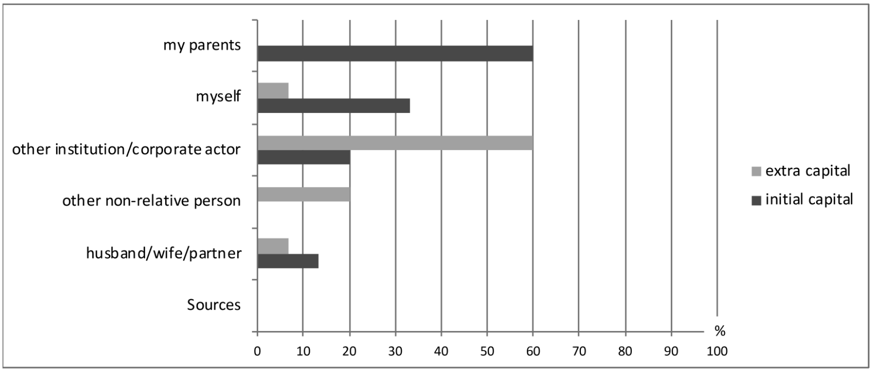

Figure 4.1. Sources of capital for businessmen from families with a background in business. (Graph based on the author's survey.)

Businessmen from outside merchant communities were compelled to adopt alternative strategies to secure initial capital: more than 70% claimed to have received no support from their parents and none from their spouses. 60% of survey respondents in this category named 'myself'[9] as a source of initial capital (Figure 4.2).

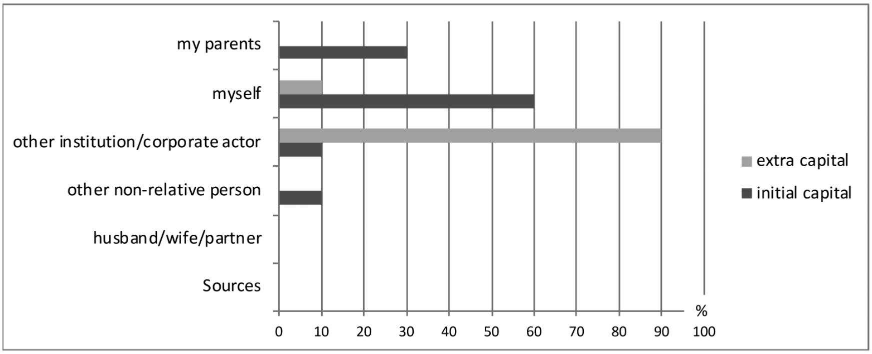

Figure 4.2. Sources of capital for first-generation businessmen. (Graph based on the author's survey.)

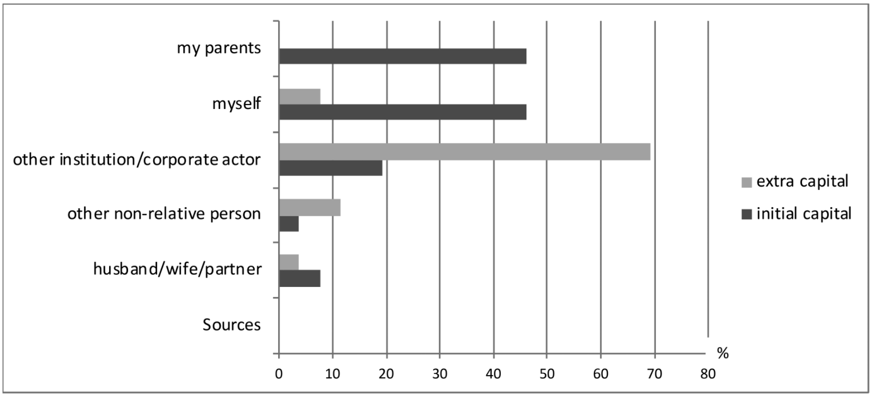

Figure 4.3. Sources of capital for all businessmen in the manufacturing sector. (Graph based on the author's survey.)

