

Industries in Chennai-The Role of the British Managing Agents
with Specific Reference to Best & Co. (1879-1969)

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Introduction

This thesis titled 'Industries in Chennai-The Role of the British Managing Agents with Specific Reference to Best & Co. (1879-1969)' is an independent and preliminary study of the contribution of specific firms to the industrial growth of Chennai city as well as the Presidency of Madras from mid nineteenth century to mid twentieth century.

Nineteenth century India witnessed the evolution of a unique type of business organisation called the managing agency. The flexible nature of the managing agency system facilitated the growth of several industries in the Madras Presidency some of which had never before been attempted in the region. Once the East India Company's monopoly of the Indian trade was abolished in 1813, the trade between Britain and India was transferred from The East India Company to private British traders and merchants. These private traders and merchants established agency houses in the presidency towns of Madras, Bombay and Calcutta. These agency houses became the established funnels of trade and eventually became the earliest expatriate firms to venture into industry.

Starting from the 1850's, the managing agency system dominated the industrial scene of India for more than a century. The system worked to the overall benefit of India. It was the managing agencies which floated new firms, undertook the initial risk, raised the necessary capital, brought efficiency into production and exercised firm and stable control over the management

of industries. The managing agency system facilitated the growth of industries in Madras. The flexible nature of the system, which allowed the holding company access and control over the funds of industries it helped to establish, led to the growth of many industries.

Scope and relevance of the study

The contribution of the managing agencies of Calcutta and Bombay to the industrial growth of the nation has been evaluated and analyzed to a great extent; however there has been no such work on the managing agencies of Chennai. This thesis is the first attempt to record the contribution of such firms to industrial growth.

While the managing agencies of Parry & Co., Binny & Co., Simpson's and Spencer's have gained some degree of visibility owing to their published histories, there were many other firms which also contributed to the industrial growth of Chennai from the nineteenth century onwards, but have not been heard of or talked of as being significant players in the industrial development of the region. This thesis is an attempt and a humble beginning to give more visibility to firms, who were pioneers in the modern industrialization process in Chennai, but have not been duly acknowledged for their contribution.

A case study of the managing agency of Best & Co. has been undertaken as the main focus of the research. The firm has played a crucial role in the development of the Kolar Gold Fields, Petroleum distribution networks in the Madras Presidency and in pioneering numerous industries, facts which have been long forgotten. This thesis is the first attempt to look in detail at all the industries initiated by Best & Co. as a managing agency from its inception in 1879 till 1969, when it ceased its managing agency operations. Its subsequent contribution to industrial

growth in the region, that is, from 1970 to the present day has been mentioned in the concluding chapter.

Area of the Study

The thesis has studied the contribution of the managing agencies of the Presidency town of Madras to industrial development. While most of the industries started were within the city of Chennai, they also had industrial interests in the entire Madras Presidency. Therefore the area of study includes both the city of Madras as well as other parts of the Madras Presidency. The Gold mining operations of the Firm of Best & Co. at the Kolar Gold Fields was in the erstwhile Mysore State and some of its gold mining and other extractive industries were in the erstwhile Hyderabad State.

Limitations

The Thesis has evaluated the contribution of only the British managing agencies other expatriate firms have only been given passing mention. The thesis also limits itself to the managing agencies of the city of Chennai the managing agencies from other parts of the Madras presidency have only been mentioned. The Thesis is also silent on the contribution of the Indian managing agencies.

Hypothesis

While the nineteenth century is essentially recognized as a period of de-industrialisation the city of Madras as well as the rest of the Presidency saw the initiation of modern industry under the auspices of the British managing agents. Modern industrialization was ushered into the

Presidency of Madras during the nineteenth century by the British managing agencies located in the Presidency town of Madras.

They were the pioneers of new industry. The managing agencies of Madras were the first to initiate industries hitherto untried in the region.

Had it not been for the impetus to industries provided by the British managing agencies of Madras the process of industrialization in the region would have been much slower.

The large scale establishments of the European managing agencies benefited from the economies of scale unlike the Indian manufacturers.

