

Chronological Evolution and Contemporary Development of Indian Business

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ABSTRACT

Evolutionary process gives rise to phenomenal developments in any country across the world. The trends and patterns of business through the ages bring the story down to modern times when it fuses with nationalism. India's entrepreneurs are drawing attention today across the world so it is very much essential to understand the entrepreneurial energy. The known economic history of India begins with Indus valley civilizations economy appears to have depended significantly on trade, which was facilitated by advance in transport. The history of Indian economy can be broadly divided into three phases pre-colonial, colonial and post colonial. Archaeological evidences suggest that towns and metallic currencies existed in India even during the first century AD. The British rule was firmly established in India by the middle 19th century. They modernized the transport and communication in the country. After India got independence from colonial rule in 1947, the process of rebuilding the economy started. For this various policies and schemes were formulated. After economic crisis in 1991, the central government launched economic liberalization adding value to the development by removing the strength trade barriers. Growth of public and private enterprise after independence, the nature and the scope of business changed in many ways. Large scale industries were started in public and private sector. Foreign investment in industries in various sectors has increased in recent times

. Liberalization paved the way for large scale investment in automobile, information technology, consumer electronics and fast food business. India is attractive to foreign investors due to our excellent track record of rule of law, democracy and respect for human rights.

INTRODUCTION

Evolution is technically defined as "a gradual process in which something changes into a different and usually more complex or better form for the development of Economy". Evolution is any change across successive generations in hereditary characteristics of any nature. This process gives rise to phenomenal development in any country across the world. Business History is an emerging area of enquiry. The trends and patterns of Indian business through the ages bring the story down to modern times when it fuses with nationalism. It firmly establishes the fact that India was not only steeped in spiritualism for which it allegedly remained economically backward but it also had a scintillating saga of materialist doctrines and materialist development. Indian business through ages has brought many changes in the life style of individual in particular and society and economy in general.

India has one of the largest growing populations of new business class. India's entrepreneurs are drawing attention today across the world. So it is very much essential to understand the entrepreneurial energy. Today a whole generation of India has grown up with minds that are

decolonized and liberated .Business groups are an important constituent of many emerging economics. In this paper, focus is on the chronological evolution and contemporary development if Indian business over economic eras. Business activities in India have evolved over a long period of time

INDUS VALLEY CIVILISATION

The known Economic history of Indian begins with Indus valley civilization .The Indus valley civilization. The Indus valley civilizations economy appears to have depended significantly on trade, Which was facilitated by advance in transport .Around 600B ,the Mahajanapadas minted punch-marked silver coins. The period was marked by intensive trade activity an urban development .by 300B.C, The Maurya Empire united most of the Indian subcontinent .The political unity and military security allowed for a common economic system and enhanced trade and commerce with increased agricultural productivity.

For the next 1500 years .India produced its classical civilization such as the Rastrakutas, Hoysalas and western Gangas. During is estimated to have had the largest economy of the ancient and medieval world between the 1st and 17th centuries AD, controlling between one third and one fourth of the worlds wealth up to the time of the Marathas, from whence rapidly declined during European rule.

History of Indian economy

The history of Indian economy can be broadly divided into three phases: pre-colonial, colonial and post colonial.

Pre Colonial: The economic history of India Valley Civilization to 1700 AD can be categorized under this phase. During Indus Valley Civilization Indian economy was very well developed .It had very good trade relations with other part of the world, which is evident from the coins of various Civilization found at the site of Indus valley .Before

the advent of economically independent as all the economic needs were fulfilled with in the village.

Phase of Colonization: The arrival of East India company in India ruined the Indian economy. There was a two way depletion of resources. British use to buy raw materials at cheaper rates and Finished goods were sold at higher than normal price in Indian markets. During this phase India's share of world income declined from 22.3% in 1700AD to 3.8% in 1952

Barter system and Trade

At early stage of evolution life was relatively simple. Communication lived together in small self-sufficient village. They produced what they needed .Rearing of animals ,hunting and fishing were the main occupations. Exchange of goods for goods, Which is known as barter system helped people to meet their limited diverse needs .Exchange under barter system could not take place unless two people need each other 's surplus commodities. This double coincidence of needs and surplus of two persons matching each other's needs were rare and therefore exchange was difficult. Besides, there was no common measure of value. It was difficult to fix the exchange value of one commodity against the other .A commonly accepted commodity like salt or quantity of grains came to be accepted as a medium of exchange .This was an improvement over the barter system. When the importance of money was understood by them, local markets developed and people started coming together at a common place at regular times. Thus it emerges as a convenient meeting point for the people having surplus goods to negotiate or bargain for buying and selling their goods, Some people started buying for the purpose of selling. Gradually trade and trader came into existence

Artisans started small workshop in town .Spinning and weaving, ornament making etc started coming together in towns .Kings introduced metallic currency as a medium of exchange. These currencies with royal emblem facilitated easy

buying and selling of goods. Archaeological evidence suggest that towns and metallic currencies existed in India even during the first century AD.

