

## BOOK REVIEW

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### GORAS AND DESIS: MANAGING AGENCIES AND THE MAKING OF CORPORATE INDIA

Omkar Goswami<sup>1</sup>; *Penguin Random House India; Gurgaon; 2016; 276 pp.*

Managing Agencies have been part of initial industrial development not only in India but everywhere in developing world where entrepreneurial talent was lacking and seed capital was hard to raise. The system of managing agencies allowed few persons to exercise control over large number of independent joint stock companies, without having to hold majority shareholding and have disproportionate control over cash flows. Generally, it involved raising capital for the company from public and then executing the contract with the company for providing the services of promotion, management, underwriting and financing of company. In lieu of these services, managing agency was to get fixed fees often called agency costs, share in revenue and profits and charges for providing other allied services. The profit so earned by managing agency was then used to raise capital for another business. It is these Managing Agencies which are at the centre of book “*Goras and Desis*”.

Chapter one of the book, “*Setting the Stage*”, as the name suggests is introductory in nature with writer explaining the concept of managing agency, their mode of functioning, reasons for their rapid growth especially like establishment of Calcutta Stock Exchange which facilitated raising of capital from vast number of people and other external events. He then emphasises on the difference between *Agency House* and *Managing Agency*, with former preceding the latter in antiquity.

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<sup>1</sup> Omkar Goswami secured his D.Phil from Oxford in 1982. From then to 1996, he researched and taught at the Delhi School of Economics, Tufts University, Jawaharlal Nehru University, Rutgers and Indian Statistical Institute and was consultant to World Bank, the Asian Development Bank and the Organisation for Economic Co-operation and Development. He also served as editor of Business India and as Chief Economist at the Confederation of Indian Industry. Since 2004, he runs a corporate and economic consulting firm called CERG Advisory.

Chapter two, begins with story of Dwarkanath Tagore also referred to as “The King of Calcutta” in the book, his enterprising nature and views on social matters. Dwarkanath Tagore was instrumental in setting up first managing agency “*Carr, Tagore and Company*” in partnership of William Carr and which got into hugely successful business of Steam navigation for ferrying coal from coal mines to markets. Chapter is also about his monumental failures in his foray in business of Salt, Ferries and Banking, which ultimately led to its liquidation. Of failures, most important is of Union Bank established to finance the agency’s businesses, but failure to diversify financing beyond indigo financing spelled doom. Perhaps his failure does provide a lesson or two for current banking enterprises where over-leverage in particular sector can be ruinous.

“*Year after year our trade increases*”, a statement by Scottish chairman of Indian Jute Mills Association, forms the title of Chapter three. As the name suggests this chapter deals with rise of managing agencies particularly after the liquidation of “*Carr, Tagore and Company*” covering period from 1875 till Independence. This chapter is divided in two parts, first of them covering time period between 1875-1929 and second of between 1930-1947. Beginning with the exploits of Scottish and British owned agencies like *Jardine Skinner, Arbuthnot, McLeod, Andrew Yule* in Calcutta, chapter later focuses on Indian entry in world of Managing Agency whether be it of *Birla* in Calcutta, *Parsis* in Bombay or *Gujaratis* in Ahmadabad. Chapter three in separate segments, thus, covers development of industries in field of Jute, Cotton, Coal, Cement and Construction, Shipping, Iron and Steel, Sugar and Tea.

India economy after Independence was based on Nehru’s vision of planned economy based on socialist principles, which involved greater control of private enterprise. Thus, story of Managing agencies after independence is of control and demise and this sets the theme for Chapter four of the book. Author in his book mentions several reasons for demise of Managing Agencies such as establishment of long term finance institutions like IDBI and ICICI which reduced the need to raise capital from public, rise of Multi National Corporations in India, nationalization of institutions, distrust of Nehru in private sector and most importantly Mundhra affair and Dalmia episode which finally led to termination of Managing Agencies in India, first in year 1967 in limited manner and later completely on 3<sup>rd</sup> April, 1970.

Fifth and final Chapter is mostly supplementary in nature devoted to system of Managing Agencies in other parts of the world *Zaibatsus* of Japan, *Chaebols* of Korea or *Taipans* of

Hongkong and similar systems elsewhere. Author also lays emphasis on certain practices similar to that of Managing Agencies being still carried out in India even after the termination of legal validity of the managing agencies.

This book thus provides a informative account of the Corporate India between the years of 1830's when Dwarkanath Tagore started the managing agency till 1970 which pulled the curtains on this system. There are, however certain shortcomings in the book such as segments within the chapters are sometimes incoherent which hamper the smooth flow of reading, nevertheless, book will prove to be an interesting read not only of the students of the subject but also to layman.