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PERSPECTIVES IN INDIAN DEVELOPMENT

New Series
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Nehru Memorial Museum and Library
2014

Published by

Nehru Memorial Museum and Library
Teen Murti House
New Delhi-110011

e-mail : ddnehrumemorial@gmail.com

ISBN : 978-93-83650-39-2

Price Rs. 100/-; US $ 10

Page setting & Printed by : A.D. Print Studio, 1749 B/6, Govind Puri Extn. Kalkaji, New Delhi - 110019. E-mail : studio.adprint@gmail.com

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Introduction: The plea for a re-conceptualization

The existing discourse on the historical process of the formation of the Indian Capitalist Class (ICC) in colonial India has tended largely to be centred upon the question of the emergence and growth of big business houses or corporate capital and its dominance over the organized manufacturing sector and to issues related to this. That there is a fairly significant corpus of this genre of literature (Pavlov 1964, Bagchi Ray 1975, Markovits 1985, Mukherjee 2002, Tripathi 2004) is now well acknowledged. Scholarly gaze has consequently been limited to the more visible centres of industrial production. Coincidentally, these also happened to be the more dominant centres, marked by a tendency towards a fair degree of concentration of capital. Since the accumulation process in these centres was characterized by the predominance of merchant capital from distinct business communities over trade, finance and subsequently modern industry, it has overtime provided legitimacy to the business community paradigm. The influence of this paradigm on scholarly writings on capital has been quite pervasive and enduring (Gadgil 1951, Lamb 1955,

* Paper presented at the Workshop on '*Rethinking Economic History: Circulation Exchange and Enterprise in India'*, Nehru Memorial Museum and Library, New Delhi, 14–15 March 2012.

Pavlov1964, Tripathi, 1984).[1] This had partly to do with a certain genre of archival-centric research but, more critically, was related to the then prevailing intellectual and epistemological concerns, which were essentially centred on the search for the nearest European prototype of the ICC (Chandavarkar 1985).

The fallout of this hegemonic intellectual influence on the research on ICC has been twofold. In the first place it has virtually foreclosed the possibility of variations in the accumulation process in colonial India and the implications of this for the structuring and the nature of the capitalist class that eventually emerged in pre- and post-independence India.[2] Secondly, by focusing essentially on the large business houses, after they had attained that critical size, this genre of writing not only underplays the process of transition from small to large and how some make it while others don't, but more critically, it effectively shuts out small as being marginal or peripheral and inconsequential and one that would eventually fade out, given the sheer weight of competitive market forces.[3]

The fact that the economic space or the terrain of accumulation has historically provided room for small, medium and large capital to coexist and jostle, albeit unequally and in a relationship of conflict and dependence, is a dimension that has not received adequate attention in the available historical accounts on the evolution of Indian Capital. The possibility of accumulation and growth within the so-called unorganized or the small-scale industry was an issue that was never

[1] For a critique of the concept of business community and a brief exposition of the limitations of it for understanding the structure of corporate capitalism, see Carol Upadhya (2009).
[2] Kurian 1980, Upadhya 1988, 1997, Rutten 1997, Baru 2000, Damodaran 2008 and Mahadevan 1992, 2011 have underlined the need for extending the spatial frontiers of accumulation in order to capture diverse sources of entrepreneurship.
[3] Roy and Yanagisawa may be counted among the few notable exceptions. They have strongly underlined the need to recognize the importance of the small-scale sector in the colonial period both as a source of employment and accumulation (Roy1987a, 2000, Yanagisawa 2010).

seriously addressed in the economic historiography of colonial India.[4] In the light of available evidence, the argument that in "analysing industrialization in regions outside the orbit of port enclaves may suggest a story, where in modern industry evolved out of the pre-existing structures and was not merely imposed on the latter from above"[5] (Roy 1987b) does merit serious consideration.

The Small-scale Sector: Some major contemporary concerns

In contrast to the colonial phase, the small-scale sector during the post-independence period has received considerable attention. Literature on small-scale industrialization and capital accumulation ranges from its conception as an aberration in the developmental process to recognition of its potential to play a key role in peripheral development.[6] Small firms came to be an important object of study in low-income economies since the "discovery" of the "informal" sector by Hart (1973) and its role in redressing the growth-led inequities in these regions. The dual sector reading that treated this sector in isolation was soon replaced by studies that explored its links with the modern sector, inspired largely by the "articulation of modes of production" perspective.[7] Operating with dated technologies, and beyond the realm of formal legislation, these firms were viewed as deriving their advantage essentially from their ability to extract absolute surplus from labour better. The sector was also seen as stagnant and incapable of moving on a trajectory of expanded accumulation, due to its links with the "modern" sector.

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[4] Roy's early study of the handloom industry clearly reveals that in so far as south in general and the Tamil region in particular was concerned, there was considerable evidence of accumulation, dynamic adjustment and growth within the small-scale textile sector (Roy 1987b).

[5] (Roy 1987b) p. 55.

[6] Schmitz also cites other views held in the 1950s that import substitution would enable the rise of small local firms or would not due to lack of entrepreneurial spirit in these economies (Schmitz 1995: 531).

[7] 'Pre-capitalist' relations would continue to prevail if it is to the advantage of capital in the core to perpetuate it (Wolpe 1980).

Marxist works have traditionally tended to view the non-modern sector[8] as one that is necessarily harmful to capitalist growth. Though differences do exist among Marxist scholars regarding the factors behind its persistence,[9] they do concur on the negative implications of the persistence of this sector. It is in this context that a set of studies have examined production relations in specific sectors dominated by informal production and have sought to identify factors that hinder their movement towards the "modern" or the formal sector. In India, studies by Manjit Singh (1990), Thomas Isaac (1984), Maria Mies (1982), and Kalpagam (1981, 1994) are particularly significant. All these studies stress the need for capital to perpetuate "informal" conditions to sustain accumulation.

Other studies like that by Dhar and Lyndall (1961), Sandesara (1981, 1988), and Little, Mazumdar and Page (1987) are directed at an understanding of the technological conditions of small firms and the impact of government policies on this sector. These studies try to locate small firm dynamics in the intersection of state policy of reservation for the small-scale sector and private response and implications for national growth. Tyabji (1989) explores the political economy of post-independent planning and policy formulation for the Indian small-scale sector. He argues that the state's understanding of the small-scale sector that led to reservation of certain products for this sector has essentially been informed by the assumption that once the small-scale sector is given protection against competition from the large-scale, they would transform and become part of the modern capitalist sector. Simultaneously the sector was also seen as a segment that can have a major role in consumption goods production without requiring additional capital resources. More recently, the idea of "excessive regulation" has gained currency. It is pointed out that the informalization

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[8] "Modern" is defined as one marked by production being undertaken by organized wage labour, using capital-intensive techniques and detailed technical division of labour and/or separation between conception and execution.

[9] While to some scholars like Warren (1973) and Kay (1975), capitalism has not penetrated enough, to others, especially of those in the articulation school, it is capitalism itself which perpetuates these backward production forms (Wolpe, 1980).

is an outcome of a highly rigid regulatory formal environment that capital seeks to avoid.

