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Towards a Sociology of India’s Economic Elite: Beyond the Neo-Orientalist and Managerialist Perspectives

Surinder S. Jodhka and Jules Naudet

Is there such a thing as an “Indian way of doing business”? Many publications, whether academic or not, indeed assert the singularity of Indians’ approach to business, often mobilizing an orientalist gaze and reifying the peculiar conception of business that supposedly prevails in the subcontinent. This special issue of SAMAJ proposes to move away from a focus on “doing business” in order to rather dedicate more attention to the role of economic elites in the production and reproduction of inequalities and privileges as well as on the possible roles they play in the process of capital accumulation. In order to do so, we choose to follow Shamus Khan and to define elites as “those who have vastly disproportionate control over or access to a resource” (Khan 2012). From such a perspective, economic elites are those who benefit from top incomes or who control the means of economic production. Going beyond a narrow focus on culture (though not denying the potential interest of such a perspective), we thus suggest
approaching business elites from a wider set of perspectives. It is indeed decisive to look at the way economic elites secure political and administrative connections in order to maximize their profits, at the way they develop exclusionary practices in higher education in order to preserve their privileged access to top educational credentials, at the way they reproduce their privileges through elite lifestyles or, among other possible examples, at the way they convert their economic capital into other forms of capital (into cultural capital through buying art or into social capital through accessing elite circles for instance).

2 Caste, astrologers, vaastu consultants, tantric experts, Baniya and Marwari cultures, hawaladars, hundi networks and other idiosyncrasies are generally the main elements of the Oriental scenery depicted by promoters of an approach focused on the idea of an Indian business culture. Such othering views strongly inform the way American and other Western executives “construct representations of management and business” in India (Jack et al. 2011:282; McKenna 2011; Srinivas 2012). This neo-orientalist “text-book” approach, often combined with either a rejection or a celebration of the Indian way of doing business, is far from being specific to Western commentators. It is actually deeply grounded in the common views Indians have of their own business culture.

3 In his book Rokda: How Baniyas do business, Nikhil Inamdar insists on “the matchless ingenuity of this community” and evokes “the spirit of the Baniya DNA, which is wired for enterprise” (Inamdar 2014:xii). A similar tendency to naturalize the dispositions of Indian businessmen might be found in several volumes of the book-series, “The Story of Indian Business” edited by Gurcharan Das, former CEO of Procter and Gamble India and whose name was recently mentioned in the Panama Papers.1 In his foreword to The Marwaris, Das revealingly praises the virtues of merchant communities. For him, “India has been fortunate in having communities who for centuries have known how to conserve and grow their capital” and this leads him to suggest that “our much-reviled caste system might have some redeeming features” (Das 2014:xvii). Not dissimulating his “sense of wonder at the vivid, dynamic and illustrious role played by trade and economic enterprise in advancing Indian civilization,” he indeed describes his series as an attempt to “celebrate the ideal captured in the Sanskrit word ‘arthha’” (Das 2014:xxvii), a word that refers to material success (understood as wealth and power) as an existential goal.

Writing in a similar vein, Devdutt Pattanaik in his book Success Sutra: An Indian Approach to Wealth, intends to defend the goddess Lakshmi against those who perform “Lakshmi-ninda, or the abuse of wealth” (Pattanaik 2015:xii). He indeed warns us against the use of “derisive words like ‘bazaruu’ and ‘dhanda’” through which “we equate professionalism and commerce with prostitution.” Performing Lakshmi-shruti is actually the only way “the legendary golden bird of prosperity (sone ki chidiya)” will “return to this rose-apple continent we call India” (Pattanaik 2015: xii). In another book published by Harvard University Press, Peter Capelli, Michael Useem and their colleagues try to convince their readers that the “Indian way,” understood by them as distinctively Indian management practices, helps account for exceptional economic performances. They notably insist on the fact that “The priority and value placed on service to others and the widely held belief that one’s goal in life should extend beyond oneself, especially beyond one’s material needs, has been crucial to the Indian way. The third of the four stages of Hindu life, with its focus on the search for meaning, helping others, and a gradual withdrawal from the competitive business world, also neatly coincides with the typical age (over fifty) of senior business leaders” (Capelli et al. 2010:287).
One obvious reason for such a pervasive tendency to stereotype the so-called “Indian way of doing business” is the near complete absence of any kind of serious and sustained social science engagement with the subject. As of today, there exist very limited systematic sociological studies of the Indian economic elites in the contemporary period. What we have is a fragmented mosaic of studies that do not sufficiently dialogue one with another.

