Chapter 1

India*

Léo-Paul Dana and Naman Sharma

1.1 Introduction

Situated in Southern Asia, the Indian subcontinent has over 7,000 kilometres of coastline along the Arabian Sea and the Bay of Bengal. The Republic of India is the world's fastest growing free market economy; it is a vibrant country, covering an area of 3,165,596 square kilometres. The federation shares borders with Bangladesh (formerly East Pakistan), Bhutan, China, Myanmar (formerly Burma), Nepal and Pakistan. As noted by Johnson, "*India's middle class is bigger than the entire 300 million population of the US*".¹ India is very tolerant of minorities and its multicultural society includes Hindus and Muslims living peacefully with people from many different religions.

Dana² observed that a combination of historical factors, including the caste system, British occupation, cultural values and government regulations,

*This chapter was updated by Léo-Paul Dana and Naman Sharma from Dana, L.-P. (2014). *Asian Models of Entrepreneurship — From the Indian Union and Nepal to the Japanese Archipelago: Context, Policy and Practice*, Second Edition, Singapore & London: World Scientific.

¹Johnson, J. (2006). "Surging with Self-confidence and Ambition," *Special Report on the World's Fastest Growing Democracy*, London: Financial Times, January 26.

²Dana, L.-P. (2000). "Creating Entrepreneurs in India," *Journal of Small Business Management*, 38 (1), 86–91. For discussions of the caste system, see Gadgil, D.R. (1959). *Origins of the Modern Indian Business Class*, New York: Institute of Pacific Relations; Medhora, P.B. (1965). "Entrepreneurship in India," *Political Science Quarterly*, 80 (4), 558–559; and Weber, M. (1958). *The Religion of India — The Sociology of Hinduism &*

Image 1: Entrepreneurial spirit

Source: © Léo-Paul Dana.

limited innovative entrepreneurship in India. Kanitkar and Contractor³ wrote, “handicaps to entry into business ownership have been far too many given the traditional, conservative, orthodox Indian society”. In recent years, however, efforts have focused on changing the mindset and creating entrepreneurs by giving youngsters the self-confidence to become high achievers. Raghavendra and Subrahmanya⁴ found that inter-firm co-operation increased collective efficiency in India, with a significant influence on capability.

Buddhism, New York: The Free Press. Hazlehurst (1966) focused on merchant castes. See Hazlehurst, L.W. (1966). *Entrepreneurship and the Merchant Castes in a Punjabi City*, Durham, North Carolina: Duke University Commonwealth Studies Center.

³Kanitkar, A. & Contractor, N. (1992). “In Search of Identity: The Women Entrepreneurs of India,” Ahmedabad: *Entrepreneurship Development Institute of India*.

⁴Raghavendra, N.V. & Balasubrahmanya, M.H. (2005). “Collective Efficiency and Technological Capacity on Small Firms: Evidence from Two Foundry Clusters in South India,” *International Journal of Management and Enterprise Development*, 2 (3–4), 325–348.

1.2 Historical Overview⁵

The early history of India stretches back to Mohenjodaro and Harappan times with well laid-out cities, script, and possible evidence of trade. During Vedic times — with flourishing philosophical treatises on life, and intricate writings about astronomy, mathematics, and medicine — the caste system classified individuals based on their birth. The four castes were: (i) the Brahmins or priestly class; (ii) the Kshatriyas or warrior class; (iii) the Vaishyas or merchant class; and (iv) the Shudras or those at the bottom rung of this social hierarchy, who did menial tasks. The untouchables, or Harijans, fell out of this system. The Shudras and untouchables were those who would do work such as the burying of animal carcasses and the cleaning of waste, or in today's terminology 'waste management'. The caste system resulted in occupational specialisations, with the Vaishya class becoming merchants, overland traders, maritime investors for waterborne trade, and intermediaries between the European powers; today their scions form the top management and owners of many of the large industrial organisations and conglomerates in India.

During the Buddhist period in ancient India, travelling monks were accompanied by merchants, whose wealth allowed the for the construction of caves for residences on the trade routes between various villages and cities. Such caves were often lavishly decorated, along with the carved images of deities and donors, and can still be viewed in states such as Maharashtra. The caves were the dwelling places for monks during the monsoon season and served as five-star hotels for the merchants. The Buddhist period also saw the development of major universities such as Nalanda and Taxila, resulting in a wave of Chinese monks who came to India to study and take their learning and relics back to China. Merchants also used the Silk Road of the 1st century, which served as a significant boost to trade with many countries. It was the traders and merchants who were the early entrepreneurs in India, and the *Vaishya* class became, and still is, highly specialised in scanning the environment and setting up

⁵This section benefited greatly from the personal assistance of Edwina Pio incorporating material from Pio, E. (2010). "Religious Merchants? Entrepreneurship in India," in Léo-Paul Dana, ed. *Entrepreneurship and Religion*, Cheltenham, United Kingdom: Edward Elgar, pp. 27–42.

businesses. The early entrepreneurs developed intricate systems for credit and prospective trading to further their entrepreneurial activities such as buying ships, goods, and investing in cargo and land. The Vaishya class was largely the source for sub-castes such as the Marwaris or Banias in northern, eastern and western India and in southern India the merchants were primarily the Nattukottai Chettiars.⁶

In 1700, the East India Company established a formal system of government in Bengal as at the time, India's share of world income was about 23 percent, approximately the same as Europe's.⁷ In 1784, the British government took control of the East India Company. Entrepreneurs from various lands saw commercial opportunities in India. In 1790, Shalom ben Ovadiah HaCohen — a well-known Mizrahi⁸ Jew — moved from Aleppo (Halab), in Syria, to Bombay. He was followed by other Jewish entrepreneurs from Baghdad and from Basra; Jewish entrepreneurs also came to India from Persia and from Yemen.