Trade Centers and Industrial Revolution

Limited overseas trading was carried out during pre-Christian era between Indian Kingdom and the countries in the Middle East. With the opening of trade routes by the Europeans in the 15th century the trading activities became wider. During the subsequent four centuries major European powers opened their trade centers at different places in the country. Industrial revolution in England and in other parts of Europe in 18th century changed the volume of production tremendously. Goods became cheaper and sophisticated. Large scale marketing became essential for the survival of large scale industries. Transport and communication changed due to the invention steam engine and locomotives.

India also had a flourishing textiles industry and handicrafts, and long-standing and extensive trading connections with many countries, both in the East and in the West. India was a formidable exporter of textiles right till the 18th century; it clothed the poor of the west. Those enormous exports couldn't have taken place without business. Britain by the industrial revolution, in turn driven by a number of inventions, notably the semi engine and the spinning jenny and the power loom which gave an impetus to the textile mills. Once that happened there was no stopping the British juggernaut, and the vast Indian resource-base became a haunting ground for the traders interested only in setting up agencies to buy jute and cotton and other material from India and sell manufactured goods to the growing India urban classes.

Decline of Cotton industries and growth of large scale industries

Decline of cottage industries and handicrafts was the side effect of industrial revolution. Large scale industries could produce goods at very low cost

that provided them a competitive advantage. Cottage industries and handicrafts were pushed to the edge by the influx of industrial products. Self sufficient villages of the past became over crowded cities. Need became greed. Simple life style and limited needs changed to complex life style of cut throat competition to feed insatiable greed. The British rule was firmly established in India by the middle of the 19th century. They modernized the transport and communication in the country. Little kingdom historically quarrelling of the first quarter of the 20th century large scale industries producing iron, steel, cement, automobiles, ship, sugar and textiles came in to establishment.

There was a rise of British agency houses in the late 18th century. It was concentrated by three; Forbes in Bombay, Parry's in Madras and William Palmer in Calcutta. They were the premier agencies of that time and gave a flavor of British business in India. They established not only the indigo industry, but also tea, jute, coal and mica. They survived well into the 20th century. They were the most loyal of businessmen, and had a good deal of influence on the British Indian government.

Indian business after independence

After India got independence from this colonial rule in 1947, the process of rebuilding the economy started. For this various policies and schemes were formulated. India has followed central planning for the most of its independence history, which have included extensive public ownership, regulation, red tape, and trade barriers. Yet there was much that was enduring and quite sophisticated in the managerial methods of the business class. To the well-known communication of Jains, Chettiar and Marwaries were added those of the Parsees and the Muslims of the west coast, who built the foundations of the modern company, first through partnership and then trading groups. Subsequently, the managing agency houses that gradually replaced that took over from the string of Scottish and English

businesses which dominated the jute and tea plantations and other commodity-dependent industries and trading ,especially with the UK.

Ashok Desai, former chief Economic Consultant to the Finance Ministry has written about the Paris .He says they were neither better nor worse than other trading communities. What helped their emergence was willingness of the Bombay Paris to serve the British .The Sindh is, Whose business sense and success are, for some odd reasons .The Marwaris have been dealt with by the doyen of India's business historians. No anthology can claim to be complete without a full chapter on Dhirubhai Ambani,Medha Kudaisya and so on.

Business models of the early Buddhist Monastery will look at how a monastery functioned as an enterprise. Some of the early companies, such as parry's and Binny's ,through foreign owned ,originated in India and catered to an internal market while others concentrated merely on feeding the British demand. Since mid- 1991, the top 100 Indian companies grew seven fold and their combined profiles rose from around Rs 7000 to 91000 crores .In any economy in the world ,with the possible exception of chinas, this would be incredible .So, much awaits the historian of the next decade .

Liberalization, Privatization and Globalization (LPG)

After 1991 ,for the first time business is acquiring respect in the society .Industrial revolution began in Europe and US ,200 years back. Their business are in second, third generation .And we see the philanthropic side of the people to it with people like Bill Gates now. After economic liberalization adding value to the development by removing the stringent trade barriers. India has turned towards a more capitalist system and has emerged as one of the fastest growing large economies of the world. The study of evolution of Indian business is not merely fascinating in itself ,but is also a useful preparation for a managerial career .Unfortunately the typical Indian manager ,trained

in science, engineering or commerce ,has never been introduced to the valve of history as a doorway to the present.

Growth of Public sector and Private Sector after Independence

Growth of public and private enterprises after independence, the nature and scope of business changed in many ways, large scale industries were started in public and private sector .Oil, natural gas, locomotive, telecommunication, banking, insurance and all sectors of business achieved tremendous growth after independence. Apart from basic and key industries consumers' durable such as TV, washing machine, refrigerators etc. also achieved substantial progress during the post independence period .The per capita GDP was higher and the institution of grade and banking were well-developed for the time. Indian traders and indigenou bankers not only helped fund international trade but lent money to the company to pay for its wars in India's GDP Growth Rate.

Chart 1; India's GDP Growth Rate

India Gross Domestic Product is worth 1296billion dollar or 2.09% of the world economy, according to the World Bank .India's diverse economy encompasses traditional village farming, modern agriculture, and handicrafts a wide range of modern industries ,and a multitude of services .services are the major source of economic growth ,accounting for more than half of India's output with less than one third of its labor force .The economy has posted an average growth rate of more than 7% in the decade since 1997, reducing poverty by about 10 percentage points.