India is also generally the missing case in the social science writings on international comparisons of the various forms of capitalism and thus has remained mostly absent in the general theories of contemporary capitalism. According to Michael Witt and Gordon Redding, “India, now the third-largest economy of Asia, is virtually terra incognita from a business systems perspective” (Witt and Redding 2013:267). This is all the more surprising since India was at the center of Max Weber’s comparative analysis of capitalism in the early years of the 20th century (Weber [1916–1917] 1958) and that a growing body of scholarship is now exploring the specific relationship between state and capital in the Indian context (Das Gupta 2016).

This SAMAJ special issue has been prompted by the conviction that there is an urgent need to propose a more sociologically and empirically grounded view of Indian economic elites than what currently exists. If there are indeed many businessmen who consult vaastu specialists, karmic healers and astrologers to guide their decisions (Guenzi 2013, Guenzi and D’Intino 2016), if caste networks do play a structuring role (Naudet and Dubost 2016), if hawala and hundi networks actually structure the financing of many firms (Ballard 2013, Martin 2009), if certain communities do place religion at the center of their professional activities (Harriss 2003), the so-called “Indian way of doing business” should not be exoticized on the sole basis of these cultural clichés. The specificity of the Indian business world cannot be explained drawing on the idea that Indian civilization provides spiritually and culturally superior resources (like a so-called success mantra). The undeniable observation that these social facts are deeply embedded in the Indian social fabric should not justify making them the main prism through which to approach Indian business. Nor should the behavior of businessmen solely be accounted for by drawing on naturalizing repertoires referring to the blood or mythical DNA of Indian merchants. These are idioms that need to be interrogated drawing on the reflexive tools of social science. India has long been a very diverse country, with a wide range of communities, cultures and traditions living together and across regions. India has also been changing, with newer communities joining the ranks of business owners and managers, and in the process re-configuring their community and caste cultures.

The share of Asian economies in the world economy has been continuously growing since the end of the Second World War (cf. Figure 1.1.). If the economic elite of countries such as China or Japan have been the object of many studies, India has strangely been comparatively left out by scholars working on these groups. This lack of knowledge is regrettable and needs to be urgently addressed since the place occupied by India in the world economy is experiencing a constant rise.
A need for exploring the empirical dynamics of the social life of Indian businesses becomes all the more urgent as, according to some estimates, India is already the World’s third largest economic power in terms of Purchasing Power Parity (and the 10th in terms of GDP nominal value). India is also home to the 8th largest group of super-rich people in the world. According to a recent report, India has as many as 14,800 multi-millionaires (meaning they own assets worth more than 10 million USD). The Hurun Report also claims that India ranks 3rd in the world with regard to the number of billionaires.

Much of the existing research on the Indian business class has been based on specific castes or communities (see for example Birla 2009; Lachaier 1992; Markovits 2000; Rudner 1994; Tambs-Lyche 2013; Timberg 1978), specific industries (see for example Upadhya 2004, Engelsohven 1999), specific localities (see for example Harriss 2003; Hazlehurst 1966; Oonk 2014). Historians are certainly those who have explored the Indian business class in the most depth and the books of A. K. Bagchi (1972), Claude Markovits (2000), Raj Chandavarkar (1994) or Dwijendra Tripathi (1984) are now classic references.