In 1832, David Sassoon moved to Bombay where he became a magistrate of the cotton industry. His son Abdullah Sassoon revolutionised the weaving industry in Bombay, helping Bombay become an important manufacturing centre. In 1903, the Sassoon family built the Sir Jacob Sassoon School, next to the Magen David Synagogue, in a predominantly Jewish neighbourhood of Bombay.

Until the late 20th century, the Jewish Club, on V. P. Ghandi Road in Mumbai (formerly Forbes Street, Bombay), served as a meeting place for Jewish entrepreneurs. In 1985, Giani Zail Singh, President of India, graced the festivities celebrating the centennial anniversary of the Knesset Eliyahoo Synagogue, on V. P. Ghandi Road, and the Post Office issued a stamp for the occasion.

The Marwaris are a community who specialise in domestic trade. Their enterprises complemented those of English entrepreneurs, who allowed the Marwaris to become prominent in a diversified industrial economy. In contrast, other groups of Indian entrepreneurs had different

⁶ibid.

⁷Singh, M. (2006). "India's Economic Challenge," in George Skaria, ed., *India 2006: Taking India to the World*, London: World Link, pp. 12–14.

⁸Dana (2010). *op. cit.* discusses this ethno-cultural group.

Image 2: The Jewish club

Source: © Léo-Paul Dana.

experiences. During the 1800s, the British discriminated against communities who competed with English entrepreneurs in international commerce. Many Indian entrepreneurs were thus pushed out of the business realm. During the 1880s, local firms with established reputations were defrauded by British partners, an action which led to more withdrawals from the business sector. Consequently, Nafziger⁹ concluded that “*the lack of indigenous entrepreneurship... stems in part from the discrimination and duplicity of the British in the 19th century*”. Nevertheless, until the turn of the century, Indian entrepreneurs were central to the geographic

⁹Nafziger, E.W. (1971). “Indian Entrepreneurship: A Survey,” in Peter Kilby, *Entrepreneurship and Economic Development*, New York: The Free Press, pp. 287–316.

expansion of manufacturing industries.¹⁰ Dilke¹¹ gave a detailed account of India during the late 19th century. Between 1912 and 1945, industrial production, in India, doubled.¹² During the 1920s and 1930s, the Jains (especially the Marwari Jains) shifted their activity from trading to manufacturing.

Williams¹³ provided a war-time account of the British colony. “*Tryst with destiny*” were the words of India’s first Prime Minister, Jawaharlal Nehru, to describe independence on August 15, 1947. India became a republic in 1950 and its constitution indicated specifically that the state — not entrepreneurs from the private sector — would play the decisive role in building up the national economy. The Small-Scale Industry Organisation was established in 1954, for the purpose of planning the growth of small businesses as supplements to the efforts of large industries. Also, in 1954, formerly French-owned Pondicherry was transferred to India and the decimal system coinage was introduced in 1957. Goa, under Portuguese rule since 1510, was incorporated into India in December 1961.

Patel¹⁴ gave an historical account of entrepreneurship development in India. “*The first programme to convert potential entrepreneurs into actual owner-managers of manufacturing businesses was held at Ahmedabad in April 1970* (Sebastian and Thakur, 1994, p. v).”¹⁵

In 1975, unemployment in Rajasthan led to urbanisation and Barefoot College, which encourages people to take risks, innovate, improvise and experiment, began promoting rural handicrafts, providing artisans with access to credit and marketing outlets.

¹⁰Medhora. op. cit.

¹¹Dilke, C.W. (1894). *Greater Britain: A Record of Travel in English-speaking Countries*, London: Macmillan and Co.

¹²Balakrishna, R. (1961). *Review of Economic Growth in India*, Bangalore: Bangalore Press.

¹³Williams, M.O. (1942). “New Delhi Goes Full Time,” *National Geographic*, 82 (4), 465–494.

¹⁴Patel, V.G. (1987). “Entrepreneurship Development Programme in India and Its Relevance to Developing Countries,” *Ahmedabad: Entrepreneurship Development Institute of India*.

¹⁵Sebastian, J. & Thakur, S. (1994). “Not Born — The Created Entrepreneurs,” *Ahmedabad: Entrepreneurship Development Institute of India*.

Image 3: British colonial architecture

Source: © Léo-Paul Dana.

Economic liberalisation took effect in 1991. The official exchange rate was abolished in 1993 and the government focused on technological development. Wani, Garg, and Sharma¹⁶ suggested that “*to develop and transfer technology for SMEs in India, effective interaction of academic institutions with this sector will be the first step.*” Wani, Garg, and Sharma¹⁷ emphasised developing technology-based entrepreneurship, and at the 2006 World Economic Forum in Davos, India was a star player. In 2012, India’s rice exports exceeded 9.5 million tons.

¹⁶Wani, V.P., Garg, T.K., & Sharma, S.K. (2003). “The Role of Technical Institutions in Developing a Techno-entrepreneurial Workforce for Sustainable Development of SMEs in India,” *International Journal of Management and Enterprise Development*, 1 (1), 71–88.

¹⁷Wani, V.P., Garg, T.K., & Sharma, S.K. (2005). “Engineer as Entrepreneur: A Necessity for Successful Product Innovation in the Small-scale Industry Sector in India,” in John R. McIntyre and Ilan Alon, eds., *Business and Management Education in Transitioning and Developing Countries: A Handbook*, Armonk, New York: M. E. Sharpe, pp. 39–57.

Image 4: Small firm supplements efforts of large industries

Source: © Léo-Paul Dana.

