

# Jamsetji Nusserwanji Tata

## A Centenary Tribute

*In the centenary year of Jamsetji Tata, a tribute to a giant among entrepreneurs.*

N BENJAMIN

Jamsetji Tata, whom Jawaharlal Nehru once referred to as a one-man Planning Commission, was one of the most important builders of the modern Indian economy. He is best known for the Tata Iron and Steel Works in Jamshedpur. This company as well as many other ventures mooted by him only fructified after his death on May 19, 1904 essentially owing to the capital as well as the reputation which he had acquired from his success in the textile industry. Besides, his involvement in this industry contributed to its growth. If it became a premier industry of India before 1947, it was partly because of him. It is, therefore, in fitness of things if we recollect his contribution to the Indian textile industry in the centenary year of his death.

It was 1864 that Jamsetji went to England and studied the cotton textile industry and trade there. He became convinced that the nascent industry in India had a bright future and that he could play a role in it. In 1867 he bought a liquidated oil mill at Chinchpokli in Mumbai and converted it to Alexandra Mills with some partners. On September 5, 1874 he floated the Central India Spinning, Weaving and Manufacturing Company in Nagpur. While the other entrepreneurs concentrated on Mumbai, he reasoned that Nagpur was a more suitable place to locate it. Harris, his biographer, writes, "When Mr Tata first announced his intention of building a mill in what seemed a remote and backward town, the people of Bombay laughed at him in scorn for ignoring the place which they regarded as the 'Cottonopolis' of India. But Jamsetji Tata knew his business. Land in Nagpur was cheap, agricultural produce was abundant, and distribution could easily be facilitated, owing to the central position of the town and the gradual growth of converging railways."<sup>1</sup> Then, on January 1, 1877 the Empress Mills of the company was opened. It was so named because Queen Victoria assumed the title of the Empress of India on that day.

In 1885 he floated another company to start a mill in Pondicherry to introduce Indian manufactured textile goods in the French colonies without being required to pay prohibitive duties. But the attempt did not succeed.

In 1886 he decided to float another textile company. He issued a circular letter to the prospective investors on August 12. He pointed out that the cotton manufactures of India were of the coarser kinds. Hence, there was a need to "...to successfully spin from the indigenous staple a relatively larger quantity of the finer counts – say average 30s and 40s – at a lower cost and with greater ease, with the unskilled, but cheaper labour we are in a position to command".<sup>2</sup> He added, "In fact the weaving of cloths of finer counts is only a question of time. It must naturally follow as the result of a successful spinning of finer yarns."<sup>3</sup> With this in view, he incorporated the Svadeshi Mills Company. He bought Dharamsi Mills at Kurla in Mumbai and resold it to the newly formed company. Finally, he bought the Advance Mills in Ahmedabad and incorporated the Ahmedabad Advance Mills in that city. This name was chosen to suggest that the mills were among the most advanced in the industry.

With this introduction, an attempt will be made in the following pages to throw light on his contribution to the growth of the Indian textile industry.

### Cultivation of Egyptian Cotton

Tata was aware that the manufactures of Indian mills were of an inferior quality vis-à-vis the manufactures of Manchester and Lancashire. This was because the British mills used the long-stapled American cotton while the Indian mills had to remain content with the short stapled desi cotton. If the quality of the Indian manufactures had to be improved, it was necessary to make the long stapled cotton available to the Indian mills. With this in view, he wrote a 13-page monograph entitled *Memorandum respecting the growth of*

*Egyptian cotton in India* (Bombay Gazette Steam Printing Works, 1896).

In this monograph, he put forward a scheme of 'vast importance' and 'inestimable value to our country'. He explained that if the long stapled cotton were cultivated in India, the Indian peasants would be cultivating a more profitable crop on the one hand, and the government would save foreign exchange through lower imports on the other. In addition, the mills would also gain by having superior cotton at their disposal.

