

Bombay, Financial Capital of India

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Until the establishment of the railways, trade in India was largely regional – there was no real basis to the term “Indian Economy”. The advent of the British, a sea power, meant that the dominance of land trade and great bazaars of north India would be usurped by coastal cities and port towns like Surat, Madras, Calcutta and of course, Bombay.

While Surat and Madras, the earliest British toeholds faded away, Calcutta and Bombay rose to prominence. From 1800 to 1930’s, the two cities competed furiously for the status of ‘urbs prima’ in India. Though Calcutta had more varied trade, larger volumes of trade passed through her port and she was the British capital until 1911, it was Bombay that triumphed eventually. The purpose of my paper is to examine the factors that led to Bombay’s eventual triumph.

Competition in the 1800’s

In the 1800’s, Calcutta was the seat of the British capital, it was closer to the China trade and had a rich, vast agricultural hinterland which provided cotton, jute, indigo, opium and sugar for exports. Its business was dominated by Europeans who in turn extracted better rates and concessions from the British government by way of taxes, railway concessions, access to banks (indeed the first bank was set up in Calcutta).

Conversely, Bombay’s business was dominated by opium and cotton, both highly speculative and volatile markets, and entrepreneurs were mainly Indian (Parsis, Jains, Memons, Marwaris...). The large Western hinterland was often prone to long arid conditions, the monsoons pretty much shut down communication between the hinterland and the city for three months a year.

Except for a brief period in the early 1830’s and 1860-64, Calcutta’s imports and exports outstripped Bombay. So the question arises again,

why did Bombay eventually overtake Calcutta or any other city as India's financial capital?

Suggested Factors

In my opinion there are several factors unique to Bombay that accounted for its eventual success as a financial capital.

Foremost to me, is that from the late 18th century under Governor Gerald Aungier, Bombay was conceived of as a trade city. As Aungier set about arranging the port and mint, and above all inducing merchant communities like the Jain baniyas and Parsis to come to Bombay, he was consciously constructing a cosmopolitan trade city which would later draw millions with dreams to fulfil. Most other major cities like Calcutta, Delhi, Lucknow, Cochin and even European ones like London and Paris, already existed as major urban centres – Bombay became one because of trade and the British policy.

Aungier's policy of attracting merchant communities, proved to be a providential policy for Bombay. Those who came to Bombay, came to seek their fortune, to trade, to work, leaving all other considerations behind. Be it the more "westernized" Parsis or the traditionally conservative Marwaris in Bombay, business came first. Though like any other part of India, caste and religious restrictions existed, in Bombay unlike other places, they were secondary. This to a large extent allowed entrepreneurship to flourish. It is only in Bombay that a Parsi orphan, Jamshedji Jeejeebhoy, with limited education could begin as a dabba batliwalla and progress to the First Indian baron of the empire.

In time, Bombay would attract Parsis, Marwaris, Jain baniyas, Memons, Kojahs, Goans, other Konkanis, Sindhis and thousands from the hinterland of Maharashtra. One of the greatest oddities of Bombay was that business was dominated by Indians. In most colonial trade centres like Calcutta, Madras, Colombo, Canton etc..., European businessmen cornered trade and the local population was reduced to labour, agents or clerks. In Calcutta while Marwari businessmen did flourish as agents, trade companies and cash crop plantations were owned by Europeans.

In Bombay, the economy was steered and driven by indigenous communities. The richest trader of 19th century India was Jamshedji Jeejeebhoy was Indian (his partners Matheson and Jardine were window dressing). The first cotton mill in India was started by Cowasji Davar, the most profitable Bombay – China – London trade was dominated by David Sassoon, the first Dyeing Company was established by the Wadias who also dominated the ship building business.

In Bombay when the governor hoped to build a hospital, he requested J. Jeejeebhoy for money (Grant Medical), when the causeway construction ran out of money Lady Jeejeebhoy stepped in, when the docks were inadequate David Sassoon built his own and when land was becoming scarce Premchand Roychand floated the Backbay Reclamation Company. When Bombay required a decent hotel, Jamshedji Tata built it, when women's education needed a fillip D.K.Karve established it and when in Bombay's sweltering summer the Governor craved ice cream, J.J. provided it. Bombay's first museum, stock exchange, bank, iron and steel company, Art College, mechanical institute, medical college and Asia's first municipality were all pioneered by Indians. Thus as the era of colonialism faded in the 20th century, cities like Calcutta whose finance was driven by Europeans also began to fade whereas the indigenous businessmen of Bombay were already in the driver's seat.

Bombay was also geographically well placed. An ideal sheltered harbour, closer to the Mother country, the Bombay port expanded rapidly and the construction of the Suez further meant that Bombay became the port of choice in India. The War years would further strengthen Bombay's reputation as the 'Gateway of India'.

And finally, much of Bombay's success was due to the dynamism of its entrepreneurs. In the initial years of British Rule, many Indians provided services like portmasters, militia captains, etc. By the early 1800's, they became agents for European traders – the Petit family were French agents and the original Mr Petit was named "petit" because of his short stature. Gradually they bought space on ships for opium and eventually dominated the trade, buying ships and leasing out space to Europeans to

sell their goods. By the 1840's the Opium Wars in China made opium a dicey product and so gradually, the Bombay entrepreneurs switched to raw cotton. This was followed by mills, dyeing, chemicals, pharmaceuticals, stocks, banks, insurance, transportation, land development etc.

The last few decades are further proof of Bombay's ability to adapt. As manufacturing shifts to other cheaper areas and the mills declined, Bombay was reinvented as a service city. The policy of the government has also thus far allowed the city to remain at the top of the financial ladder. Thus the combination of the factors mentioned above ensured that Bombay became and remains the financial capital of India.

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