Troubles that were rooted in the past continue to have consequences. Singha¹⁸ showed that good infrastructure in Manipur has had a positive impact on entrepreneurship but the state is still lagging behind the national average in terms of trade and commerce. Thomas and Prasain¹⁹

¹⁸Singha, K. (2013). "Infrastructure for Entrepreneurship in India's Trouble-Torn State of Manipur," *Journal of Economic Philosophy*, 1 (1), 12–16.

¹⁹Thomas, C.M. & Prasain, G.P. (2013). "Problems of Entrepreneurship Development in Hill Districts of Manipur — A Case Study of Ukhrul District," *Research Analysis and Evaluation*, 4 (41), 16–18.

Image 5: Rice has long been important

Source: © Léo-Paul Dana.

wrote about Manipur, “*It is endowed with rich bio-diversity and natural resources with potential for entrepreneurship to thrive. Yet, Manipur continues to be the most industrially backward state with hardly any industrial base.*”

1.3 The Impact of Culture and Social Structure²⁰

Pio²¹ examined everyday ‘Indianness’ of work culture and the future dreams of an Indian export hub; it appears that culture continues to be an important force entrepreneurship. Indeed, culture is central in explaining the social acceptability and perceived utility of entrepreneurship. Ever since McClelland’s investigation²² of the need for achievement illustrates how

²⁰This section benefited greatly from the personal assistance of Edwina Pio.

²¹Pio, E. (2005b). “A Time to Sew: Work, Culture and Organic Cotton at Knitex India,” *Management Case Study Journal*, 5 (2), 69–82.

²²McClelland, D.C. (1961). *The Achieving Society*, Princeton, New Jersey: D. Van Nostrand.

entrepreneurs have been viewed in the West as those with a high need to achieve. In contrast, India's economy has traditionally reflected Indian culture and social structure. Pio²³ explained how religious and philosophical concepts have practical applications in India; she argued that Indian culture does not segment the spiritual from the secular, and that spirituality is intrinsic to being Indian. She also explained that a person's dharma is interpreted through his/her role in life, and every role has certain expectations of dharma to be fulfilled.²⁴

The Jains — ascetic religious group — became traders, not because of an entrepreneurial spirit based on materialism, but due to ritualistic reasons; trading was an occupation free from conflict with religious requirements. Observant Jains have become famous entrepreneurs dealing with textiles and diamonds in western India and abroad — even in Africa. Another group of Indians who have thrived on their business acumen are the Sindhis (from Sindh). Both the Jains and Sindhis are closely aligned to Hinduism in their beliefs. Other early entrepreneurs were merchants from the Islamic religion such as the Bohras from Gujarat, the followers of Zoroastrianism (religion of the Parsees), and Mizrahi Jews who settled in India. Under colonial rule, Marwari enterprises complemented those of English entrepreneurs who permitted them to have an important role in a diversified industrial economy. Today, Marwaris have the reputation of having business acumen and are a very enterprising group. Likewise, Baniyas are thrifty with an eye on business opportunities.

As noted by Mishra,²⁵ *"In India there are many castes that are categorised as business castes...Most of the business castes (the erstwhile Vaishya) are now classified under 'Other Backward Castes' for purposes of government regulations."* While the caste system reinforced the practice of following a family occupation, this impeded class mobility.²⁶ In fact,

²³Pio, E. (2005a). "A Change Process Imbued with an Eastern Ethos Revitalizes an Indian Business," *Journal of Organizational Excellence*, 24 (3), 3–10.

²⁴ibid.

²⁵Mishra, A. (2005). "Entrepreneurial Motivations in Start-up and Survival of Micro- and Small Enterprises in the Rural Non-Farm Economy," *Journal of Small Business and Entrepreneurship*, 18 (3), 289–326.

²⁶Dana, L.-P. (2000). "Creating Entrepreneurs in India," *Journal of Small Business Management*, 38 (1), 86–91.

Image 6: Working with spouse

Source: © Léo-Paul Dana.

Nafziger²⁷ noted that leading entrepreneurs often belonged to communities in which caste divisions were not rigidly observed.

In India, according to Kakar,²⁸ people are more sensitive to emotional affinity in the workplace than to work and productivity. According to

²⁷Nafziger. op. cit.

²⁸Kakar, S. (1978). *The Inner World: A Psycho-Analytic Study of Hindu Childhood and Society*, Oxford University Press, London.

Sinha,²⁹ work — as an end in itself — is not valued in India. Sinha³⁰ later explained that work is done with enthusiasm only when done for a nurturing superior. This supported McClelland's³¹ suggestion that people in India generally performed their work as a favour to their employer.

“In India, the Planning Commission, central and state governments recognize that women should be in the mainstream of economic development. In particular, the development of microenterprise for women is seen as an appropriate way to attack poverty...”³² Yet, Porter and Nagarajan³³ suggested that there “may be a bias in Indian culture against women who engage in entrepreneurial activities outside the home.” — the practice of *purdah* keeps women at home.

1.4 A Holistic Approach to Entrepreneurship

Across India, there are countless advocates of holistic management. This is a philosophy which attempts to synergise basic elements, in order to get optimal results. The holistic approach, for instance, encourages an all-encompassing integration of the intellectual with the physical and the spiritual — mental, material and moral aspects are involved.

Although schools teach facts, educational institutions are often lacking when it comes to personality development. It is the belief of many that an entrepreneurial personality can be taught, and that this should be done at a young age as this could lead to more effective members in society.

²⁹Sinha, J.B.P. (1978). “Superior Subordinate Relationship and Alienation,” *National Labour Institute Bulletin*, 4, 209–223.

