

**Capital Networks: The Political Economy of Rohilkhand,  
Awadh and Banaras in the late Eighteenth Century**

*Dissertation submitted to Jawaharlal Nehru University  
in partial fulfilment of the requirements  
for the award of the degree of*

**MASTER OF PHILOSOPHY**

**Satyaki Roy**



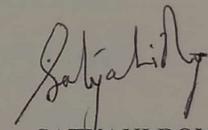
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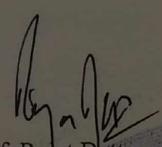
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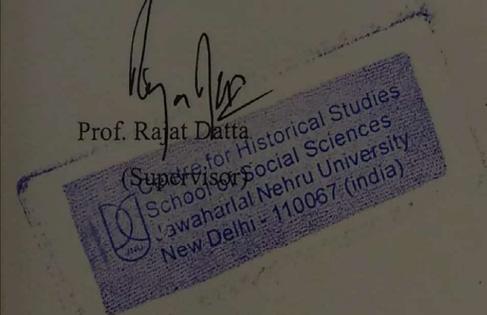
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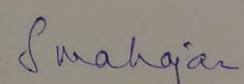
  
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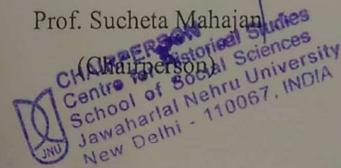
### CERTIFICATE

We recommend that the dissertation be placed before the examiners for evaluation.

  
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Sumaiya Khan, descendent of the Rohillas discussed in this essay, reminded me that the history I write about is of real people and cultures. She has inherited from her nomadic ancestors her fierce sense of justice and her wanderlust.

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The words I write are for his approval.

## **Introduction**

This dissertation is an examination of the networks of trade and commerce which defined the political economy of the Awadh, Rohilkhand, and Banaras region during the eighteenth century. In this introductory chapter, the historiography of networks and political economy with respect to the region in question will be presented, along with brief descriptions of the chapters which form the main body of the work. The major themes are delineated along the way.

The historiographical shift towards the study of networks and their features, and emphasis on them, rather than static vertical structures, which are hierarchical in nature, is the focus of this section. Herein is discussed the work of historians who have chosen to reconsider state-formation and social life as interconnected systems and human beings as active agents adapting to changing circumstances. The emphasis is not on impersonal structures but networks as actively shaped and utilized by human behavior. C.A. Bayly's work forms model of this approach.

Based on an understanding of rapidly mutating networks, one may arrive at an understanding of the concept of the early-modern in India, be it through market networks, migrations, or groups of people straddling multiple cultural and political spaces and leading to successive reallocations of resources, whom Bayly referred to as corporate groups (even if we use the term 'early modern' more as a heuristic than as a definite

category<sup>1</sup>). If the formation of smaller, more compact states in the eighteenth century be considered, then this too points to geopolitical moves towards stability (from an earlier disintegrating Mughal apparatus), and becomes one of the features of early modern formations and readjustments (later we will see C.A. Bayly's framework of problem-solving)<sup>2</sup>. If we consider John F. Richards' other criteria to be considered a part of the early-modern, like intensification of land use, growth of population, and so on, many are applicable to South Asia. In that context, the eighteenth century marks a readjustment which allows us to see the networks underneath along which societies accommodated, be they successive urban formations or mercantile networks, or even political systems. And although Richards uses the power and central character of the Mughal state at its peak to describe South Asia as early-modern, a centrality we see diminished in the eighteenth century, the stark emphasis of the eighteenth century states on revenue collection and utilization and protection of mercantile networks and communities, along with their calculated negotiations and cooperation with the East India Company, we may understand the South Asian eighteenth century as demonstrating, albeit in its own context, the accommodations and adaptations of a dynamic early-modernity.

The broad delineation of network strata, as articulated by Bernard Cohn, its actual transformation and nodal behavior as described by C.A. Bayly, with the example of Awadh as a 'successor state' or 'satrapy', and the reallocation of resources therein, as

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<sup>1</sup>See Heather Dubrow and Frances E. Dolan, 'The Term Early-Modern', [PMLA: cite the full reference here] *PMLA*, Vol. 109, No. 5, Oct. 1994, pp. 1025-1027.