Parallel to the consolidation of historical scholarship on the economic elites, attempts at systematically addressing the sociological characteristics of this group in the contemporary period remain rare, though a few of them must be noted. In 1971, Sagar C. Jain was the first to propose an initial description of the demographic characteristics of Indian managers (Jain 1971). More recently, Peter Capelli et al. (2010) have studied more than one hundred executives (though their research lacks systematic criteria in the sample selection and the authors mainly try to assess the differences between management styles in the U.S. and India). Gandhi and Walton (2010) have studied Indian billionaires using data from the Forbes list, but drawing upon a rather limited number of variables. Ajit, Donker and Saxena (2012) have looked at caste diversity among board members of top Indian companies, showing that the Indian corporate network remains an “old boys club” based on caste affiliation. Recently, Jules Naudet and his colleagues revisited classical methodologies of the sociology of elites and applied them to the Indian case. They developed an analysis of the evolution of the Indian corporate network from 2000 to 2012 (Naudet and Dubost 2016). They also extended their work and have recently...
completed a quantitative analysis of the sociological profile of top business leaders (Naudet, Allorant and Ferry, forthcoming).

Among the other various recent attempts at developing a more informed vision of Indian economic elites, one can mention a tradition of research grounded in the sociology of organizations or in management and business studies. There is for example a growing body of research on Corporate Social Responsibility in the Indian corporate world (Krichewsky 2014). One can also mention studies on firm structures, family business groups and corporate governance in India (see for example Khanna and Palepu 2000). While these studies offer a reasonably good view of the context in which business is conducted in India; they often lack in-depth analysis of the sociological dispositions of the actors evolving in this world. Several of the studies focusing on the issue of “corporate governance” also follow a narrative that defends the idea that most of the flaws of Indian capitalism, from nepotism and cronyism to corruption and tax evasion, could be tamed by so-called “good governance.” They suggest that new norms of governance inspired by American practices or by the British Cadbury report, would create the necessary conditions to get rid of the many evils that gangrene India’s business. This gives way to a very popular discourse among business leaders in which there is supposed to be a very strong symbolic and moral boundary dividing business leaders who have been fully acculturated to the norms of good governance, and those who are supposed to have been socialized to ways of doing business that presumably belong to the past. Such a binary and excessively moralistic vision of the reality of business practices in India is obviously an over-simplification and does not help to account for the structural roots of the perceived malpractices. The crossing of legal boundaries in business is obviously not the monopoly of supposedly archaic actors embedded in traditional ways of doing business. For example, the infamous Satyam scandal actually revealed that India’s most-cutting edge ICT sector might also be affected by such malpractice.

In a land where crony-capitalism and other evils are commonly denounced by the media, some commentators note that the situation is such that even the word “insider-trading” is hardly considered a bad one. Businessmen frequently admit, in a secretive tone, that when the rules of the game are flawed you have no choice but to sometimes bend the rules. Or to let your sub-contractors and business partners bend them for you. The issue is thus no longer framed in terms of an opposition between legality and illegality but rather in terms of an opposition between gentle (and hence excusable) illegality and reckless illegality, in which intentions (rather than actual actions) are supposed to be the best criteria to distinguish good from evil. Such home-grown narratives, drawing upon the rhetoric of inevitability, are dangerously misleading and obviously constitute attempts at justifying one’s wrong-doings rather than venturing to explain how and why the system works the way it does.