³⁰Sinha, J.B.P. (1984). “A Model of Effective Leadership Style in India,” *International Studies of Management and Organization*, 14, 86–98.

³¹McClelland, D.C. (1975). *Power*, New York: Free Press.

³²Ghosh, R., Gupta, M. & Nina Dhar, S. (1998). “Women and Entrepreneurship in India,” in Rabindra N. Kanungo, ed., *Entrepreneurship & Innovation: Models for Development*, New Delhi: Sage, 156–175.

³³Porter, E.G. & Nagarajan, K.V. (2005). “Successful Women Entrepreneurs as Pioneers: Results from a Study Conducted in Karaikudi, Tamil Nadu, India,” *Journal of Small Business and Entrepreneurship*, 18 (1), 39–52.

Various agencies participate in holistic entrepreneurship development. To coordinate and oversee their activities, the Ministry of Industry established the National Institute for Entrepreneurship and Small Business Development (NIESBUD). Among the many programmes of this institute is one entitled, “*Training Trainers for Barefoot Managers.*”

In line with the observation that over-population greatly nullifies the effect of overall development, it has been deemed in the national interest to promote birth control. For this reason, a non-governmental organisation,

Image 7: Attention to detail

Source: © Léo-Paul Dana.

Image 8: Work as a favour

Source: © Léo-Paul Dana.

the Progress Harmony Development (PHD) Chamber of Commerce and Industry has become involved in propagating the message of population control. Its Rural Development Foundation has been organised to act with a holistic approach. Likewise, the Entrepreneurship Development Institute of India (EDII) takes a holistic perspective with very impressive results. Located near Ahmedabad, in Gujarat, the EDII promotes independent thinking, creativity, and a spirit of innovation. Its Rural Entrepreneurship Development division promotes micro-enterprise and provides micro-credit. The EDII sponsors research, provides education and training — including its own educational video series — and publishes an academic journal on entrepreneurship. Perhaps the most unique contribution of the EDII is its summer camp, an entrepreneurial adventure for youth to learn achievement, a concern for excellence, creativity, innovation, leadership, problem solving, and systemic planning.

1.5 Towards the Future

Today's merchant princes include the Ambanis, Birlas and Tatas, the Premjis and Narayanamurthys, as well as the Indians of Silicon Valley, such as KanwalRekhi, many of whom are returning to India to invest and manage start-up as well as top performing IT companies. *"Indian family-run businesses have been developing rapidly from firms with limited goals that valued loyalty more than ability into dynamic professionally-managed corporates capable of taking on global competition."*³⁴

While India continues to be a patriarchal society, today there are several Indian women entrepreneurs many of whom are highly educated and run their own businesses, as well as the larger segment of Indian women

Image 9: Rural enterprise

Source: © Léo-Paul Dana.

³⁴Skaria, G., ed. (2006). *India 2006: Taking India to the World*, London: World Link.

who are starting their own micro-enterprises through micro-financing schemes. To be top performing is quite a change from the past where women in the early history of entrepreneurship were hard to find.

Traditionally, merchants would marry among their own caste, and even today one finds that arranged marriages, often to keep the wealth in the family, as well as to keep the “purity” of the caste, continue. Nevertheless, there is a change in the air. Torri and Martinez³⁵ explored the

Image 10: Neighbourhood fruitmongers

Source: © Léo-Paul Dana.

³⁵Torri, M.C. & Martinez, A. (2014). “Women’s Empowerment and Micro-entrepreneurship in India: Constructing A New Development Paradigm?” *Progress in Developmental Studies*, 14 (1), 31–48.

Image 11: Micro-enterprises

Source: © Léo-Paul Dana.

case of the Gram Mooligai Company, the first female community enterprise in India, formed and managed entirely by “untouchables” and active in the herbal sector.

With Manmohan Singh, the Prime Minister, calling for the 21st century to be the ‘*Indian Century*,’ the geopolitical ramifications of the country’s rise are attracting attention.”³⁶ Challenges facing India, however, include the liberalisation of government regulation; this was discussed by James F. Hoge at the World Economic Forum, in Davos.³⁷ At the same Forum, Bhagwati³⁸ cautioned not to assume that India’s rapid growth was sustainable.

While some people run micro-enterprises, Internet entrepreneurs in Bangalore are preparing taxes for people in faraway places, reading X-rays for doctors around the world and tracing lost luggage. The national

³⁶Johnson. op. cit.

³⁷Hoge, J.F. (2006). “The Emergence of India,” *Statement at the World Economic Forum, Davos*, January 25.

³⁸Bhagwati, J. (2006). “The Big Debate: Setting the Business Agenda,” *Statement at the World Economic Forum, Davos*, January 25.

economy is growing. Jain³⁹ reported, “*organised retail is expanding at a rate of 40 to 45 per cent each year.*” In the long run, this will have an impact on small neighbourhood shops. Despite constraints and restrictions, new generation entrepreneurs are emerging as leaders of the future. As suggested by Koster and Rai,⁴⁰ a focus of future policy should be increasing the quality of entrepreneurship.

Meanwhile, with a budget exceeding \$1 billion, India is planning to put an astronaut in space, and already, in 2013 India’s first Mars orbiter was successfully launched.

In 2016, India launched its flagship initiative, named Startup India, to create a strong entrepreneurial ecosystem in the country. The focus of this initiative is to tap young potential and encourage youths to pursue their own start-ups. Besides funding support and other incentives to pursue a start-up, the central government also pledges handholding services, industry-academia partnership, and other incubation facilities.