The data above thus reveal the role financial institutions and their lending policies often played in reproducing the dominance of businessmen from traditional business communities in Palghar, who were already in an advantageous position due to their access to family capital and community connections. This also ties in with the question I raised at the beginning about the impact state policies alone – subsidies and exemptions – could have had in bringing in new businessmen. Given that state subsidies were in most cases paid retroactively, one already needed the initial capital to start the business and keep it going until one could obtain subsidies and reliefs. This, coupled with the lack of institutional support reported by newcomers above, left those with business backgrounds and family capital in a much more favourable position to start new businesses and reap the benefits of state subsidies.

Even though they lacked family capital, whether in the form of inheritance or of an accessible pool of financial resources, the claims that first-generation business owners make regarding the lack of family support need to be revisited: a closer look reveals that here too family continues to shape their trajectories, albeit in other ways. Studies of subcontracting firms, under which many small-scale enterprises in Palghar fall, have highlighted the crucial role that flexible family labour plays, especially in their formative years (Yanagisako 2018: 50). Apart from the owner's technical knowledge of the production process, their ability to tap into inexpensive or even unpaid family and kin labour (ibid.: 51) facilitates the starting of such firms. For Niraj and Namit's business, kinship mutuality and obligations provided them with crucial flexible family labour. Niraj could maintain a steady income from his job to sustain his family and his firm while his cousin and his father Namit spent more time focusing on the business. While his father commuted to Palghar from Mumbai several times a week, and Niraj would do the same at weekends, the cousin stayed in a small room on the mezzanine floor of the factory and oversaw the business five days a week. This arrangement continued for nine years until Niraj left his job to join the business full time.

The role that family and kin played in Amay's ventures cannot be ignored either. While he was entering the world of business ownership through the first partnership, the initial capital to start that business was largely provided by his partner's kin; later, when Amay started his own venture, two of his family members stepped into crucial administrative roles. The importance of involving the family in fulfilling such roles should be understood within a context in which the use of verbal contracts or the complete lack of any contracts is rampant in the hiring culture. Though this allows business owners to knowingly circumvent state regulations surrounding employment conditions, it also enables employees to abruptly change jobs. Family members can provide the business with the scarce resource of flexible labour in these situations. Employing his brother as his manager allayed Amay's fear that his firm might suffer due to key employees leaving the job midway after the firm had invested in their training and know-how. Amay remarked, 'I know he has a sense of belonging, and this gives me a feeling of security.'

Again, when his accountant suddenly left, disrupting the function of the new firm, Amay's wife Netra temporarily filled in for the position. Though he hired another accountant later, she continued to invest a few hours flexibly in the business daily, following up with the company's advertisements and supervising the accountant or managing what was important on any given day.

Conclusion

In this chapter, I have shed light on the contrasting experiences of two groups of businessmen. To uncover the moral economy at work within these small businesses, I have explored the ways in which obligations of kinship and mutuality, as well as social relations more generally, shaped these experiences. The chapter started by questioning the role of state policies alone in supporting new actors in the small-scale sector, while highlighting the persistent dominance of certain groups in the small-scale landscape. However, going beyond attributing this to the 'entrepreneurial spirit' of these groups, I explored their historical and social contexts. Using a case study of an intergenerational business run by businessmen belonging to one such merchant community, the Marwaris, I demystified the much referenced path of capital from 'trade to industry' in the small-scale sector. I showed how different modes of belonging – to community, family and kinship – shape different strategies of capital accumulation and how the values, obligations and expectations that arise out of these belongings influence the running of the enterprise. In Ramesh's case, community affiliation facilitated the actors' transition to a new city and their own businesses by enabling preferential access to information, credit and other resources.

In the case of Sameer, I showed the crucial role that kinship obligations and family capital played in enabling one's entry into the field of manufacturing. However, looking at such investment as just providing scope for diversification obfuscates the other social dimensions it entails. Capital's path from 'trade to manufacturing' is not a 'natural' process, and its internal dimensions need to be uncovered. In the case study, for example, Sameer's decision to enter industry was to a greater extent also influenced by his attitude towards education, which made traditional professions like trading seem less prestigious and ill-matched with the prestige that a certain level of education bestowed.