The idea of a linear trajectory of capital accumulation, with ever-increasing centralization and concentration of capital, and ever-greater technical division of labour, discarding to history all lower forms of production, has however now come under doubt. The informal economy, far from disappearing, has been found to account for a greater share of the workforce in India over time. The category of the "self-employed" continue to account for more than 40 per cent of the urban workforce in 2009–10 (Martha Chen & Raveendran 2011). Simultaneously there have also been efforts to invest this segment with dynamism, with the recognition of the industrial cluster as a highly dynamic organizational form. The "industrial district" for "cluster" framework's concern with the positive aspects of small firm networks is one recent instance of efforts to capture variations in trajectory of capital accumulation. With the growing influence of the cluster-based approach to studying small firm industrialization, studies of several clusters of small firm agglomerations have been carried out.[10]

While the cluster approach does bring on board the socio-economic embeddedness of informal production in the region, a dimension that was absent in the earlier approach, they tend to be largely driven by a policy emphasis on identifying small firm clusters that can be competitive in global and pan-Indian markets. Factors that hinder the dynamism of firms despite geographic agglomerations were

[10] The Agra and Kottayam footwear clusters (Knorringa 1996 and Pillai 2001 respectively), diesel engine manufacturing in Rajkot (Basant 1997), brass metal parts in Jamnagar and brassware in Moradabad (Awasthi 1997 and Akbar 1997 respectively), the diamond polishing cluster in Surat (Kashyap 1982), engineering and electronics (Holmstrom 1998), textile printing cluster in Jetpur (du Pont 1995), the diamond cutting cluster in Trichur (Joseph 1996), the woollen knitwear and bicycle industry in Ludhiana (Tewari 1999 and Kattuman 1998), garment clusters in Ahmedabad and Delhi (Das 1996; Vijayabaskar 2005 and Alam 1994 respectively), flooring tile cluster in Gujarat (Das 1996), leather tanning in Palar valley (Kennedy 1999), electric motor-making cluster in Coimbatore (Pillai 2001).

identified and interventions delineated to redress this anomaly. Studies reveal that factors like the role of kinship networks and trust-based transactions play a role in cementing inter-firm networks and also creation of entrepreneurial networks. The latter is generally made possible through provision of credit, access to markets by outsourcing a share of the output to firms run by kin, and also through supervisory and managerial skills acquired through apprenticing in firms run by relatives. The studies, by focusing on clusters and studying them in instrumental terms, as agents of industrial promotion capable of competing in contemporary product markets, pay little attention to the broader regional economy in which such clusters are embedded. Insufficient attention is given to the nature and source of capital formation and entrepreneurship.

The relatively recent typology as developed by Kalyan Sanyal (2007) and later endorsed by Partha Chatterjee (2008) underlines the distinction between capitalist economic space and non-capitalist economic space with "corporate" capital operating in the former sphere and "non-corporate" capital in the latter. The distinction is premised on the factors that drive entrepreneurship in the two segments. In the formal sector, corporate capital is engaged in the production of surplus driven by the need to accumulate and maximize profits. This capitalist imperative to accumulate does not however explain the productive motive of capital in what he calls the "need" economy that permeates the non-capitalist space according to Sanyal. Rather, they enter into production merely as a means to survival, catering to the demand from other members occupying the need economy, dispossessed as they are from their traditional means of production. Though not explicitly claimed, this distinction overlaps strongly with the distinction between the informal and the formal economic segments. When earlier Marxist accounts sought to locate the dynamic of the informal in the imperative of the "formal" or the modern capitalist sector, Sanyal seeks to locate the dynamic of the informal in the process of primitive accumulation and governmental imperatives of post-colonial government with little scope for interactions between the two. Importantly, by treating the need economy as one that reproduces itself endlessly over time, the model leaves little room for the possibility for multiple trajectories of production and capital formation in this segment.

While this conceptual distinction is important to understand the formal–informal dichotomy and does explain the functioning of substantial segments of the informal, yet there are segments of capital within the informal that have transformed themselves from producing for need, to production for profit and capital accumulation. The model appears to be somewhat inflexible apart from being insensitive to regional variations and historical trends which point to the contrary. It clearly does not allow any room for movement from one to the other. By inference the capitalist economic space is also somewhat monolithic providing space only for the large enterprises.

This appears rather tenuous against certain kinds of evidence, historical and contemporary, drawn from the Tiruppur region in particular and the southwestern Tamil region in general that we propose to share in the following sections of the paper. Tiruppur's entry into the national and global industrial map as a producer and exporter of cotton knitwear goods has been attributed in current literature to multiple factors with differential emphasis. It includes the entrepreneurial dynamism of the Gounders (Swaminathan & Jeyaranjan1997; Damodaran 2008), the accumulating logic of formal sector capital and state policy of reservation (Cawthorne 1993; Krishnaswamy 1989), use of traditional agrarian forms of labour control (Chari 2004) and the dynamic of global garment value chains (Vijayabaskar 2001). Drawing partly on some of these works and partly on new archival material, this paper is a modest and exploratory exercise in highlighting the need for a broad-based conceptual framework which is sensitive to ethno-historical trends and regional variations, thus allowing for the emergence and evolution of a differentiated surplus appropriating capital both within the "capitalist" and the "non capitalist space".

The other limited objective of this paper is to underscore the need for situating capital accumulation in a sector within the broader regional political economy. We emphasize the need to situate Tiruppur historically as part of the larger textile territorial space of western Tamil region. This as we would argue had a significant bearing in shaping this urban conglomeration. Our paper should thus serve as a corrective to earlier accounts which are inclined to perceive Tiruppur in isolation from the effect of external influences as well as of the influence of the economic process within the larger region. In doing so, these accounts have ended up almost implying that the Tiruppur story, if not model, was exceptional, or worst still, have sought to relate its growth to the peasant ethos of toil and hard work among the Kongu Vellala Gounders (Gounders hereafter), the caste from which a majority of the entrepreneurs in Tiruppur are drawn. Our endeavour is to highlight the layered processes leading to the rise of a "modern" capitalist class, ranging from primitive accumulation and colonial processes to post-colonial state policies, imperatives of big capital and kinship networks.

Situating Tiruppur Within the Larger Western Tamil Textile Territory

The hegemony of Coimbatore

The weight of history and its umbilical links with Kongunadu[11] are important to bear in mind in any narrative of Tiruppur. Cotton was central to any discourse of the history of larger Coimbatore or Kongunadu region of which Tiruppur was an integral part since the lives of a significant number of people revolved around it in one way or the other—cultivation, trade, traditional and modern processing and production. It was only after Coimbatore came under colonial hegemony and following the exigencies of imperial interests, that one witnesses a pronounced and progressive increase in the area under cotton all through the late 19th and the first half of the 20th century. This is borne out by the changes in the cropping pattern. Thus the share of non-food crops as a proportion of the gross cultivated area registers a steady increase, by going up from 20 per cent to 33 per cent between 1911 and 1941. The share of cotton as a proportion of the total gross area during the same period also registers a corresponding increase going up from 11 per cent to 18.3 per cent. The share of groundnut, the only other noteworthy non-food crop, went up during the corresponding period from 1.6 to 8.3 per cent of the gross cropped area. By 1941, cotton and groundnut accounted for close to 82 per cent of the gross cropped area under non-food crops. Cotton was by far the most important non-food crop accounting for close to 56 per cent of the

[11] Comprising roughly of the current districts of Coimbatore, Tiruppur, Erode, Karur, Namakkal and parts of Salem.

gross cropped area under non-food crops[12] (Ponniah 1944). Much of this crop was concentrated in select talukas of the district notably Palladam, Pollachi, Udamalpet, Coimbatore, Erode, Avanashi and Dharapuram.

This attracted large European trading firms like Volkarts, Rallis, as well as Binnys, who set up ginning mills mostly around Tiruppur for processing the raw cotton before transporting it to centres both within and outside India. The introduction of the long stapled Cambodia variety of cotton in the early 20th century resulted in heightening Tiruppur's fame as most of these ginneries came to be concentrated in and around it, leading to its emergence as the biggest cotton market in southern India. Tiruppur naturally attracted merchants from all over India.