While cronyism (Mazumdar 2008) and other deviant practices are spread across the whole spectrum of the Indian business world, it nonetheless remains true that actors behave according to varied norms and diverse principles. The landscape of Indian firms is not homogeneous. Economic actors reside in different social worlds and therefore “differ in the extent to which they engage in embedded exchanges” (Mani and Moody 2014:1659; Naudet and Dubost 2016). The complexity of the landscape of business in India is further complicated by the diversity of the Indian nation-State and its federal political structure. With different languages, caste systems varying from one region to another, the absence
—until 2017 and the implementation of the Goods and Services Tax—of a free circulation of goods from one State to the other, labor laws and taxes varying from one State to another, the field of Indian business actually encompasses many sub-fields that all have a certain degree of autonomy. From one city to another, from one State to another, from the State to the Federal level, the players are not the same and to a degree the rules of the game also vary. As they accompany the flow of business transactions, some actors are nonetheless able to navigate between sub-fields and thus contribute to weaving them together. But they necessarily have to constantly adjust their behaviors and mobilize different dispositions as they pass from one world to another.

As suggested, the obvious way forward is more sociological work that could help us better understand the various sub-worlds of economic activities in India, how they are interconnected and how they produce an economic elite. It is the accumulation of such studies, whether quantitative or qualitative, whether focusing on the big picture or on precise case studies, whether looking at individuals or at organizations, whether scrutinizing legal texts or cultural norms, that will in the end provide the necessary material to brush a complex and nuanced portrait of the dynamics of capital accumulation in India. And in turn, such a panoramic vision of the Indian economic elite should enable us to cast a new light on many essential questions. For one, it should help to distinguish more clearly what can in India be accounted for by processes linked to homogenizing global forces and what should rather be explained by processes that are linked to Indian specificities. It should further help contextualize the impact of cultural specificities on the ways of doing business without reducing the complexity of these activities to a few exotic traits. Finally, and most importantly, this should also help better understand the role of economic elites in the production and reproduction of inequalities. The articles put together in this special issue attempt a move in this direction.

In the first article, Chirashree Das Gupta and Mohit Gupta help us lift the veil on a central institution of business in India: the Hindu Undivided Family, commonly known as the HUF. It indeed exposes, in a way that has surprisingly no precedent, the socio-economic issues raised by this legal disposition in terms of institutional discrimination and of perpetuating religious and gender divides. Unveiling the mechanisms at play behind the HUF constitutes a major contribution to the understanding of inequalities and capitalist accumulation. If the interlocking of families and firms is a feature observed in other national capitalist systems, in India, the HUF offers a unique and specific form to this interlock by greatly facilitating the control of Hindu families over their family businesses.

In his contribution, Surajit Mazumdar offers the reader a rare account of the rise of Reliance Industries to its present status as one of the most powerful business empires in India. His article offers both a reassessment of the story of the growth of the firm under Dhirubhai Ambani and a stimulating account, through a precise caste study, of the evolution of India’s corporate sector up to the 1990’s liberalization. Drawing upon publicly available information, Surajit Mazumdar demonstrates that the key to the success story of the group is massive and timely support from public institutions. In words that the author does not use himself, one could thus say that “cronyism” and “systematic corruption” have been crucial to the success of Reliance Industries.

As opposed to crony capitalism of the “conventional” business, the Information and Communications Technology (ICT) sector is often presented as the spearhead of good governance in India. Roland Lardinois’s article is dedicated to this sector and offers a
nuanced view of its actors. While most studies look at either the structure of the firm or at the social profile of business leaders, Roland Lardinois proposes to study both these aspects at the same time. The combination of these two sets of characteristics helps him define what he calls “(Indian) Software Capital.” His careful description of the structure of this sector helps us go beyond the usual approximations and understand that the ICT sector is not, in fact, dominated by Tamil-Brahmins and IIT alumni. Much to the contrary, the traditional baniya-controlled business groups were among the first companies to foresee the development of IT technologies and they diversified their activities quite early. Though ICT managers have higher credentials than their non-ICT counterparts, the ICT sector nonetheless includes internal divisions and is not completely foreign to the oppositions that structure the oldest industrial groups of the country.