Following in the footsteps of the central government, various state governments also launched initiatives to support entrepreneurship. For instance, the Student Startup and Innovation Policy (SSIP) of Gujarat aims to foster a culture of innovation among higher education institutions located in the state. It also provides boot camps, and training programmes to students who are pursuing an innovative idea and trying to convert it into a start-up. Various academic incentives, and awards, are also provided to students who have initiated a venture. Similarly, the success of the Kerela Startup Mission has benefitted thousands of entrepreneurs. In 2018, to intensify competition between states, the central government launched State Startup Ranking — during which 30 Indian states and union territories participated and demonstrated the growth of entrepreneurs in their respective regions. Indian industries and experts found these schemes and initiative very effective and predict that India has much entrepreneurial growth to witness in coming years.

³⁹Jain, A. (2006). “A Dramatic Change in Shopping,” *Financial Times*, Wednesday, June 28, p. 4.

⁴⁰Koster, S. & Rai, S.K. (2008). “Entrepreneurship and Economic Development in a Developing Country: A Case Study of India,” *Journal of Entrepreneurship*, 17 (2), 117–137.

Image 12: Nirula's

Source: © Léo-Paul Dana.

Case Study: Nirula's

There are literally countless restaurants in India with 20,000 in Delhi alone. Most fast food, in India, comes from dhabas, which are roadside stands. The food is good, but it may be covered with flies, and utensils may be crusty.

India's first fast-food chain, Nirula's was started by Mr. L.C. Nirula and his brother, Mr. M. Nirula, both originally from Lahore, when the city was still in India, prior to the creation of Pakistan. The brothers moved to New Delhi, and in 1934 established a restaurant with a twelve-room hotel. Later, they expanded with a cabaret. During the 1950s, Nirula's introduced fast-food burgers and chips (fries).

Lalit and Deepak Nirula, the sons of the founders, left India to study at the Cornell University School of Hotel Administration, and upon their return, they elaborated Nirula's menu, adding Indian food and 21 flavours of ice cream. They trademarked a logo with pink and white — almost

identical to that of Baskin Robbins. A favourite ice cream flavour is *zafranibadaampista*, a pungent blend of almonds, pistachio and saffron.

Nirula's grew to include numerous locations in New Delhi, feeding tens of thousands of people daily. The chain internationalised by opening outlets in Nepal. As huge international chains penetrated the Indian market, Nirula's began promoting itself heavily; it even embarked on joint-marketing campaigns with Lee (jeans). In contrast to foreign companies that paid a corporate tax rate of 48 percent, Nirula's benefitted when the corporate tax rate for local firms fell from 43 percent to 35 percent.

Today, Nirula's caters to an eclectic crowd; sari-clad women eat the vegetarian dishes, side-by-side with their children eating "Western" meals. Uniformed employees prepare curries, pizza, tandoori chicken, mutton-burgers and sandwiches. Other popular dishes include *dal* (a lentil dish) and *matar paneer* (a mixture of cheese with peas). Half the meals on the menu are meat-free, reflecting the fact that 80 percent of the population in India practice Hinduism, a religion for which the cow is sacred. A branch of this religion, the Jain sect, is opposed to killing all living beings.

With close to 300 outlets in India and battling for supremacy, in 2012 McDonald's announced it would launch all-vegetarian restaurants. In response, Indian firms were considering measures to compensate for lost market share and in 2014, an alternative idea for Nirula's was to diversify and considered producing its own beverages to add to the menu.

1.6 Culture, Religion & Diet

Mohandas (Mahatma) K. Gandhi (1869–1948), the father of India, once said that much can be known about a society by observing how people treat their animals. Indeed, cultural values are very much reflected in the role of animals. Entrepreneurs in Vietnam prosper exporting dogs to butchers and to restaurants in China. Meanwhile, in the district of Chennai, in India, a hundred stray dogs are rounded up each day to be electrocuted with unreliable antique equipment. People are hungry, but it is not considered proper to eat dogs in this country. A sandwich of roasted almonds is more culturally appropriate than meat.

Eating has long been central to the culture of India, as diet is linked to notions of purity and self-control. The Jains (an ascetic religious sect)

in India practice *ahimsa*, the absolute prohibition of killing. As such, they are vegetarians. Among high castes, meat is regarded as impure, as it could lead to undesirable lust. In Hindu society, meat is often shunned, especially among unmarried women and elders. Muslims in India eat meat, provided it has been slaughtered according to religious ritual, facing Mecca; however, pork is not allowed in the Muslim diet. Jews, in India, also refrain from pork and all other meats, which are specified as prohibited according to the Bible. A variety of religions, including Bahai, Christianity, Islam, and Judaism, are represented in India, but the Hindu faith is predominant and consequently, the slaughtering of cattle can be perceived as sacrilege.

According to Christianity, Mary is the mother of Jesus and likewise, the cow in India is venerated as the mother of life. The cow provides transportation, power, milk and calves. Oxen are very important in agriculture as they plough fields. They also provide 350 million tons of fertiliser each year. In addition, the amount of dung used for cooking, in India, provides heating equivalent to 35 million tons of coal or 68 million tons of wood.

The regulatory environment reinforces cultural values through government intervention. A bill of rights for cows was written alongside the national constitution. In Chennai, the police searches for sick cattle and encourages these to graze in fields near the police station. Not only are prayers said for cattle that are ill, but government agencies in India even maintain state-funded old age homes for senior cows.

1.7 The Environment

In 1977, 90 percent of India's villages had no safe drinking water, while Coca-Cola had reached every town. Then, distrust of foreign investment led to the departure of major American firms, including Coca-Cola from India with others, including IBM, being expelled. Consequently, during the early 1980s, there were few multinationals in India.