Compared to the presidency towns of Calcutta and Bombay the natives of Madras were reluctant to invest in industry.

As a result of their links to European and North American markets, the managing agencies of Madras were able to bring in superior technology and improved management practices

Review of Literature

This thesis is based on primary data obtained from Government records, namely from the Departments of Revenue, Revenue Settlement, Public, Home and Education. Secondary literature includes the published histories of various managing agencies in Madras and books on the managing agency system in India.

The Chapterisation

The introductory chapter explains the scope and limitations of the research, the methodology followed and the sources used for the study. It includes the review of literature and introductory notes related to the subject of study.

Chapter two, is an evaluation of the managing agency system and assesses its contribution to industrial growth in India. A unique system it facilitated the growth of industries at a time when capital was scarce and entrepreneurs were few.

Chapter three focuses on the evolution of the managing agency system in Chennai, highlights all the British managing agencies that began in nineteenth century Madras and had industrial interests.

Chapters four, five, six, seven and eight are focused on the managing agency of Best & Co. Chapter four gives an introduction to the firm, its business concerns and its role as a managing agency, Chapter five is on the industrial ventures of the firm. Chapter six is on the gold mining industry that Best & Co. ventured into, Chapter seven focuses on the other mining ventures, which includes coal mining, mica, manganese, iron ore and petroleum mining. Chapter eight is on the new industries Best & Co. ventured into after independence of the country, it also looks at labour issues in the firm. Chapter nine is the concluding chapter.

Chapter –I : Introduction

The introductory chapter explains the scope and limitations of the research, the methodology followed and the sources used for the study. It includes the review of literature and introductory notes related to the subject of study.

Chapter-II : Industrial Growth under the managing agency system

This is a support chapter largely based on secondary data that highlights the role of the Managing Agency System in the industrial growth of India.

Chapter-III: Industrial Growth in Chennai- Evaluating the Contribution of the British Managing Agents

The chapter traces the evolution of the agency houses in Chennai into managing agencies that pioneered numerous industries in the region. The chapter substantiates the claim that the British managing agents of Chennai were the pioneers of modern industrialization in the region and were in the forefront of the industrial development. The risks they undertook in initiating new ventures and the tenacity with which they pursued their goals speaks volumes of their grit and determination. While virtually all the industries that the managing agents ventured into have been highlighted, there is scope for more research in this area.

Chapter –IV : The managing agency of Best & Co.

The managing agency of Best & Co. was established as a partnership firm in 1879 and it remained that way till 1911 when it became a private limited company and was registered under the Indian Companies Act of 1882. Best & Co. functioned as a managing agency from

1879 till 1969, that is, for 90 years. During this time it played a dynamic role in spearheading many new industrial ventures.

Trade also remained an important aspect of business throughout the firm's existence as a managing agency. While Best & Co. exported some of the products it manufactured, it was also largely involved in the export of agricultural products, namely ground nut kernel and oil. Its major imports were kerosene, liquid fuels, petrol, piece-goods, dyes, machinery, coal, sugar and Burma rice. As an adjunct to this massive empire of imports and exports, was the shipping business. Following the footsteps of the other managing agencies in India, Mr. Andrew Van Dunlop Best acquired the managing agency for several shipping lines for coastal as well as international shipping.

As managing agents of several companies Best & Co. had to perform a range of services. It was involved right from the time of conception and planning of a new company, seeing the companies through their initial years till they were full-fledged and profitable ventures. It took full charge of the construction of buildings, purchase of machinery, securing of staff, conduct of operations and marketing. The extent of their involvement is evident from a perusal of the revenue documents starting from the 19th century. While the specific companies rarely find mention, the name of Best & Co. applying for leases, licenses, purchasing machinery, requesting concessions, getting plans approved on their behalf, appears regularly. The enterprising spirit and efficiency in management is evident from the range and services the firm provided.

Chapter- V: Industrial Ventures of Best & Co.