Coimbatore and Tiruppur were also the home for the handloom industry. The area has a long history pre-dating colonial rule, though we do not have hard statistics and information with regard to the number of looms, population of weavers, types of cloth manufactured etc. for the earlier period. That it was an important economic activity is borne out by the observations of the inveterate European traveller Francis Buchanan. In his journeys through south India undertaken in 1800 when colonial hegemony over this area wasn't fully in place, he does pointedly refers to the significant presence of a substantial community of weavers in the Salem–Coimbatore region.[13] The earliest data that we have with regard to the number of looms for the Coimbatore region is for the period 1830–31. Coimbatore accounted for a whopping 19,700 looms, far ahead of any of the other districts of the then Tamil region.[14] Tanjore and Tinnevelly came a distant second and third accounting for 13,800 and 12,800 looms respectively. Bellary and Cuddapah in the Rayalseema region, also cotton producing areas, were the only two districts with looms in excess of those in Coimbatore.[15]

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[12] (Ponniah 1944), chapter I, Appendix II, p. 21.
[13] (Buchanan 1807), pp. 261–5.
[14] (Specker 1989), p. 135.
[15] (Specker 1989), pp. 134–5.

The Jaders or Devangas and Kaikkoolars or Sengunthars were the principle weaving communities in the Coimbatore/ Salem region; Jaders or Devangas it was said combined agriculture with weaving while the Kaikkoolars were exclusively into weaving.[16] The subsequent census of handlooms in the course of the 20th century, despite significant fluctuations, also point to a fairly pronounced concentration of looms in the Coimbatore/ Salem region. The period between 1831 and 1871 is marked by a progressive decline of the loom count. By 1871, the loom count in Coimbatore district had fallen to 13,213 as against 18,981 looms in the adjoining district of Salem. However, from the turn of the century, there is a marked turnaround in the situation as seen in the progressive increase in the loom count in both Coimbatore and Salem. By 1948, Coimbatore and Salem with 44,173 and 71,898 looms respectively accounted for 21.5 per cent of total looms in the Presidency[17] (Miryam 2008). This large demand for yarn from a captive domestic market and in close proximity was one of the major incentives in attracting investment into the modern spinning sector in this region during the colonial period.

One of the exceptional features of the Coimbatore growth story was the growing involvement especially from the first decade of the 20th century of prosperous agriculturists from the Kamma Naidu and Gounder communities in the business of cotton ginning and raw cotton trade. This was in sharp contrast to the situation as it obtained elsewhere in India where the trade was largely controlled by mercantile groups. By directly supplying raw cotton to the textile mills in and around Coimbatore, these sections of the Kammas and Gounders were able to effectively eliminate middlemen traders from this line of business. Apart from enabling them to acquire greater profits, it also provided them with valuable exposure to the working of the mills, something

[16] (Specker 1989), p. 141.

[17] (Miryam 2008), p. 50. Miryam also rightly underlines the need to exercise caution in reading too much into this data as some of it was probably spurious. The pronounced inflation of the loom count especially in the 1940s may well be a studied upshot to deal with the exceptional war and post-war yarn control measures "since yarn quota depended on the number of looms returned" (Miryam 2008), p. 51.

which facilitated some of them to eventually enter industry. It was this symbiotic linkage between agriculture and industry which makes the historical narrative of Coimbatore and later of Tiruppur so distinctly significant.

The process of commercialization of agriculture was a catalyst in spawning productive capital investment and the use of modern technology for intensive cultivation. The availability of cheap hydroelectric power in the Coimbatore region from the early 1930s opened up greater possibility of intensive cultivation through lift irrigation. This in turn generated a demand for water-lifting equipment such as electric motors and pumpsets and thus provided an impetus to the growth of the small-scale engineering industry.[18] Agriculture and industry appeared to draw sustenance from each other.

While a detailed historical analysis of the Coimbatore region is still waiting to be written, the broad contours of it are fairly well known (see Baker 1984, Mahadevan 1992). It may, however, not be out of place to highlight a few significant features of the accumulation process, especially as they have a bearing on Tiruppur which is perceived until recently as a bastion of Gounder capital. The modern mill industry in Coimbatore can be said to have taken roots between the 1920s and 1930s and by the time of Independence in 1947 it had clearly emerged as a major textile hub in south India. The onset of the worldwide depression in the late 1920s acted as a catalyst in spawning a huge flow of agro-commercial capital, predominantly from the Kamma Naidu community into this industry. The depression had the effect of lowering the overseas demand for agriculture produce with the resultant steep fall in prices. It also had the effect of depressing land values, agricultural wages, cost of mill machinery, owing to recessionary conditions in Europe, all of which together rendered investment in industry far more lucrative vis-à-vis agriculture. It was against this unusually favourable set of conditions that one observes a virtual flood of investment into the textile industry. Thus between 1928 and 1946 as many as 27 mills came to be set up in the Coimbatore region.

[18] (John Harriss 1980) p. 4. See also (Mahadevan 1992) pp. 29–31.

One other major advantage that the Coimbatore textile industry enjoyed at this point of time was a captive market, in the shape of the handloom industry, in close proximity to it. From the late 1930s there also emerged a demand from outside the Tamil region. The marketing of their output was never a major constraint, at least in the initial phase of its history, and this is reflected in the enormous profits that the mill sector made in the pre-independence period and especially during the time of World War II. The three major Kamma Naidu families, namely the G. Kuppuswami Naidu group or the Lakshmi group, the PSG Naidu Group and the V. Rangaswami Naidu or Radhakrishna Group, who between them pioneered the entry of their community into the textile industry, also exercised a fairly dominant control over the industry through their control over a chain of mills.

The response of the upper echelons of Gounders was somewhat muted in relation to the upper strata of Naidus. But it wasn't totally absent. Thus we do have some evidence that there were a few Gounders among the leading cotton and yarn merchants of Coimbatore in the 1930s.[19] However the Gnanambikai Mills promoted in 1935 in Coimbatore is possibly the only instance of 'Gounder' capital investment in the organized mill sector during the colonial period. What is less known is the fact that a fairly significant number of Gounders appear to have invested in textile mills by virtue of which, and also perhaps because of their social standing, they were able to acquire a seat on the board of directors of the mills. Interestingly most of these mills happened to be non-Naidu controlled mills. These were Coimbatore Murugan Mills (1935), Lotus Mills (1936), Pankaja Mills (1932), Sri Saradha Mills (1934), Palani Andavar Mills (1933) and Tirumurti Mills (1935). The only Naidu controlled mill in which you observe some Gounder representation on the board is that of Janardana Mills (1934). In the remaining mills, most of which were controlled by Naidus from the three principal families, namely the G. Kuppuswami Naidu, the PSG and the V. Rangaswami Naidu, there is no representation of Gounders.[20]

[19] Silver Jubilee Souvenir, Kaleeswara Mills Ltd., Coimbatore, October 1938.

[20] See *The Southern India Investor* 1939, Kotharis, Madras & Kotharis Investor Encyclopeadia, 1944, 1947.

This is revealing and is possibly suggestive of latent fissures between the upper echelons of these two community groups, vis-à-vis industrial and market control. In the absence of concrete evidence, it is difficult to surmise about constraining conditions that deterred Gounder capital from displaying the kind of Kamma zeal in diversification of the investment portfolio during the colonial period. To what extent the variations in the soil type of the agricultural lands controlled by these two communities may have had a bearing and influence in the variations in their economic response, is an issue, though interesting, difficult to quantify and foreground. It has been observed that "the increasing demand for Cambodia Cotton favored Gounders as it grew more on red soils of the Kongunadu which was largely owned by the Gounders". In contrast "the black cotton tract" which suited the indigenous varieties of short and medium stapled cotton, were largely "controlled by the Naidus".[21] In the absence of hard evidence, one can only speculate that since the greater demand from the organized textile industry in south India and the handloom sector in the 1920s and 1930s was for the short and medium-stapled cotton suitable for lower and intermediate counts of yarn, the Kamma Naidus possibly established an edge over the Gounders in the cotton trade. The demand for Cambodia cotton during the same period was significantly greater in western India and in the overseas markets and relatively less in south India. In view of this, one could surmise that the Gounders were perhaps not in a position to exercise effective control over the spatially wider channels of distributive trade in the manner in which the Kammas could do vis-à-vis the local domestic market with the indigenous varieties of cotton. The resultant variations in the pace of accumulation may well have been a critical factor in the delayed response of the Gounders to diversification.