In 1986, after an absence of several years, PepsiCo applied to return to India. Eventually, foreign products could return, if they had "*Indianised*" brand names, e.g., Hero Honda, Modi Olivetti, Maruti Suzuki. In July 1990, PepsiCo began operations in India, under the name Lehar Pepsi.

Up to the 1990s, India had been greatly influenced by parochial conflicts of caste, religion and region. Cloth was sold by the yard, tea leaves by the kilo, and soap was cut into chunks to be sold by weight. Class mobility was limited, and poverty was widespread. Technological and regulatory changes, however, transformed society. Significant economic reforms raised GDP growth, while the spread of electricity and technology contributed to industrial output.

Major reform came in 1991, when India opened up. Shortly thereafter, Rajan Pillai — a Singapore-based industrialist (of Indian origin) — announced that he would bring Coca-Cola back to India. When Coca-Cola resumed operations in India, it was among the first firms which was not required to use an “*Indianised*” name.

After years of restrictive policies, liberalisation opened India, to imports and to foreign investments. In many industries, foreign technology agreements were granted automatic approval, and no permission was required for hiring foreign technicians. As a member of the Multilateral Investments Guarantee Agency, India would have no restriction on the repatriation of dividends and profits. Across a wide range of industries, India opted to permit up to 51 percent foreign equity participation, regardless of whether foreign technology was in question and the Foreign Investment Promotion Board was given authority to approve investment beyond 51 percent. In the case of small-scale units, the ceiling for foreign equity participation was 24 percent. Also helping new entrants was the reduction of duty on the import of capital goods, from 35 percent to 25 percent.

Industrial policy in India was liberalised such that location of an enterprise did not need approval except in the case of highly populated areas. There were further relaxations of policy regulating non-polluting industries, and firms could generate their own power. Also, India removed its requirement of having a phased manufacturing program. Finally, the controller of capital issues would no longer have control over capital market operations, which instead became guided by an autonomous Securities and Exchange Board of India.

Fiscal policy was also modified. The maximum personal income tax rate (for revenues exceeding 120,000 rupees) had been fixed at 40 percent. After the tax structure was rationalised and simplified, personal tax rates

fell to between 10 and 30 percent; the corporate tax rate was reduced to 35 percent for Indian companies and 48 percent for foreign companies.

India became the world's largest producer of groundnuts and of tea, the world's second largest producer of fruit, milk, rice, sugar, vegetables, wheat and woven cotton fabrics. Rising literacy along with surging incomes increased the demand for quality. The spread of electricity also created the demand for electric gadgets; among these was the television, a medium used to persuade people to spend whatever money they have. The buying power of the rising middle class, along with the relaxation of government regulations, made the Indian market very attractive for foreign enterprises. Kellogg's was quick to introduce its new product, Basmati Rice Flakes, and has been advertising Kellogg's Frosties (frosted flakes) as a good source of energy.

With liberalisation, Cadbury-Schweppes launched its beverage line in India. The arrival of such giants was a threat to existing bottling plants in India. PepsiCo India Holdings Pvt. Ltd., in Mumbai (formerly Bombay), was allowed to take over Duke's. Maximum retail prices (MRPs) continued to be government regulated, but not all retailers respected them. MRP for a 300 ml bottle of Duke's Soda was six rupees, and for a 200 ml bottle of Duke's Mangola eight rupees, inclusive of taxes, but excluding the glass bottle.

1.8 Kentucky Fried Chicken, Formerly Owned by PepsiCo

PepsiCo entered India with beverages but soon brought fast food as well. The rise of a new middle class, including 250 million consumers, encouraged PepsiCo to open India's first Kentucky Fried Chicken (KFC), in Bangalore, on June 1, 1995. It was expected that McDonald's would follow. Other American firms expressing interest in India included: AT & T, Black & Decker Corp., Levi Strauss & Co., Mattel Inc., Morgan Stanley & Co., Motorola Inc., Raytheon Co., Sara Lee Corp., Timex Corp., and Walt Disney Co. Even IBM, which had been expelled from India during the 1970s, decided to return to India. The opening of India's first KFC franchise in June 1995 angered thousands of people. The corporation had planned to spend US\$40 million in India, opening sixty restaurants there,

with an average of fifty employees at each location. However, other issues were considered as having a greater impact than that of job creation.

KFC fattened its chickens on maize, the highest-protein cereal that is also the cheapest source of nutrition for the poor and it was these people whose maize was being taken for the chickens who could not afford KFC meals.

In 1993, the Karnataka Farmers Association accused multinationals of harming local entrepreneurs, and therefore destroyed the Bangalore offices of the corporate giant, Cargill Seeds. In 1995, the same association claimed that KFC would force small-scale chicken farmers out of business. With 10 million members, this group gained political clout; the association could easily round up 200,000 participants to show solidarity at a single protest. Should American fast food restaurants have been concerned?

Indeed, it was argued that KFC would buy chickens from large-scale hatcheries, to the detriment of small-scale farmers. Furthermore, KFC's demand for chicken could affect the demand for chicken feed; grain would be diverted to feed chicken, while the poor would be hungry.

To protect its interests, the Karnataka Farmers Association distributed a leaflet warning of "*chemically poisoned meat*" which it deemed carcinogenic. Accusations, against KFC's franchise in Bangalore, resulted in government intervention. The Health Ministry announced that KFC chicken contained excessive quantities of monosodium glutamate (MSG) so the KFC outlet lost its permit.

Despite problems with its Bangalore store, PepsiCo Restaurants International proceeded to open another KFC, this one in Delhi. Here, health inspectors found flies in the kitchen, and the municipal health commissioner ordered that the outlet's license be revoked on the grounds of unsanitary conditions.