Odile Henry and Mathieu Ferry’s article makes another important contribution to the sociology of engineers and elite education in India, thus helping us to better understand how certain groups manage to reproduce their privileges through elite education. Degrees from the Indian Institutes of Technology (IITs) are among the most selective in India and often constitute a passport to access top positions in the Indian corporate world. Drawing upon a rare and original dataset about one of the IITs, Henry and Ferry objectify the processes through which IITs continuously differentiate and exclude students from Scheduled Castes (SCs) and Scheduled Tribes (STs). They notably show that the categories produced by the institution actually have deep social effects and that they contribute to rigidifying class and caste boundaries on the campus. Students from modest origins are filtered out at multiple levels: after they have cracked the JEE but before they enter the IIT, during their schooling at the IIT and at the moment when they enter the labor market. The authors argue that a better understanding of the structure of social relationships between students on the campus might be the key to further our understanding of the link between academic (under-)achievement and social dispositions.

Jivanta Schottli and Markus Pöhlmann further contribute to the renewal of the sociological analysis of the various paths to elite positions by developing a systematic analysis of the profile of the managers of top companies in India. Drawing upon a database of 111 CEOs, they revisit a study conducted in 1963–1964 by Sagar C. Jain and they argue that the evolution of Indian career patterns is similar to what is observed in many other countries. They also stress the crucial role played by education in accessing top business positions. By focusing uniquely on managers, Schottli and Pöhlmann’s article offers an interesting complement to Naudet et al. who defend a rather different thesis and argue that the case of India strongly differs from that of Western countries (Naudet et al. forthcoming). In their study of the social space of top CEOs and Chairmen in India, Naudet et al. indeed show that in India the inheritance of economic capital does not always seem to require further legitimization by top credentials. Credentialism, they argue, does not apply uniformly to managers and owners of top companies. While for top managers or for the aspiring upper-middle classes, education is the open sesame that provides access to top positions, for chairmen and owners, not having a prestigious diploma does not disqualify one from entering the small world of top capitalists.

Education is clearly not the only way to access top positions and Ujithra Ponniah’s article powerfully shows that the reproduction of privileges is also a matter of lifestyle. She does so by focusing on the decisive role played by women in the social reproduction of the Aggarwal, a dominant business community. She identifies the various mechanisms through which the cohesion of the family and of the caste group are perpetuated, thus
enabling the Aggarwal community to sustain its advantages and privileges in the realm of business. She shows that while men are busy developing their business, women play a strategic—though often unacknowledged—role in the reproduction of the privileges of their caste group as well as of their family. By doing so, she makes a decisive intervention in the debates on intra-caste stratification.

21 Prolonging the reflection on the importance of elite lifestyles, Olivier Roueff draws on Social Network Analysis (SNA) to cast a fresh look at the world of art galleries. These galleries indeed play a crucial role for the economic elites as they help them convert their economic capital into cultural and symbolic capital through the acquisition of highly-reputed (and prized) pieces of art. Roueff’s analysis of their strategies and hierarchies help us better understand the cultural standards of the Indian elite. He notably shows that the Indian elite is characterized by “a collective ability to define its own aesthetic norms, independently from Western prescriptions.” Furthermore, the Indian art market is characterized by a focus on heritage more than on living artists, which is one of the reasons why the Indian market for modern and contemporary art is quite small considering the size of Indian upper classes. In spite of these limitations, the art market has experienced a strong and continuous expansion since liberalization. Art has become a real financial asset and acquisition has thus become “an effective way of laundering money, simply because there is no standardized scale of price (the social arbitrariness of cultural taste makes it easy to overvalue works).”

22 We hope that the articles published in this special issue will offer a few valuable elements to the composition of the nuanced picture of Indian business we are calling for.

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NOTES


2. We here use the term businessman on purpose as women in leadership positions remain very rare in the Indian context (see Naudet and Dubost 2016:24).


5. The Satyam scandal refers to the episode when Ramalinga Raju, the former chairman of Satyam Computer Services (one of India’s largest ICT companies), confessed that he had manipulated accounts to inflate profits, which led to the dissolution of the board.

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