Interestingly, in the immediate post-independence period, however, especially in the 1950s, there is a fairly pronounced attempt by sections of the Gounders to invest in the modern textile sector. Apart from Karunambika Mills and Sakthi Textiles Company Ltd. promoted by A.V. Ramana Gounder and Pollachi N. Mahalingam respectively, you find a number of other Gounders approaching the Madras government

[21] (Kurian 1980), pp. 385–6.

for the necessary clearances to set up textile mills. These included V.K. Palaniswami Gounder, C.N. Shanmuga Gounder, V.C. Subbaya Gounder, V.S.R. Alagappa Gounder, E.R. Kandaswamy Gounder, C. Subbanna Gounder, D. Periaswamy Gounder and C.M. Ramaswami Gounder.[22] Some of these promoters were formerly directors of textile mills and would have naturally gained considerable first-hand experience of the industry.[23]

Moreover there was considerable differentiation within both the Kamma Naidus and the Gounders. The Gounders who entered the hosiery industry in the post 1960/70 phase, as we shall see later, were distinctly from the less affluent sections of the community as were the Kammas who set up the foundries and small engineering workshops in the 1940s. However they (the Gounders) surely seemed to have taken a cue and drawn lessons from history and in particular from the Kamma interventionist experience in the mill sector and played the same game, albeit several decades later in Tiruppur when they effectively managed to evolve informal entry barriers, which had the effect of restraining, at least for a while, non-Gounder capital from entering the hosiery industry.[24]

Small-scale Informal Textile Production in Colonial Kongunadu

The most striking and significant feature of the industrialization process in the Tamil region in general and of the textile sector in particular especially during the 1930s and 1940s was the phenomenal growth of the modern small-scale or the decentralized sector. A perusal of the annual Government of India, Ministry of Labour data source of the large industrial establishments in India confirms this trend. This

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[22] See index, Department of Industries, Labour and Cooperation, Govt. of Madras for 1953, 1956 and 1958, TNA.

[23] As a trend this can hardly be characterized as representing "isolated cases of industrialists from the community". Further the argument that "the arrival of Gounder Capital in the true sense... is a phenomenon mainly of the 1980s" may require a re-examination (See Damodaran 2008, p. 153).

[24] Outsourcing of work orders exclusively to kinsmen was one such form of entry barrier.

was clearly reflective of the broadening and deepening of the social base of capital. This was not merely confined to textiles or to the south-western Tamil region of Coimbatore and Salem but extended to other districts and other sectors. Yanagisawa while confirming this trend seeks to attribute this sectoral growth to the structure of demand. Though not quite using the formal–informal distinction, he argues a case for attention to demand patterns in explaining the rise of small-scale industries in the colonial period. Hence while quality and design may matter to the upper-income segment that may require frontier technologies and skilled labour, low cost may be of utmost importance to the low-income segments. Based on the development of small-scale production in rural areas in sectors like hosiery, rice and groundnut oil, he shows how the structure of demand can explain sectoral evolution.[25] While this may have certainly had some bearing, yet the subaltern demand by itself may not suffice to explain the growth of this sector as the case of leather tanning or small-scale engineering firms that emerged during this period would suggest.[26]

The other distinctive feature of the western Tamil Nadu textile region, relevant as a backdrop to our study, especially as it facilitates the historical contextualization of the rise of Tiruppur, is the emergence of what may be described as a triangular interlinked cross-sectoral accumulation zone that subsumed the agricultural sector, modern mill industry and the vast and heterogeneous informal sector, principally handlooms and later hosiery. Though quite pronouncedly unequal and not free of contradictions and stresses, the symbiotic linkages facilitated the broadening and deepening of the accumulation process. This is obliquely reflected in the findings of the Report of the Fact-Finding Committee (Handlooms & Mills). Though published in 1942 its findings pertain to the late 1930s. The report pointedly makes a reference to the emergence of "sowcar weavers" a class which "has arisen from

[25] (Yanagisawa 2010), pp. 51–75.

[26] Development Commissioner (Small-scale Industries) Small-scale Industry Analysis and Planning Report No 25, Cotton Textile Machinery and Spare Parts Industry. (See p. 42). Coimbatore accounted for 82 per cent of the investment in south India and 26 of the 30 units that came to be promoted between 1940 and 1957. A substantial number of the units were found to be better capitalized and in this respect scored over even western India.

among professional weavers"[27] and their growing influence in western Tamil region especially "in Erode, Gudiyattam, Trichengode and Melapalayam". Here there were many such handloom capitalists, the report went on to state, who were said to "control between 500 and 1,000 looms each". Some of them were said to "have built up very large organizations"[28] targeting specific export markets. These handloom capitalists were predominantly from the Devanga Chetty and the Senguntha or Kaikkoolar communities. Even the colonial provincial government was not oblivious of the changes that were overtaking the informal sector in this region as is apparent from the following observation made in the late 1930s.

> The handloom weavers in the province are taking to the manufacture of new styles of cloth to suit the changing demands of the market... Under the Pykara and Mettur Hydro Electric projects, cheap electric power has been made available in many areas and already in Erode, Komarapalayam, Salem and Trichinopoly power looms, swivel looms, twisting machines, braiding machines, knitting machines and jiggers (for dyeing cloth in full width) are being operated with electric motors[29]... . All these point to a certain process of deepening of capital.[30] Clearly there was considerable economic ferment in the informal sector during his period.

There were also instances during this period, namely the 1930s and 1940s, of these handloom capitalists routing their surplus into the organized mill sector. The Pullicar Mills established in 1935 by Viapuri Mudaliyar, a Kaikkoolar or Senguntha Mudaliar is an instance of this kind.[31] This spinning mill eventually passed into the hands of one of the

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[27] Report of the Fact-Finding Committee (Handloom and Mills) 1942, Government of India Press, Calcutta (hereafter FFC), p. 71.
[28] FFC, p. 72.
[29] Annual Report of the Department of Industries and Commerce, Government of Madras, Madras 1939, p. 72.
[30] See (Roy 1987b) for interesting insights on the changes that overtook the production structure of handloom industry during this period.
[31] (Cadene & Reiniche), Pondy Papers in Social Sciences, no. 9, November 1991, pp. 57, 70.

members of a family of Devanga Chetty "who are running three spinning and weaving mills at Komarapalyam".[32] Similar is the case with Dhanalakshmi Mills (1932) and the Ramalinga Choodambikai Mills (1933). Established in Tiruppur both these were controlled by prosperous families of Devanga Chettys, a handloom weaving caste (Mahadevan 1992).

With modern technology beginning to play a critical role from the 1930s in the small-scale sector as well, access to basic engineering services for maintenance and repair became very critical, especially since colonial India was totally dependent on imports for its mill machinery and spares and parts. It is in this context that the initiative of the PSG group to set up as early as 1928 an industrial institute for imparting theoretical and practical technical skills in basic engineering and especially textiles[33] to the young adults of this region assumes great importance. This was a very critical intervention in facilitating the creation of a large pool of technically skilled workforce with considerable spin-off effects. The PSG institute has, one could say, played a pivotal role in spawning a whole generation of technically empowered personnel who later set up workshops and foundries and in a way pioneered the small-scale engineering industry, thus laying the basis for the changing trajectory of its growth pattern (J. Harriss 1980).