Tata discussed the method of cotton cultivation in Egypt and the related issues. He pointed out that the average outturn of clean cotton in India was below 30 lbs per acre and even in the best of the districts like Broach it was 100 lbs, while in Egypt it was over 600 lbs. Then he passed on to what could be done in India. He noted that the experiments conducted till then had not been successful. This was because they were not carried out under suitable conditions. He wrote, "The climate and soil of Egypt are undoubtedly unique; but in this vast continent of ours, we have such varieties of climates and soils that it would not be hard to be able to find all that we want in some parts of the Empire".<sup>4</sup> Egyptian cotton was sought to be cultivated as a kharif crop till then. Instead, conducive conditions prevailed in the dry period of the rabi season in India. Hence, he believed that there was 'the inherent probability' of 'a fair chance' of success if the cropping time was changed. He continued, "This province (Sind) in situation, climate, soil, and more especially in the orderly inundations of its chief river (Indus), bears such a close resemblance to Egypt, that to me it promises the greatest hopes of success in our experiments."<sup>5</sup> He thought that the Indo-Gangetic plains as well as the banks of the minor rivers also presented rich silt, which gave fertility to the Nile Valley. Thus, he concluded that the Egyptian cotton had a bright future in India and urged trials for its extensive cultivation.

It is interesting to note that the government recognised his firm of Tata and Sons as official referees for the improved varieties of cotton and looked to it to determine results of tests in the varieties of cotton grown in its experimental farms.

It may be added here that from the late 19th century onwards attempts were made to increase the area under the cultivation of Egyptian cotton in India. These attempts have met with little success. In 1944-45, 3.6 million bales of 400 lbs net

of cotton were produced in India. In this, the shares of medium, short and long stapled cotton were 61.06 per cent, 33.44 per cent and 5.50 per cent respectively. This apart, as of today also, it is the cultivation of American cotton and not the Egyptian cotton which has been a success. Nevertheless, Tata's effort to introduce long stapled cotton in India needs to be appreciated as a stepping stone.

## Labour Supply

The millowners had often complained about the inadequacy of labour supply. Their grievance was that apart from the highly skilled labour, which had to be imported, even semi-skilled and unskilled labour was in short supply. Tata had his own ideas to cope with this problem.

Tata addressed some letters on this subject and the one which he wrote to the Bombay Millowners' Association on May 26, 1897 deserves serious attention. He wrote it in the context of the great famine of 1896-97. Starvation, disease, death, employment in relief works, gratuitous relief, etc, were witnessed during the year on a scale unprecedented in living memory. He made two basic points in it. First, the labourers drawn from Konkan and the adjoining territories for the industry left much to be desired. He lamented, "The great stumbling block in the path of progress... has always been the dearth of efficient labour, which has hitherto prevented us from fully supplying even our own wants". He believed, "There is not the least doubt that, if we can secure sufficiently steady and skilful labour for our mills, a large portion of these (fine quality) goods can be manufactured by us out of Egyptian cotton either imported or grown in our own country".<sup>6</sup> He added, "The existing conditions of labour make it almost impossible to use in our mills machines of a more elaborate type with the latest improvements, through fear of damage by careless and unskilful handling. This places the industry at a considerable disadvantage and precludes it from reaping the benefits of any invention which would enable it to hold its own against its rivals on the continent of Europe and elsewhere." The reason for this was the absence of "healthy outside competition" consequent to which the local labourer "...remains master of the situation owing to his enjoying a monopoly...."<sup>7</sup>

Tata suggested that this problem could be resolved by the properly directed

immigration of labourers from other parts of the country to Mumbai. True, the transport of a large body of ignorant peasantry over long distances could be open to abuse. Therefore, he suggested, "To divert this stream of immigration into proper channels, the controlling hand of the state is required in securing, for the superfluous population of a district which cannot maintain it, a home in another where remunerative work is spoiling for want of labour".<sup>8</sup>

He spelt out the kind of regulation he envisaged. To begin with, two or three travelling agents could be sent to the districts likely to supply labour. They should look for the likely agents who could procure labour. The assistance of the district officials could be taken because the labour agents would be looked at with suspicion both by labouring population and the village authorities. The idea should be to secure the immigration of the entire family consisting of, say, husband, wife and two or three children. Before leaving their homes, the men should be asked to sign a contract in the presence of the village officials to serve for at least three years. The expenditure on transport should be treated as advance to be repaid out of future earnings. During the first year of the contract, food and lodging should be supplied as part payment of wages, leaving two or three rupees in the hands of the labourers. This would mean the wage of an adult labourer upto eight rupees per month. However, the employment of the children could be more advantageous. Their wages could be lower. They could also pick up the skills faster.