Foreign investment in industries in various sectors has increased in recent times .Liberalization paved the way for large scale investment in automobile, information technology, consumer electronics and fast food business. India is attractive to foreign investors due to our excellent track record of rule of law, democracy and respect for human rights.

Information Technology Revolution and Outsourcing

Globalization of economics supplemented by technological advances has led to the evolution of the outsourcing industry in India. After the flourishing of information technology (IT) in the late 1990s and 2000s, outsourcing has spread to Indian states. US companies started outsourcing information technology activities to low cost locations in India. Some of the companies also started their offshore facilities in India. The internet business boom is the main drive for this success. Especially two Asian giants China and India are the leaders in providing outsourcing services to the American industries.

Outsourcing dates back to the 1960s from where it has grown to different levels from the time-sharing data process model to Business Process Outsourcing (BPO) and then to knowledge Process Outsourcing (KPO). Recently, companies have adapted a Business strategy of outsourcing entire business activities, such as technology operations, customer relationship, business logistics, finance, document processing, etc. The history of outsourcing started in United States, when it was struck with economic stagnation and rising inflation rates. Since then the US companies started outsourcing their services related jobs to cheaper locations to regain their profitability.

India has been known for its huge talent pool and has proved to be one of the most significant destinations for global companies to outsource

their back office operations. Due to the country's additional edge in knowledge based services, India has emerged as a favorite destination for outsourcing of Knowledge processes too. Over a period of time, the industry has touched everyone from market researchers to accountants to medical professionals. Now BPOs have also started high end consulting jobs.

Over a decade, the industry has grown to a great level and will continue to grow in all the locations. India is considered to be among the most preferred destination in the world. Reasons for preferences of India lay in skilled human resources, best infrastructure and climatic conditions that are suited to the clients' business activities.

Outsourcing to India is cheaper than outsourcing to other locations in the world and this is the main reason for companies outsourcing their business activities to India. Today the outsourcing industry is moving towards a high level of specialization with great competition from low end process to high end process jobs. It has created worldwide opportunities in terms of enhanced revenues, product innovation and economic growth. Maximizing the value of outsourcing efforts will require deep economic and organization-specific business analysis so as to capture a more promised value without putting the rest of the business at risk.



Key Emerging Sectors in India

<p>Education</p> <ul style="list-style-type: none"> ➤ Largest capitalized spaces in India with \$30 Bn of government spend (3.7% of GDP). ➤ Private education is currently estimated at \$50 Bn (14%CAGR over FY08-FY12E); expected to reach \$15 Bn in the next 10 years ➤ 100% FDI allowed through the automatic route. 	<p>Health Care</p> <ul style="list-style-type: none"> ➤ Growth of 9.3% between 2014-20 ➤ Current size is USD 35 billion projected to grow 23% per annum to touch \$77billion by 2020. ➤ Healthcare facilities to contribute to 70% of the total sector touching a figure of \$54.7 billion by 2020. ➤ Investment of \$14.4 Bn needed by 2025 to increase its bed density to at least two per thousand population
<p>Infrastructure</p> <ul style="list-style-type: none"> ➤ Stepping up spending 5% in 2010-2015 to 9% of the GDP by the end of 2020. ➤ Total investment projected –USD\$14 billion (2010-2020). ➤ Increasing share of private sector: <ul style="list-style-type: none"> • From 20% in total spend in 2002-07 to 30% by 2020. • Successful execution in the purchase power parity mode. • Over 60% private sector contribution in ports, airports and telecom. 	<p>Insurance</p> <ul style="list-style-type: none"> ➤ 4th largest Insurance market in Asia excluding Japan. ➤ Rapid growth over years ; Life Insurance at 31% CAGR over the last six years ,General Insurance at 16% over the last six years. ➤ Low penetration with huge potential ➤ Life insurance was 4% of GDP in 2010 up from 1.7% in 2000. ➤ General Insurance was 0.6% of GDP in 2014. ➤ Large untapped rural market.

Suggestions

The Worrying aspect of the trend in globalization and capitalism is the rising social challenges on account of increasing inequality. Then rise in inequality, When absolute poverty levels are still very high, poses a major political and economic political challenges. It needs to be emphasized to balance the economy as whole.

Conclusion

Indian economy, the third largest economy in the world, in terms of purchasing power, is going to touch new heights in coming years .As predicted by Glodman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy

of the World just after US and China .It will grow to 60% of size of the US economy .This booming economy of today has to pass through phases before it can achieve the current milestone of 9% GDP.

Its common saying –first generation makes money, second generation wants prestige and it is the third generation that wants art, culture, status and aspires for respect, History reveals that money for long makes one comfortable and complacent.

With India's global competitive advantages like Multi-cultural experience, history of foreign collaborations, Industrial culture, technically qualified manpower, resource rich country,

English-speaking work force, Information Technology competency; it can be the leader tomorrow for globe in the business establishment and industrial development.

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