1.9 McDonald's

In 1937, Richard and Maurice McDonald opened a tiny drive-in restaurant east of Pasadena, in California. This was the first McDonald's, and from this new, small business, the two brothers developed food-processing and assembly-line techniques. In 1954, Ray Kroc, a salesman of milkshake mixers at the time, identified an opportunity in this small business; he then

negotiated a franchise deal, granting him exclusive rights to franchise McDonald's across the United States. At a time when other franchising companies sold restaurant and ice cream franchises for up to \$50,000 for large geographic areas, Mr. Kroc offered franchisees a McDonald's franchise for \$950, and a token service fee equal to 1.4 percent of sales for himself plus a royalty of 0.5 percent of sales which went to Richard and Maurice McDonald. In 1956, Harry Sonneborn, a partner in Ray Kroc's enterprise, introduced a formula for leasing stores, to be sub-leased to franchisees at a 40 percent premium. Eventually, McDonald's purchased land for franchisees. Preferring a calmer life, in 1961, Richard and Maurice McDonald sold their shares of this business for \$2.7 million.

McDonald's first international venture was in Canada, during 1967. It soon became the country's fast-food industry leader. McDonald's learned that despite the cost savings inherent in standardisation, success is often a function of being able to adapt to an environment. Product lines were constantly evolving, reflecting taste preferences, and potential profitability. In 1980, McDonald's outlets in New York City sold steak sandwiches; however, the product did not prove to be as profitable as others, and it was discontinued. McDonald's introduced lobster sandwiches in New Hampshire, and bagels in Vermont. Some outlets in Canada made available a Quebec specialty called *poutine*, consisting of potatoes covered with gravy and topped with cheese curds.

By the mid-1990s, Cara Operations (the owner of Harvey's and Swiss Chalet) was approaching annual sales of CAN\$1 billion, while McDonald's Canada surpassed CAN\$1.6 billion in sales during 1994. By 1997, McDonald's Canada operated almost 1,000 restaurants in Canada, and had become involved in McDonald's in Russia.

By the late 1990s, there were about 12,000 McDonald's restaurants across the United States, and this was the single most advertised brand in the nation. About 85 percent of the McDonald's outlets in the United States were franchises, with the McDonald's Corporation receiving a royalty fee based not on profit, but gross sales. Annual advertising and promotion expenditures were \$1 billion, and for every three hamburgers prepared in the United States, one was made by McDonald's.

A concern, however, was that domestic growth was on the decline. During the 1970s, the average annual growth rate for the American

fast-food industry exceeded seven percent. By the 1980s, the annual growth rate of domestic sales had dropped to below five percent; in 1989, for example, McDonald's reported that its sales in the United States grew just four percent. As the American market approached saturation, marketing efforts were shifted toward foreign markets. Soon, McDonald's lost domestic share to competitors such as Burger King (a unit of Grand Metropolitan PLC) and Wendy's International Inc.

McDonald's first Asian investment was a restaurant in Japan opened during 1971. At the time, fast food in this country was either a bowl of noodles or miso soup. The location selected for this new venture was the Ginza, a swinging neighbourhood of Tokyo. McDonald's Co. (Japan) Ltd. introduced a gratin croquet sandwich with a deep-fried patty of macaroni, shrimp and potatoes, but this product failed, and was withdrawn from the Japanese market. Nevertheless, the brand was a success in Japan, and this led to increased competition. The Japanese candy manufacturer Lotte entered the burger business with its Lotteria outlets, serving deep fried salmon burgers with onion sauce. Suntory, Japan's largest distiller of whisky, penetrated with First Kitchen. Morinaga & Co., Japan's leading caramel enterprise, launched its own fast food business, Morinaga Love, featuring a rice burger with grilled rice patties instead of hamburgers. This product is filled with grilled squid, seaweed and spicy red cod roe.

Despite success in many key markets, McDonald's also encountered difficulties marketing abroad. In October 1991, a poster illustrating the French celebrity Paul Bocuse was displayed in 66 outlets across the Netherlands; the problem was that it showed him with four other French chefs, examining a batch of dressed chickens, while the caption indicated that the chefs were dreaming of Big Macs. This was interpreted as an insult to French haute cuisine. Then, McDonald's aggravated the situation with a letter of apology, in which it was claimed that the internationally reputed chef was not well known in the Netherlands.

McDonald's Co. (Japan) Ltd. introduced Chicken Tatsuta, Teriyaki Chicken, and the Teriyaki McBurger. With its first mover advantage, McDonald's Co. (Japan) Ltd. kept its lead in Japan. By 1997, it had over 1,000 outlets across the nation, and these sold more food in Japan than any other restaurant company. Burgers were garnished with a fried egg. Beverages included iced coffee and corn soup. Several adaptations were

particularly successful overseas. In tropical markets, guava juice was added to the McDonald's product line. In Puerto Rico, McJustas del Sabor became a favourite. In Germany, McDonald's did well selling beer as well as McCroissants. Banana fruit pies became popular in Latin America and McSpaghetti noodles became a favourite in the Philippines. In Thailand, McDonald's introduced the Samurai Pork Burger with sweet sauce. Meanwhile, McDonald's in New Zealand launched the Kiwiburger served with beetroot sauce and optional apricot pie. In Malaysia, McDonald's had success with the McRendang and sugar cane juice. In Singapore, where fries came to be served with chili sauce, the Kiasuburger chicken breakfast became a best seller. In Norway, McLaks salmon was introduced. McDonald's also experimented with vegetarian needs. Its first meatless burger was the "*Hula Burger*," consisting of grilled pineapple with cheese on a bun. This product was a failure, but in the Netherlands, during 1992, McDonald's tried to launch another vegetarian item, the Dutch veggie burger, made of spiced potatoes, peas, carrots and onions. Singapore was among the first markets in which McDonald's introduced delivery service and delivery eventually became popular in a variety of other markets, including Egypt.