The Bombay Millowners' Association was sympathetic to Tata's proposals. But they were not acceptable to the government. It

did not want to involve itself in a problem which it considered to be basically that of the private industry. Thus, Tata's proposal was given up without a fair trial.

Tata brought about a technological revolution of sorts in the Indian textile industry by effecting a major technological innovation in his Empress Mills in Nagpur. The latter had been started with 30,000 spindles in 1877. The second-hand equipment fitted in the mills caused trouble. A good deal of it was also damaged by a fire in 1882. While looking for a solution to the problems, Tata hit upon an idea. He decided to discard the throstles and mules, and to replace them with ring spindles. This was a bold decision because the latter had been regarded as unsuitable by the millowners of the US and trials were still on in Britain with scepticism. But Tata was convinced that with some modifications, the new machines would be a better alternative. He implemented his proposal under his personal supervision despite misgivings of the fellow millowners. The results were so good, especially on the coarser counts which formed the bulk of the output, that Tata scrapped every other type. This raised the efficiency of the mills, expanded the production capacity and consequently raised the profitability. He placed orders for more of them. At first the reports of his success were received with disbelief in both the US and Britain. He placed orders with Messrs. Platt Brothers for the purchase of the new machines. But he failed to persuade this company to manufacture them. Thereafter, he contacted Messrs Brooks and Doxey, their rival manufacturers. Tata pointed out every manufacturing defect in the machines to

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enable them to improve the design till the perfect machine was developed. Mill after mill went in for the new machines. Tata had the satisfaction of seeing the conservative Platt Brothers fall in line and agree to manufacturing them but only after their rivals had already established their reputation.

This was the first occasion when the Indian industry was technologically ahead of its counterparts abroad and the credit for this goes to Tata.

### Cotton Duties

The imposition of the countervailing excise duty on the production of the Indian mills when import duty was levied on the imports of British manufactures in 1896 caused great resentment in India. Like any other millowner, Tata stood for the abolition of the excise duty because of its deleterious effects on the Indian industry. When he was in England, he had a talk on the subject with Lord George Hamilton, secretary of state for India. But Hamilton argued that the Indian mills were prosperous enough to pay excise duty. He also said that if Tata thought otherwise, he should produce convincing evidence to prove his viewpoint. The latter agreed to do so on his return to Mumbai. He decided to collect a mass of statistics to prove his contention. He addressed a letter to the Bombay Millowners' Association on May 11, 1901 seeking its cooperation in a statistical investigation to determine the effects of the duty on the industry. After he had secured whatever response he could, he deputed his lieutenant B J Padshah to frame and edit the final report which also reflected his own views. He printed the report at his own cost under the title of *The Cotton Industry of India and the Cotton Duties* (Commercial Press, Bombay, 1902). He brought out 200 copies to begin with. He sent a copy to Hamilton for his perusal. In addition, he circulated them among the millowners and competent critics. Thereafter, he brought out its second edition with some additional material. It ran into 43 pages. The report set its object as "...not to pass judgment upon the cotton duties, but to investigate the general condition of the mill industry, and the effect of the cotton duties on its profits".<sup>10</sup> It noted that when the duties were levied, two impressions were prevalent, viz, (a) the average profits of the industry were high; and, (b) the duties would be paid by the consumers of cotton goods and not the producers.