Given the sheer weight of the mills in terms of capital investment and employment, they were very much the prime drivers of the region's economy. We see the spawning of a huge tertiary or service sector as was the case elsewhere, namely, finance and insurance, (*nidhis*, banks,) stock broking, retail and wholesale trade, since the commodities, both raw materials and the finished goods, had to be transported and the transport sector with its private carriers for moving commodities and people. The UMS and Annamalai Bus Transport (ABT), the two major players in the transport business, emerged around this time. Food (reflected in the mushrooming of eateries and cafetarias) and entertainment (roving cinema talkies promoted by Central Studios) were the two other sub-sectors which were clearly the offshoot of the

[32] Ibid., p. 57.

[33] *The Story of PSG 1926–1976*, Coimbatore, 1976, pp. 17–20.

demand arising out of the textile-centric urbanization. Being very much within Coimbatore's sphere of influence, all these developments had a bearing in Tiruppur's growth.

From Cotton to Hosiery: A broad historical re-narration of rise of the 'Tiruppur' region

Though Tiruppur's association with hosiery can be traced to the mid-1920s[34] yet the urbanization of the region dates back to late 19th century. Situated in Palladam *taluq* of the erstwhile Madras Presidency, Tiruppur's evolution as a town, in the initial phase, can be reasonably attributed to three factors; one, its location in a semi-arid region in the middle of a cotton-growing belt, two, its location in an area with a long history of traditional weaving and three, its rail links with the ports of Madras on the Coromandel Coast and Beypore on the west coast since 1862.[35] The conjunction of these factors facilitated the incorporation of the region into the world economy. Importantly, in the regions surrounding Tiruppur, non-farm employment has been an important means of survival for the small peasants and agricultural workers. Weaving and spinning is therefore historically a major non-farm activity in the region.[36] Though traditionally specific artisanal castes like the Kaikkoolars and Devangas were involved in weaving, peasant castes also took up this activity to supplement their agricultural income.[37]Agriculture was also supplemented by dairying and cattle rearing, and in the early half of the century, Tiruppur was the centre of an important cattle fair as well.[38] The crises in handloom weaving spawned by colonial policies that dispossessed many of the peasant

[34] (Shanmugam 1994), p. 1.

[35] Manual of the Administration of the Madras Presidency 1885, p. 426, (hereafter Manual).

[36] The importance of traditional spinning and weaving to the region can be gauged from the fact that the first All India Khadi Board division in south India was set up in Tiruppur in 1932. A tour of Tamil Nadu by members of All India Khadi Board revealed that Tiruppur was the biggest centre, with around two lakh *charkhas* in the nearby 1,500 villages and some of them were over a 100 years old (Kumarasamy 1989).

[37] (Rutherford 1980).

[38] (Nicholson 1898), p. 405.

castes of their traditional livelihoods and the vagaries of rain-fed agriculture pushed many from the hinterlands into the town, constituting a cheap workforce.

The extensive cultivation of cotton in the black soils of the region and the attendant commercialization of agriculture has been well-documented.[39] Coimbatore district, in which Tiruppur is located, had the largest area under cotton cultivation in the Madras Presidency after Tirunelveli in the 1880s.[40] This led to the growth of a number of cotton markets and presses in the region during this period. Prior to 1862, Palladam, a nearby town, was home to an important cotton market and we find evidence of a few cotton presses in the town.[41] Tiruppur was then a relatively small town whose economy was dominated by a weekly fair.[42] With the laying of the railroad between Madras and Beypore via Tiruppur, pressed cotton bales were sent from Palladam to Tiruppur to be transported by rail.[43] When cotton supplies from the USA to British India were cut off in the aftermath of the American Civil War, this region witnessed an enhanced commercial activity.

Initially, presses were set up in Palladam. With the laying of the railroad in 1862, there was a gradual movement of gins and presses from Palladam to Tiruppur, about 15 kilometres.[44] Instead of being processed in other places and then brought to Tiruppur, cotton was now taken directly to Tiruppur for processing before being transported from there.[45] This period witnessed a rapid urbanization of the region based on agricultural commercialization.[46] In subsequent years, we

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[39] (Baker 1984; Mahadevan 1992; Berna 1960, Harriss-White 1996).

[40] (Manual 1885, I: 289).

[41] (Appendix LXXXIX of Manual 1885, II: p. 501).

[42] (Buchanan 1807), p. 278.

[43] "Palladam is the centre of cotton trade, the fibre being there pressed and despatched to the railway station of Tiroopore for transmission to the ports of Madras and Beypore" (Manual 1895, Vol: II, p. 73).

[44] (Nicholson 1898), p. 160.

[45] "A great deal of cotton is despatched from this place and it now possesses two cotton presses worked by steam generated by kerosene oil" (Nicholson 1898), p. 405.

[46] Between 1881 and the 1891 census, we find that the rate of increase in population is the highest in Palladam taluk in the Madras Presidency.

find a steady increase in the number of gins and presses and also a rapid growth of the cotton market in Tiruppur. From five factories in 1911, it rose to 90 in 1933 and 149 by 1941.[47] Though initially under the control of European capital, the outbreak of World War I opened up space for entry of domestic capital into this sector, especially for merchant capital from Bombay in the initial years. The 1920s depression in the Bombay textile industry led to their exit only to be replaced by local capital.

With the growth of nearby Coimbatore as a major centre of spinning in south India, Tiruppur's position in cotton trade was further consolidated. It became the biggest cotton market in the Madras Presidency and the third biggest in British India.[48] Subsequently, by the 1930s, spinning mills too were established in Tiruppur. The required capital for all the three spinning mills set up initially came from Devanga Chettys, a traditional caste of handloom weavers, who mobilized capital from cotton related trade. The available evidence suggests that the first hosiery unit in Tiruppur was set up early as 1925.[49] However its impact on the urbanization process of Tiruppur was felt only in the late 1940s, following the boom in investment in this sector. Till then, commerce appears to have held sway over manufacturing in the town.

The rise of the hosiery manufacture in the informal sector in the 1920s and 1930s needs to be seen as part of the dynamics of the handloom industry. It was largely influenced by the changing demand pattern referred to earlier. The FFC on Handlooms and Mills in its report pointedly attributed the rise of hosiery industry in the late 1930s to the changing clothing habits among the people. In the context of the effect of these changes on the handloom industry traditional product profile, it observed rather metaphorically: "Perhaps the knitted underwear (vest or *banyan*) is the villain of the piece … Among the poorer country folk it has come as a cheap substitute for Kurta and

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[47] (Mahadevan 1992), p. 9.

[48] "Tiruppur is the biggest cotton market in the Presidency and probably, the third biggest in India" (GO: 463, Development Department dated 25/2/1937, 8, TNA).

[49] (Manthagini 1983), p. 5.

has obviated the need for an upper garment".[50] A considerable portion of the yarn according to the report was being absorbed by the hosiery industry. The growing importance of the hosiery industry during this period (viz. the 1930s and 1940s) is also confirmed by the increasing production of cone yarn by the spinning mills.

A somewhat little known fact is the early concentration of the small hosiery units in the Salem region and in particular in the town of Gugai. Interestingly, almost all these units came to be promoted by the Devanga Chettys who seemed to have moved from handloom weaving to hosiery.

The first large scale modern hosiery mill in the Tamil region was the Madura Knitting Company established as early as the 1920s. Very little is known about this concern. The mill was owned and managed by M.K. Ramaswamier, presumably from the Patnulkar or Sourashtrain weaving community. The available limited evidence would seem to suggest it was a fairly successful enterprise, at least initially before Tiruppur's emergence as a major centre. The number of workers which was 174 in 1929 increased progressively year after year and by 1947 mill employed 913 workers.[51] The proximity to Harveys Madura mills, a major supplier of yarn to hosiery units all over India,[52] may have also been a consideration in the location of the hosiery mill at Madura. By early 1950s this enterprise disappeared from the horizon.