While KFC had about 10,000 outlets in approximately 80 countries, McDonald's expanded to about 20,000 restaurants, in over 100 countries. The McDonald's outlet in Delhi, the first in India, was a partnership with local entrepreneur Mr. Vikram Bakshi. It opened in late October 1996, substituting the Big Mac with the Maharaja Mac, made from mutton, and offered vegetarian rice-patties flavoured with vegetables and spices.

1.10 The Beverage Sector

India is the world's largest producer of tea, and the second largest producer of milk. It is also the second largest producer of fruit and the second largest producer of sugar, giving India the potential to become a major producer of juice and/or fruit drinks.

Among the most popular drinks in India is freshly squeezed sugar cane juice. Also, almost everyone enjoys coconut water. Mangoes grow in abundance, and mango juice is common with several bottling companies preparing mango-flavoured drinks, including Mangola and Slice.

Duke & Sons Pvt. Ltd. developed Duke's Mangola, containing water, mango, pulp, sugar, citric acids, permitted class II preservatives and colour, as well as Duke's prepared soda, simply mixing treated water and carbon dioxide. West Bengal became the most popular market for India's own brand-name cola, Thums Up, the generic description of which is "*sweetened carbonated beverage*". The S. David Soda Water Factory was one of numerous local producers of soft drinks, and for years business was going well.

Liberalisation of the late 20th century brought major changes. PepsiCo India Holdings Pvt. Ltd., in Mumbai (formerly Bombay), was allowed to take over Duke's. Maximum retail prices (MRPs) continued to be government regulated, but not all retailers respected them. MRP for a 300 ml bottle of Duke's soda was six rupees, and for a 200 ml bottle of Duke's Mangola eight rupees, inclusive of taxes, but excluding the glass container. Coca-Cola's Limca was more expensive than Thums Up, bottled by Prabha Beverages, Pvt. Ltd., in Marthandam.

While Mangola dominated the mango beverage sector in Mumbai, Slice had more extensive distribution channels in Delhi and better brand recognition. Therefore, PepsiCo acquired not only Duke's but also Slice. PepsiCo also launched Pepsi-Cola, the generic description of which was "*sweetened carbonated water*".

The Coca-Cola Company's growing interest in India led to the acquisition of Thums Up, with very well-developed distribution channels and excellent brand recognition, especially in the northeast of India. The Coca-Cola Company also launched Coke. In Calcutta, Black Diamond Beverage Ltd. became a Coca-Cola bottler. Near Mumbai, Britco Foods Co. Ltd. bottled Coca-Cola products in Pune, an industrial town in Maharashtra state.

The Coca-Cola Company benefited from the Thums Up distribution channels, and PepsiCo from those of Duke's and Slice. Cadbury-Schweppes meanwhile benefited from its own reputation and from the established distribution channels of its confectionery line. There was already strong brand recognition for Cadbury chocolates, as Hindustan Cocoa Products Limited used to make Cadbury chocolates, in what was then Bombay. After liberalisation, Cadbury India Limited produced chocolates in its own three factories. One was in Pune and another in Thane, both in Maharashtra state. Cadbury also had a factory in the village of Gurikha (MP state).

Cadbury Schweppes brought orange-flavoured Crush to India and ginger ale under the name Canada Dry. Where there was already strong brand loyalty to Cadbury chocolate, Canada Dry and Crush both did well. In Mumbai, a special promotion was held at the Regal movie theatre, where people were eager to have a Cadbury drink with a Cadbury chocolate, during intermission. In Mumbai, Coca-Cola was dwarfed by Cadbury's shadow.

Another player in the soft drinks industry was Rogers & Co. Pvt. Ltd. (64 Mirza Ghalib Marg, Mumbai 400 008). This firm bottled drinks under license from Kickapoo Joy Juice Limited, in Toronto, Canada.

Table 1: Mango drinks in India

Brand	Producer	Ingredients
Aavin (marketed by Tamil Nadu Co-op Milk Producers' Federation Limited, Chennai)	The Salem District Co-operative Milk producers Union Ltd., Salem	Water, mango pulp, sugar, citric acid, ascorbic acid, colour, flavour
Frooti	Licensee of ParleAgro Ltd., Mumbai	Mango juice drink
Fruitnik	Sivas Beverages, 5/160A Kunathur High Road, Porur, Chennai 600116	Water, mango pulp, sugar, citric acid, permitted colour, added flavour, permitted class II preservatives
Lehar Slice	PepsiCo India Holdings Ltd.	Water, mango pulp, sugar, citric acid, permitted colour, class II preservative, added flavour
Maaza	Chennai Bottling Co. Ltd., 423 Poonamalle High Road, Arumbakkam, Chennai 600106	Water, mango pulp, sugar, citric acid, added flavour, permitted class II preservative
Mango Time	Sree Mahalakshimi Food Industries Limited, Kalamassery	Water, mango pulp, sugar, citric acid, permitted class II preservatives, colour, added flavour

Source: Compiled by Authors.

In summary, Cadbury Schweppes brought Canada Dry and Crush to India, and benefited from the fact that Cadbury's was already a well-known brand, as its chocolates were being made by Hindustan Cocoa Products Limited. Also taking advantage of existing distribution channels, the Coca-Cola Company acquired India's own famous cola, Thums Up; PepsiCo India Holdings Pvt. Ltd. took over Duke's Mangola (a popular mango drink) from Duke & Sons Pvt. Ltd. Later, Coca Cola acquired the soft drink business of Cadbury Schweppes.