

Finance, family, and failure to innovate: why India's economic rise is ultimately unsustainable

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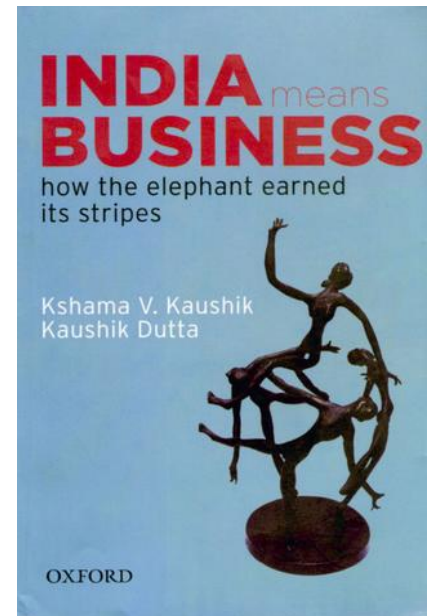
India Means Business is an excellent contribution to the current debate on the Indian economy and its performance. It is a particular boon to all those who first approach the study of the economic history of the Indian subcontinent, NGO workers and private or institutional actors who are (or plan to be) in business with a local counterpart. Reviewed by **Elisabetta Iob**.

India Means Business: How the Elephant Earned its Stripes. Kshama V. Kaushik and Kaushik Dutta. Oxford University Press. February 2012.

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On October 17th, 2011 Aditya Magal – the blogger behind the politically incorrect *The Secret Journal of Rakesh Jhunjhunwala* – posted ‘The Idiot’s Flowchart Guide to Running India’. In case of runaway inflation, the mantras “India is suffering because of the global situation” and “Don’t forget India is growing at 9% GDP” top the list of the ‘what to say?’ column. Jhunjhunwala’s satirical alter ego dispenses a couple of other pieces of advice to his followers: “give economic lectures” and “get foreigners to talk about India’s economy on TV”. More than five months have passed, and the Indian economy is being asked to face up to rising prices, a falling Rupee and substantial deficits. Inviting foreign commentators to local talk shows could however be a double-edged sword. They may have come across *India Means Business: How the Elephant Earned its Stripes* and give experts in India a rough ride.

In their brilliant book, Kshama V. Kaushik and Kaushik Dutta unlock the secrets of the everyday dynamics that underpin the Indian economy. They consider the economy at local level and how resilience here builds strength through society, the impact of family on business and trade, and the lack of investment in innovation and research in businesses. The book partially lies within the interpretative traditions of Christopher A. Bayly (*Rulers, Townsmen and Bazaars: North India Society in the Age of British Expansion, 1770-1870*, Cambridge, 1983) and Tirthankar Roy (*The*



Economic History of India, 1857-1947, New Delhi, 2000 or, more recently, *Company of Kinsmen. Enterprise and Community in South Asia History, 1700-1940*, New Delhi, 2010), adding a more practical and business-oriented twist.

History is used here as a peg to hang on a discussion on the resilience and flexibility of the local business practices. A mirror of the local society, the Indian economy projects the indigenous socio-anthropological structures, as well as their strengths and weaknesses, into a sophisticated system of control, finance, and trade. Trust, personal identities, networks of influential acquaintances, reliability and social and political clout – real engines of the everyday – are the necessary and sufficient condition of any local saving and borrowing instruments and bills of exchange. Furthermore, as no man and, of course, no entrepreneur is an island, guilds and professional associations raise the complex relationship between occupation and position within the social latter to the rank of a corporate model.

The authors also include a careful and highly interesting analysis of the role of extended families in business. According to a 2007 Moody's-ICRA survey, seventeen out of the thirty Bombay Stock Exchange India Sensitive Index companies are family-owned and managed. Reliable statistics suggest that widely-held firms accounts for 10% of the all-India business scenario. However, family-owned firms are presented here as the source of both joy and torment for the Indian economic system. The stories and histories of Indian family businesses sometimes echo the finest episodes of the Dallas saga: CEOs turn into actors who stage a curiously peculiar comedy of business errors. More frequently, owners' personal and living expenses are a heavy drain on the company budgets. Nevertheless, their diversified and conglomerate nature plugs the gaps in knowledge of information, labour, and market intelligence by patching up the unreliability of the suppliers in key products intermediates. Finding it impossible to fully develop the much-needed technology, Indian companies opt for either entering into joint ventures with foreign firms or acquiring them.

Looking to the weaknesses in the economy, the authors argue that there is a substantial failure in putting forward innovative ideas. Indeed, local businesses spend less than 1% of their sales on research and development. The Indian Government follows hot on the private sector's heels by allocating only 0.9% of its GDP to the same purpose. An unskilled workforce and the rising relevance of the highly unproductive informal sector further discourage entrepreneurs from investing in technological and scientific innovations. To top it all, universities and research institution stand in their splendid isolation and struggle to work in partnership with other economic and business actors. Yet, "the bottom line for Indian companies is to innovate, innovate, and innovate. [...] Companies have no choice but move up the value chain, deliver smarter solutions". (p. 242)

Is then India still a sustainable dream? In Kaushik and Dutta's view, India's future does not to look particularly grim. Although perfectible, recent projects that aim at bridging the digital divide have

been narrowing that 'social gap' that cooperative societies and, surprisingly, even micro-financing organisations previously widened. The automotive industry is driving a yet embryonic elaboration of local R&D policies. For its part, the local society is anthropologically and historically equipped to cope with a crisis and eventually turn it into a springboard for a further refinement of its systems of finance, business, trade and control.

Kaushik and Dutta frequently give in to the temptation to overemphasise the legacy of the independence movement, and merely drop hints at the legal framework within which Indian businesses operate. Nevertheless, *India Means Business* remains an excellent contribution to the current debate on the Indian economy and its performance. It is a particular boon to all those who first approach the study of the economic history of the Indian subcontinent, NGO workers and private or institutional actors who are (or plan to be) in business with a local counterpart.

As its subtitle clearly points out, *India Means Business* explains how the elephant, India, has earned its stripes and, stage by stage, learned the art of *jugaad*, innovative improvised fixes.

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