The hosiery manufacture appears to have taken roots in Tiruppur only after protection was extended to this industry in 1934 and 1936. It was the heightened demand consequent upon the disruption of the import trade during World War II that saw significant inflow of capital into the hosiery sector and particularly in Tiruppur. Taking advantage of the enormous profitability of hosiery products, a section of the organized mill sector especially some of the composite mills of Coimbatore even set up hosiery units as extension of their mills. These

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[50] (FFC), p.17; see also (Yanagisawa 2010), pp. 60–3.
[51] See "Large Industrial Establishments in India", Govt. of India, for the relevant years.
[52] (FFC 1942), p. 272.

included the Devanga Chetty family controlled Dhanalakshmi Mills in Tiruppur, besides the Coimbatore Spinning and Weaving Mills, the Pankaja Mills, Vasanta Mills Radhakrishna Mills, all in Coimbatore.[53] By the 1940s, Tiruppur itself had as many as four spinning mills to feed the growing demand for yarn from the hosiery and handloom units. For the mill sector in the greater Coimbatore region, the diversified handloom sector together with the emerging hosiery sector remained a very important captive market both in the pre- and post-independence period.

By the late 1950s, Tiruppur had emerged as a major centre for hosiery manufacture and accounted for the largest number of units in the category of "organized" small-scale sector as compared to West Bengal and rest of north India where the largest concentration was in the unorganized and cottage category. The average size of the units in Tiruppur was much bigger than elsewhere.[54] Likewise the units in Tiruppur were better capitalized than their counterparts in northern and eastern India.[55] As regards product profile, banians accounted for about 85 per cent of the total hosiery production in Tiruppur.[56] The growing importance of Tiruppur as a hosiery centre by the early 1950s was acknowledged by the Indian Chamber of Commerce, Coimbatore. It was estimated "that there are more than six hundred machines manufacturing fine quality of banians of all sizes and varieties and the manufacturers have three organizations to look after their interests, The hosiery is marketed in all parts of India and is also exported to Ceylon, Malaya and other places".[57]

Since these were small-scale units registered under the Factories Act, it is difficult to secure details of the ownership pattern of the old firms. However the available evidence seems to suggest that in the

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[53] Small-scale Industry Analysis & Planning, Report No. 18. Hosiery Industry, Ministry of Commerce and Industry, Govt. of India, New Delhi, 1957, see Appendix 1, p. 102.
[54] Small-scale Industry Analysis & Planning, Report No. 18, p. 25.
[55] Small-scale Industry Analysis & Planning Report, p. 34.
[56] Small-scale Industry Analysis & Planning Report, p. 32.
[57] See Indian Chamber of Commerce, Silver Jubilee Souvenir Volume, Coimbatore, 1954, p. 148.

pre-1960 period, the industry was largely dominated by the upper strata of the two renowned handloom weaving castes of the region namely the Devanga Chettys and Kaikkoolars, and Muslim traders with links to the Malabar region where the Basel Mission had introduced hosiery production and spawned many a firm producing knitwear. But there is some evidence that even during this period, namely by the late 1950s, Gounder capital was slowly beginning to enter the hosiery industry. It is argued by some that the turning-point was the prolonged agitation by the workers during the 1960s, resulting in the eventual exit of the Devanga Chettys (C. Krishnaswamy 1989).

This phase, from the late 1960s and early 1970s, also marks the greater entry of Gounder capital into knitwear production. Simultaneously, there was also a move by merchants from Calcutta to source hosiery goods from Tiruppur producers in the wake of labour unrest in Calcutta. This move also meant that merchants would provide them with yarn and hence reduce the working capital requirements. Coupled with the growing fragmentation of production into specialized small-scale units, this phase was marked by relatively lower entry barriers to entrepreneurship in the industry, which in turn allowed for entry of non-corporate capital. This is not to deny the importance of informal production in this sector. Even earlier, there were smaller units operating in households and producing for the bigger firms, but it was on a much smaller scale. The latter period of this phase, starting from the early 1980s also coincided with Tiruppur's diversification into export markets. Not only do we observe new sources of capital entering into the industry during this phase, but importantly, several modes of mobility from non-corporate to corporate forms of production are visible. In the following section, we map the changing profile of capital in the knitwear industry overtime as the industry itself went through organizational changes and market diversification.

Profile and Evolution of Contemporary Capital in Tiruppur[58]

With the increasing fragmentation of the production process, investment requirements for setting up a hosiery unit decreased

[58] The bulk of the empirical material in this section is drawn from Vijayabaskar (2001).

considerably. While the earlier units were composite units where knitting, processing and garment-making were all done within the same unit, this phase was witness to the splitting up of these operations and carrying them out in separate units. This facilitated the entry of sections of Gounder peasants who could not gain a foothold into the industry earlier when investment requirements were larger. The Gounders themselves are a highly differentiated group. In certain regions, they are big landholders, but in the areas surrounding Tiruppur, they are largely small peasants (Chari 2004). Since the rise of fragmented units, this industry has come to be numerically dominated by this section of the caste. Their movement from agriculture to industry is less through the traditional route of investment of agricultural surplus, and may be understood better as a response to certain "push" factors. In other words, the attributes of this capital, at least large sections of them, clearly corresponds to the non-corporate capital laid out by Sanyal and Chatterjee.

The growing cost of well-irrigation, due to a declining water table and use of modern electric pumps made agriculture an increasingly unprofitable venture (Guruswamy 1980; Rutherford 1980).[59] The consequent increase in the cost of cultivation did not match with the increases in prices obtained. That this led to the emergence of peasant movements and protests in the district in the 1970s has been well-documented (Guruswamy 1980). The district had become the most commercialized by 1980 and was also one that faced acute water shortage (Harriss-White 1996). The declining profitability of agriculture led to a gradual movement of capital and labour away from agriculture and into urban ventures like retail trade, rice milling and the cotton knitwear industry which, by then, had become well established. Some sections of the peasantry sold portions of their land to set up an enterprise that would undertake one part of the production process. Their movement was more driven by the need to survive rather than to accumulate. Some of them entered into trade of hosiery goods first

[59] (Rutherford 1980) p. 6. Rutherford also points to the fact that by the late 1970s wells that were even 175 feet could irrigate only an acre, p. 2. The same study also points to the deterioration of soil quality that has traditionally depended upon rainfall in the region.

before moving into production and others, as we shall see in detail later, started off as workers in the industry before moving onto becoming subcontractors and direct exporters. Around this period, a small hosiery unit could be set up with an investment of Rs. 10,000 to Rs. 15,000, an amount equivalent to the income from one acre of turmeric in the late 1970s.[60] Many farmers who had well-irrigated lands found this a more remunerative venture than reinvestment in agriculture. A knitting/fabrication unit requires an investment of around Rs. 50,000, an amount equivalent to the cost of digging two bore wells, a minimum requirement for practising agriculture (Rutherford1980). Hence, the relative profitability of the industry drew surplus from agriculture and, more importantly, proceeds from sale of land into these ventures.

It is not just the merchants from Calcutta who had a role in the development of the contract system, but also Gounder farmers who came to invest capital in this industry. The entrepreneurs also drew in their kin to work in their enterprises, which paved the way for the rise of another set of entrepreneurs later. The subsequent phase of movement into the export market drew in another set of Gounders into the industry. Farmers who had taken to tube-well irrigation also sought to invest agricultural surplus into setting up dyeing and printing units on their farm lands. Some of them also entered into collaboration with their kin, who were either small entrepreneurs or workers, to set up knitwear making units. In fact, as Chari argues, this movement of Gounder capital was also accompanied by use of labour control mechanisms akin to that used in agrarian landscapes. These twin processes—the entry of Calcutta merchant capital and Gounder capital—gradually undermined the dominance of composite units controlled by relatively more well-to-do agrarian, trading and weaving capital, and replaced it with small-scale or household units who worked as sub-contractors, with each specializing in different stages of the production process, and often orchestrated by merchant capital.