The total number of mills in India was 186 in 1900. The report directly examined 58 mills. The earnings of the remaining mills were lower. It further stated that whatever be the condition of the industry in 1880s, its profits were not extraordinary in 1890s. It continued, "The average earnings of 58 mills... are found to be just 6 per cent.... This figure... is... obtained by taking a set of mills whose average position is better than that of all the mills of the country. The omission of one good mill (whose profits are miscellaneous derived from spinning, weaving, ginning, dyeing, financing, and trading by the establishment of shops) pulls down the average to 5 per cent ...If the *whole* commission actually paid (to the agents) had been debited to profits, this memo would have recorded an average earning of 4 per cent only."<sup>11</sup>

The report also stressed that the shifting of the incidence of excise duty on the consumers by the mills was not possible. It said, "Both spinning and weaving profits have fallen since 1896; the spinning profits owing to increased cost of production, more directly owing to the slump in the Chinese market for Indian yarn. Increased cost of production, from the duty as well as other items, together with the arrest of demand for cloth owing to famine, may account for the fall of weaving profits. But whatever the causes, that prompt adjustment, and transfer of a burden or a benefit to the consumer (which is indicated by steady profits), relied on by defenders of the cotton tariff does not exist... because both the extension and withdrawal of capital take time in this industry. Extension becomes possible in two or three years; withdrawal in less than a decade would be very difficult. Under such conditions, the cost of production only partially rules prices; the determining factor of value is demand."<sup>12</sup>

Tata contributed to the growth of the textile industry in some other ways too. The Empress Mills were the first in India where attention was given to ventilation and humidifying. Precautions were taken against fires and automatic sprinklers were installed. A provident fund scheme and a gratuitous pension fund – the first of their kind in the Indian mills – were built up. These funds took care of the disabled and furnished gratuities to families of those who died during their working life. Tata instituted many prizes for good attendance and efficient work.

Apprenticeship schemes were also introduced to train young men for their own well-being as well as for the benefit of the mills. Nor were the subordinate staff forgotten. A reading room, library and recreation ground were provided to them.<sup>13</sup> Other millowners followed these staff welfare measures in course of time. Tata experimented with the working of the mills at night by introducing electric light but the effort failed because the workers feared that the electric light would damage their eyes. He did not keep trade secrets and shared his knowledge with other millowners as well. On one occasion a millowner sought his advice but could not believe that it was given in all sincerity and so turned it down. Afterwards he found out to his dismay that he had misunderstood Tata and that his own decision was wrong.<sup>14</sup>

In short, Tata was a great industrialist. But his reputation as a great captain of industry rested on his remarkable success in the textile sphere. He erected/reconstructed great mills in Nagpur, Mumbai and Ahmedabad. He built his fortunes with them which ultimately paved the way for the implementation of his hotel, steel and hydroelectric projects. In the process he contributed to the material well-being of many others. He turned casual labourers into factory workforce. The profits earned by his shareholders contributed to the development of the equity cult. In short, he played a notable part in the industrial evolution of India. **EPW**

### Notes

- 1 F R Harris (1958): *Jamsetji Nusserwanji Tata A Chronicle of His Life*, Blackie and Son, London, p 26.
- 2 Tata Economic Consultancy Services (1981): *Tata History Project Svadeshi Mills Company*, Tata Economic Consultancy Services, Bombay, unpublished, p 11.
- 3 *Ibid*, p 17.
- 4 Memorandum...etc, pp 6-7.
- 5 *Ibid*, pp 8-9.
- 6 *Report of the Bombay Millowners' Association for the Year 1896* (Bombay, 1897), p 156.
- 7 *Ibid*, p 157.
- 8 *Ibid*, p 156.
- 9 See, for example, S D Mehta (1954): *The Cotton Mills of India 1854 to 1954*, Textile Association, Bombay, pp 43-44.
- 10 *The Cotton Industry*...etc, p 1.
- 11 *Ibid*, p 2.
- 12 *Ibid*, p 29.
- 13 D E Wacha (1914): *The Life and Life Work of J N Tata*, Ganesh and Co, Madras, pp 30-31.
- 14 F R Harris, op cit, pp 34-35.