Many industries that Best & Co. ventured into had been a trading interest for several years, this is especially true for the industries it started after 1900, such as oil manufacture, explosives manufacture, pumps and engineering goods manufacture. Best & Co's attempt to mine petroleum in Arakonam and Godavary were largely due to the fact that the firm had become a substantial distributor of petroleum in South India. The firm was also a significant player in the piece-goods import into India, which probably was what led it to establish the Anglo-French textile Mill in Pondicherry. The groundnut export business led to the oil factory at Madras and upsets in the export trade of hides and skins led to the establishment of the firm's Kodambakkam tannery. Best & Co. was also the earliest firm in South India to attempt mining petroleum and was the earliest firm in South India to attempt the hydrogenation of vegetable oils namely coconut.

For the industries that were started during the initial years the firm raised capital largely from Britain, for instance the gold mining companies of Best & Co. were largely Sterling companies, as was the Anglo - French Textile Mill. The smaller establishments such as the cotton press, the industrial companies established after the twentieth century and the other mining companies had a lot of Indian capital.⁴ The leather tannery, cotton press, foundries and engineering establishments were Rupee companies. Best & Co. was also able to divert a lot of capital it earned from trade into industry and one can safely assume that the partners of the firm held shares in the industries that they helped to float.

Like other managing agencies, Best & Co. also lost a lot of money in ventures that failed to take off. Many of its mining ventures resulted in big losses. Its attempt to manufacture Aluminium was not particularly successful and the attempt to manufacture Cocotine was a dismal failure.

Chapter- VI- Best & Gold

Best & Co. was a pioneer in the gold mining industry in India. It was the earliest managing agency in India to successfully operate gold mining companies in India on modern lines. Best & Co., started in 1879 just when the gold rush in Kolar was beginning. As a new firm it was obvious that the main attraction would be the latest and most promising investment options, which in the 1880's definitely was gold mining operations at Kolar. Between 1880 and 1885 it floated two gold mining Companies as joint stock companies and acquired two more. These were, the Mysore Gold Mining Co. Ltd., and the Nundydroog Co. It acquired the Ooregum Gold mining started by Arbuthnot & co. in 1880 and in 1885 the Balaghat Gold mining Co. started by Gordon Woodroof & Co. These mines were placed under the expertise of John Taylor & Co. a firm of mining Engineers from England, who were also the London based managing agents. Best & Co. were the Indian based managing agents of these gold mining companies of Kolar till 1910, after which they continued only as the cashiers and clearing and forwarding agents till the 1950's.

Chapter-VII- Extractive Industries-Evaluating the Contribution of Best & Co.

Best & Co. were instrumental in floating several mining Companies such as the Hyderabad (Deccan) Co. and the Arkonam Coal Mining Co. and initiated coal, mica, iron ore ,manganese and petroleum mining operations spread across the Godavary-Singareni coal belt, the Arkonam Coal

Field, Nellore and surrounding districts, Salem, Kanchipuram and Tiruvallur districts.³ While the firm met with varied success in its operations, it continued to be a part of the mining industry till the 1950's, after which the ventures were given up.

Chapter-VIII- Best and Post War Development Industries.

It was the outbreak of the Second World War which produced a shift of investment towards the basic and heavy industries, opening up a new chapter in Indian industrialization. Many of the industries initiated by Best & Co. were basic and heavy requiring sophisticated technology. The growth of the consumer industries in the inter-war years had created a domestic market for these capital goods. Ever responsive to changing industrial trends, the firm of Best & Co. was quick to adapt, adopt, innovate and take advantage of new opportunities. The 1950's witnessed a dramatic change in its industrial portfolio. It moved out of industries that it had been associated with since its inception and moved into specialized engineering industries requiring latest technology. This period culminated in its merger with Crompton Engineering, a firm that it had been the managing agents of since 1819. This chapter traces Best & Co's entry into soap manufacture, manufacture of pumps, electric lifts, electric motors, train lighting, carbon brushes and cinema arc carbons. The firm was a pioneer in many of these industries.

Chapter- IX: Conclusion

The Contribution of the managing agency of Best & Co. to the industrial growth of the Madras Presidency from the mid nineteenth century has been immense. Apart from passing references in books, their contribution has largely gone un-noticed. This thesis is an attempt to help give the Firm its due place in history.

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