The entry of entrepreneurs from the weaving communities, the Senguntha Mudaliar or Kaikkoolar caste, from several villages found in the region persist in this period as well. Interestingly, label-making

[60] (Rutherford 1980), p. 14.

as a household enterprise, a process akin to handloom weaving is dominated by members from this caste at present. In several villages dominated by this community, we find numerous household units manufacturing labels for both export and domestic production. To them, it is a marginal but remunerative shift from traditional weaving, returns to which had declined considerably.

Between the late 1970s and late 1990s, discussions with key informants and composition of the study firms indicate little changes in the social profile of manufacturing capital observed earlier by Vijayakumar (1988) except for the entry of non-local manufacturer exporters.[61] This entry coincides with the diversification of production from the domestic to the export market, especially from the mid-1980s. Despite changes in entrepreneurship over time, the Gounders continue to constitute the largest proportion of the entrepreneurs. With regard to previous occupations, a significant section of the entrepreneurs who had entered the industry between the late 1960s and early 1990s are erstwhile workers who have been pushed out of rural areas to survive in Tiruppur town. This is also borne out by the earlier study by Vijayakumar.[62]

Our interviews with firms selected for case studies reveal the significance of the mode of capital sourcing, given the informal nature of activity of many firms and thereby the need to rely on non-formal sources. Based on our fieldwork and interviews with key informants

[61] An earlier study of the entrepreneurs in Tiruppur undertaken in 1984 provides the following caste and religious break-up of the entrepreneurs surveyed (Vijayakumar, 1988): Gounders 62 per cent, Chettiars 14.4 per cent, other Hindus 18.8 per cent, non-Hindus 5.5 per cent.

[62] Vijayakumar highlights the poor educational qualifications of most entrepreneurs and the high incidence of erstwhile workers becoming entrepreneurs in the industry (24 per cent). The study finds that most of them are first-generation entrepreneurs (86–87 per cent) with work experience varying from 6 months to 35 years. Or else they hailed from traditional agricultural or weaving communities (Gounders and Mudaliars). Local capital from related activities like yarn sales, bleaching, dyeing and printing and other areas like rice milling, transport, hotelling and cinema were also found.

and respondents, the following modes of sourcing investment capital can be identified.

i) Gounder peasants and Kaikkoolar weavers

The fragmentation process has enabled a number of Gounder peasants to enter into this industry. There are two modes through which entry occurs. The movement of the richer peasants, or those with bigger landholdings, has been through investment of agrarian surplus, especially that from cotton and groundnut cultivation, in the industry. The other mode of entry, undertaken by most small and middle peasants, happened due to poor agricultural conditions in the region. Given the vagaries of dry land cultivation, agrarian incomes have always been supplemented with income from non-farm activities, in the form of dairying, seasonal employment in ginning and pressing in Tiruppur, etc. The growth of the knitwear industry, and the declining prospects in agriculture, led to a new mode of transition. Increasingly, capital for investment in the knitwear industry was acquired through sale of agricultural land. This process, though prevalent even in the 1960s and 1970s, accelerated considerably in the initial phases of export, probably a result of the lure of higher returns in the export market. Else, they were driven to work in the industry as workers due to poor agricultural returns, and slowly moved into setting up small units some which went on to become lead export firms in the town. The case of 'Best' Ramasami described by Damodaran[63] illustrates this phenomenon.

Simultaneously, we also find members from artisanal castes like the Kaikkoolar and Devanga Chetty weaving community moving into segments of knitwear production, due to diminishing returns from handloom weaving. The region has been traditionally home to a large weaving community with several villages dominated by this caste. We have already seen how the adverse impact of colonial policies on handlooms led to the establishment of the first Khadi Board in south India in Tiruppur. In addition to zip-making that we mentioned earlier, some of them have also set up small subcontracting units essentially to

[63] (Damodaran 2008), pp. 156–7.

meet their reproductive requirements. The latter two set of entrepreneurs, the peasants and artisanal weavers, pushed out of their traditional occupations clearly constitute a segment whose entry into knitwear industry was driven by the need for survival and reproduction rather than for capital accumulation.

ii) Kashtakootu (Trader/Peasant + Worker)

This institution has been critical in routing of capital and entrepreneurial skills into this industry (Swaminathan & Jeyaranjan 1994). It takes place mostly through kinship networks. Workers with good work experience in this industry enter into a partnership with a relative who would invest the necessary capital. Thus, while the worker-owner would take care of the management of production, the other partner would be involved in negotiating buyers, accessing new markets, and so on. In a few instances, persons with assured access to one or many buyers would team up with a worker to set up a production unit. Though this phenomenon is widespread among the Gounders, it is also found in the Mudaliar and Chettiar community of the Tiruppur region and has been critical in the worker-entrepreneur mobility highlighted in earlier studies on Tiruppur (Cawthorne 1993, 1995; Swaminathan & Jeyaranjan 1994).

iii) Gratis Capital

Bigger firms, in order to escape fulfilling legal obligations to labour, and to avoid problems of maintaining a large labour force, encouraged long-standing workers to move out and set up units of their own. They were invariably supplied second-hand machinery and orders to work on in the initial phases. Subsequently, they moved on to supply other firms as well, before entering into the final market directly. This mode was prevalent in the earlier phases of the industry's growth, especially during the 1970s and early 1980s, when capital resorted to fragmentation as a strategy to counter organized labour in the industry (Cawthorne 1993). To illustrate, in the initial phase, a big direct exporter supplied machinery and fabric to one of the units we studied, got the cutting and stitching done on its premises and then it was taken back, for which a certain commission was given. The owner carried out a supervisory role for the direct exporter and the organization resembling the putting-out system. This method of putting-out was soon stopped, when the owner purchased a few second-hand machines and started undertaking orders from other direct exporters.

iv) "Journeyman" Route

Given the low entry barriers due to low investment and technological requirements, especially in the earlier phase, workers often teamed up together to start a unit of their own. Mostly, it was done with the help of second-hand machinery, with operations being carried out in household premises. The expansion of such units was normally associated with movement away from the households into commercial spaces and/or the partners moving on to set up units of their own. We may term this mode of capital sourcing as the "journeyman" route. The workers teaming up would have got acquainted, either when working together for the same parent firm, or because they live in the same neighbourhood or are bound by kinship. The parent firm may or may not patronize them.

Though the rise in initial investments due to quality requirements of the global market have reduced the scope for such entrepreneurial possibilities, we continue to find worker teams taking informal loans to buy second-hand machines for such ventures. Further, production for the domestic market continues to thrive in the town and in the neighbouring villages.