I also showed how government intervention and urban restructuring influenced the course of business further. Places like Palghar indeed offered attractive subsidies, but that alone was not sufficient to explain why certain businesses ended up there. While subsidies were helpful in sustaining or even expanding an already running firm, on their own they could not bring completely new players into industry. Much of this can be seen as a result of the procedure for claiming these subsidies, which could only be claimed retroactively, and therefore hardly contributed to initial capital, which the new players lacked the most. Rather, it was people like Sameer, with family capital or capital from previous ventures behind them, who were in the position to reap the most benefit from it. Banks and other financial organizations, likely without any explicit intention, nevertheless reinforced this discrepancy when they preferred to lend to those who already had a business background, rather than to completely new players.

Building on this, in the second part of the chapter I examined two of the ways in which new players typically raised their initial capital in the absence of family capital or capital from previous ventures. Neither bank loans nor family capital contributed significantly to their initial capital. In Amay's case, it was only later when he had a business running that he was able to secure financial assistance from the bank. Against this backdrop, I discussed the alternative strategies, in the form of partnerships, obtaining raw materials on credit and subcontracting arrangements that enabled some newcomers to start their ventures. Whereas Sameer's case exemplified one side of such collaboration, his entry into manufacturing being as a financial partner, Amay's case showed the other side of this, where his knowhow enabled him to become a partner in the manufacturing business. However, as I discussed in the last part of the chapter, each arrangement involved certain tensions and posed limitations on the functioning of these businesses at some point. Notwithstanding the tensions, such collaboration was what primarily facilitated the entry of these new businessmen from different caste and community backgrounds into the small-scale industry of Palghar. For both groups, however, kinship played a crucial role in building and sustaining the business, albeit in different ways.

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Notes

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1. By trading castes, I collectively mean the Vaishya varna and its (sub-)castes, whose members have been historically active in trade. In contrast, the term 'trading communities' (or 'traditional business communities' or 'merchant communities') refers to ethnolinguistic communities (including trading castes) that have been found running businesses, historically and currently, in proportionally larger numbers. While a traditional business community can have a significant proportion of its members hailing from trading castes, it can also have members from the non-trading castes. Gujaratis (including Kutchi and Indian Sindhi) and Marwaris are two such communities that are dominant in Palghar's small-scale industrial landscape.
2. Given the secular nature of the constitution of independent India, the lack of official data on the caste and community backgrounds of business owners makes it very difficult to substantiate this with statistics.

3. Figures 4.1 and 4.2 give the results of a survey of 26 manufacturing units, conducted to complement the qualitative data. Although the actual figures must be treated with caution due to the small number of cases, this result reveals important differences between the two groups.
4. The term 'Marwari' is used to refer to people from the Marwar region (currently Jodhpur district) in Rajasthan who speak the Marwari dialect. They come from different caste, class and tribal backgrounds, and may be Hindus or Jains. Today, Marwari has become a general label for those who speak the Marwari dialect and have family connections from or around the region (Gregory 1997).
5. The mercantile histories of some communities stretch as far back as the sixteenth century. Owing to its proximity to the Arabian Sea to the west of the subcontinent and multiple ports, trade networks between the Gujarat region and the Middle East had existed for hundreds of years before the arrival of the British colonists (Chandavarkar 2002).
6. Although in this specific essay Timberg (1973) focused on Marwari firms between 1860 and 1914, these arrangements were resonant in the narratives of my informants whose ancestors arrived in Bombay even in the 1940s and 50s.
7. As Hein Streefkerk (1985) noted, in the Indian context, starting a business was frequently motivated by the intention to create employment for the rest of the family, rather than being one's own boss.
8. This extended to the categories of land, labour and machinery.
9. These quantitative data must be set alongside the qualitative findings. For instance, Amay declared 'myself' as the source of capital for his current business, but that would not have been possible for him had he not previously entered into a partnership in which 80% of the initial capital was provided by his partner.

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