Another route is to enter into labour contracting. With the growing demand for labour, some erstwhile workers have become labour market intermediaries and supply labour to several units. With income from this, some of them have set up small units for operations like checking and stitching. This route has become particularly prominent since the mid-1990s with the growing demand for labour on the one hand and casualization of labour on the other. With the sector drawing upon migrant labour from other districts in the post-2000 period, the need to access labour quickly to respond to new orders has become very important. This has led to the rise of the labour contractor as a key institution in Tiruppur's labour market. Long-time workers have tried to meet this demand by forming labour gangs drawn from their native villages and networking with a number of producers to meet their labour requirements. Savings from this have begun to find their way into small-scale units undertaking one or more operations for garment production. This route has facilitated the entry of non-corporate capital drawn from other regions as well. Most of them have been pushed out of their villages due to loss or decline in livelihood prospects in agriculture, and many tried their hands at different informal occupations before entering into the hosiery sector.

v) Metro-based Mercantile and Exporters

These are firms at the upper end of the industrial structure. They belong to established mercantile export houses, based in metropolitan cities like Mumbai, Delhi, Bangalore and Chennai. Originally, their primary sources of profits were mercantile in nature, sourcing garments from their numerous sub-contractors in Tiruppur. Since the late 1990s, some of the firms have moved into production. Characterized by relatively high investment levels, many of them moved into setting up sophisticated processing units to begin with before moving on to setting up large apparel making units as well. This expansion into production has partly been facilitated by the de-reservation of knitwear production from 2005. With good access to overseas markets by virtue of their presence in exports, they also tend to have units in other apparel clusters like Bangalore, Noida and Delhi.

vi) Textile sector related Trading and Production

Having started out as a cotton market town, the urbanization of Tiruppur, as observed earlier, has largely been a result of investment of trading surplus and profits from the ginning and pressing factories into a number of areas, including the knitwear industry. There are several units set up by traders in yarn, and dealers in machinery and spare parts. Subsequently, firms involved in weaving and woven garment-making have also moved to set up production units in Tiruppur. While the former segment belongs primarily to the pre-1990s period, the latter sources of capital are more visible since the 1990s. This is observed more among non-local capital in the industry.

vii) Professional

This is another source that has gained prominence since the mid-1980s with the growing awareness of the high profits associated with exports. Until then, the "informal" and small-scale nature of activity in the knitwear industry precluded the "educated" from entering into this industry. Socially, it was not considered "proper" for the educationally qualified to become knitwear entrepreneurs. The low-profit margins during the domestic market orientation phase for most firms would also be a factor influencing this attitude. However, with the opening up of the global markets and the high margins enjoyed by direct exporters in the initial phases, the industry began to gain respectability. "Exporting became an occupation with social status."[64] The entry of new types of capital, especially "non-local", reinforced this perception.

Since then, there has been an influx of white-collared employees from the formal sector, both public and private, teaming up with locals with a good knowledge of the industry to start export-oriented units. Or else, they worked for a period of six months to one year in their friends' or kin's firms before setting up units of their own. With their social capital more attuned to the process of accessing global markets and loans from formal lending institutions, many of them have succeeded. During the course of our fieldwork, many instances of direct exporting firms and sub-contracting units run by former bank employees, government officials and professionals like engineers, doctors and accountants were found.

viii) Dowry Capital

Though not an openly-acknowledged phenomenon, well-informed locals and key informants agree it exists. As a part of the dowry, the son-in-law, in addition to being given money for investment, would be introduced to close relatives, well established in the industry, who would

[64] This was evident from the snide remarks of some of the established direct exporters about the naming of many sub-contracting firms as "exporters" when they were only supplying to the "real" exporters. The naming of many small sub-contracting firms and even job-working firms as "exporters" is further testimony to this phenomenon.

then begin to place orders with his unit. This has also facilitated the entry of entrepreneurs with higher formal educational qualifications into the industry. This mode appears to be widespread among all communities. During fieldwork, we came across at least six weddings of this nature in Tiruppur. In addition to providing access to capital, this mode importantly serves to build social capital through kinship ties. This happens to be an important mode of building kin-based production networks.

ix) Reinvested Profits

In a few cases, second-generation entrepreneurs move into production for exports based on capital and contacts developed by their parents who were involved in production for the domestic market earlier. While the first-generation entrepreneurs may continue to operate in the domestic market in a few instances, in other cases, both of them move into export production. This phenomenon was observed in two study firms run by erstwhile workers whose sons were involved in production for export, while they continued to pursue their trade in the domestic market. Such entrepreneurs also have benefitted through investments in their education made by their parents. Taking advantage of old kinship and new social networks gained in schools and colleges, these entrepreneurs have been able to expand and diversify both in terms of market destinations and output profile.

Despite the modernization of the industry and the rise of medium to large-scale enterprises since the mid-1990s, production continues to fall largely in the realm of the informal. Ninety-five per cent of the finishing units are either partnership or proprietary concerns, indicative of both low investment requirements and the dominance of small firms. The description of the industry as one composed predominantly of small firms, however, masks the process of growing concentration of capital at the top of the cluster at present and also the rising investment requirements in several segments of the production process. Around 20 firms have a turnover of over Rs. 100 crores, another 50 firms in the Rs. 50–100 crore category. Most exporters have a turnover of Rs. 1–3 crores, and a few less in the Rs. 3–10 crore category.

Further, most of the top 30 exporters have undertaken efforts at backward integration. They have set up spinning mills that feed their demand for yarn and some of them have also ventured into exports of yarn. Additional diversification into new processing like computerized embroidery, yarn dyeing, soft-flow dyeing, compacting and sophisticated knitting is also evident among these export firms.

From the above typology, it can be seen that the first four types loosely correspond to what can be read as non-corporate capital. These are entrepreneurs who have been partially dispossessed from the traditional means of production due to a range of factors and have been pushed into this sector. While small peasants and traditional weavers in the first category belong to this category, where their movement into production has been driven more by the need to survive, the rich peasant diversification is obviously not. Further, in the case of second-generation entrepreneurs, their growth is premised on previous entrepreneurship which, more often than not, was based on the need for survival rather than accumulation. However, over time, there has been a clear movement to production for accumulation and profit. Some of them have gone on to become leading exporters and many of them occupy lower and intermediate rungs in the cluster's production structure. This clearly shows that the dualistic categories of corporate and non-corporate capital do not quite capture the accumulation dynamics in a fast-growing region. While the characterization of nature of entrepreneurship in Tiruppur may be quite representative of clustered production in other parts of the country, the mobility that Tiruppur's growth has enabled among the class of "non-corporate" capitalists may be less common. This is definitely not to deny the possibility of the distinction between corporate and non-corporate capital. Rather, we have sought to highlight a set of processes that have enabled movement from one to the other. Here, not only are the socio-economic ties to the larger regional economy important, but—and we would also like to emphasize this—the external impulse and a conjuncture of the two sets of factors in producing such a pattern of capital accumulation. It may be tempting to isolate a set of factors from the Tiruppur story to explicate the conditions under which such a transition and co-existence of multiple forms of capital occurs. More studies of other dynamic regions are however required for such an endeavour.

Epilogue

The changing trajectory of the accumulation process and the resultant changes in nature and profile of the industry in both the regions following liberalization has contributed in considerably weakening and eroding the historically-conditioned strong linkages between Coimbatore and Tiruppur.

Coimbatore wears a very different look today, almost unrecognizable, as compared to the 1920s when the modern textile industry began to take root. Textiles, while still not unimportant, are by no means the game-changer as far as present-day Coimbatore is concerned. The urban economy is much more diversified now than it ever was before. However it is important not to overlook the historically critical role of cotton in spurring the growth story of Coimbatore. This story of the trajectory of entrepreneurship is, in many ways, in sharp contrast to that of some of the other major textile hubs in India such as Mumbai, Ahmedabad and Kanpur. The cascading multiplier effect characterized by backward and forward integration can be seen to have played out in Coimbatore as reflected in its journey from raw cotton to cotton yarn – to pump sets – to wet grinders – to auto ancillaries – engineering – software. It is also emerging as a fairly important hub for medicine and health care, education, and lately, IT. Coimbatore has truly come a long way.

The new generation cotton textile industry is highly capital-intensive, employing state of the art technology and producing a range of the most sophisticated yarn, principally for exports, in sharp contrast to the pioneers who catered largely to the captive domestic handloom and hosiery industry in their vicinity. By setting up their own spinning mills and their distinct association, some of the hosiery capitalists of Tiruppur have not only broken free of Coimbatore's hegemony, thus sanctifying the rupture between the two centres, but have chartered their own course, securing a niche, in the textile value chain of the new global market order.

Acknowledgements

The authors wish to specially thank Dr. Janaki Nair and Dr. Jesim Pais, among other participants of the workshop, for their perceptive comments and observations. A word of special thanks to Dr. Judith Heyer for her invaluable comments on an earlier draft of this paper.

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