<sup>2</sup>See John F. Richards, 'Early Modern India and World History', *Journal of World History*, Vol. 8, No. 2, 1997, pp. 197-209.

analyzed by Richard Barnett<sup>3</sup>, may be considered the three stages of this treatment. The broader connection with the hinterland as between the peasant household and the rural markets and networks has been established by Rajat Datta. The study of the urbanization of Delhi, as carried out by Stephen Blake, in the seventeenth and early eighteenth century is a counterpoint. A key feature which needs to be pointed out here is a primary difference of treatment between the works of the first four historians (if Cohn forgives us for calling him one) and Stephen Blake, whose primary interest is not the functioning and transmutations of a network, but the process of urbanization itself<sup>4</sup>. Although Barnett chooses Awadh as his case study, his focus is on how the network allows the compact erstwhile Mughal province to break away from a crumbling empire through regional reallocations and he emphasizes the continuities with the past and how enterprising military operators like Safdarjang fully utilized them. Similarly, Rajat Datta and K.P. Mishra may be writing on Bengal and Benaras respectively, but the interconnective tissue of economic and social life and extended networks that they unearth is not a history of Bengal or Benaras *per se*, but an understanding of the processes which sustain structures, however fluid, of early modernity<sup>5</sup>. Thus, the construction of a region is with regard to a 'system' and not merely an articulation of ecological or cultural differences (although those may exist and affect analysis considerably). The region, therefore, has no *a priori* identity, but exists as a system within a larger system. This kind of a systems approach,

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<sup>3</sup> Richard B. Barnett, *North India between Empires: Awadh, the Mughals, and the British, 1720-1801*. Berkeley: University of California Press, 1980.

<sup>4</sup> Stephen P. Blake, *Shahjahanabad: The Sovereign City of Mughal India: 1639-1739*, Cambridge University Press, 2002.

<sup>5</sup> Rajat Datta, *Society, Economy and the Market: Colonization in Rural Bengal: 1760-1800*, Manohar, Delhi, 2000.

described through networks, is perhaps the way forward, if one were to try and arrive at a sense of how the modern world was formed.

While articulating the networks which form his understanding of the Indian subcontinent, Bernard Cohn points to four levels at which distinctions may be made. In descending order of scale these are, first the all-India or subcontinental level, second the regional level, which he distinguishes by ‘literary language’ and ‘distinctive caste patterning’, the third, the sub-regional level, and finally, the local level, which may be contiguous with villages<sup>6</sup>. The broad distinctions between these levels or within them may become blurry, he concedes, as an ‘almost continuous gradation of culture and personnel between the most parochial and the most universal scales’<sup>7</sup> may be seen. We may find the corresponding political formations during the early-modern period. At the highest level may be trans-regional empires like the Mughals in their heyday, at the regional levels, the compact ‘satrapies’ or ‘successor states’ which broke away to autonomy during what has been called the turbulent eighteenth century, at the sub-regional levels, the towns and *qasbahs* and the proximal networks formed by them, and finally the village. The administrative attempts to reach down to the lowest levels for revenue management have been well documented by historians like Irfan Habib and Ibn Hasan<sup>8</sup>. It is the network formations of the horizontal sort that have been begun to be analysed, that is the links between multiple supra-regional areas (as Sanjay Subrahmanyam and Muzaffar Alalm

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<sup>6</sup> Bernard Cohn, *An Anthropologist Among Historians and Other Essays*, Oxford University Press, Delhi, 1987.

<sup>7</sup> Ibid, p. 79.

<sup>8</sup> Irfan Habib, *The Agrarian System of Mughal India*. New York, 1963, Ibn Hasan, *The Central Structure of the Mughal Empire and Its Practical Working up to the Year 1557*, London, 1936, and others.

have attempted with their work on diplomacy and travel) and the links between regional and sub-regional levels within the subcontinent as will be discussed here.

C.A. Bayly brings to light the different groups of individuals and occupational groups which were crucial in eighteenth century state formation. These ‘powerful interests’ provided the ‘tools for state-building’<sup>9</sup>. They included, among others, mercenary soldiers, merchants, revenue farmers or entrepreneurs, administrative officials or scribes, and mobile peasant farmer groups. These groups were able to ‘redirect their service’ towards multiple compact eighteenth century states and derive benefit in the process. Bayly’s primary counter-intuitive insight into political ‘decentralization’ is that the eighteenth century breakdown ‘encouraged’ the growth of a ‘rooted service gentry’ and a ‘homogenous class operating around small town centres’<sup>10</sup>. This led to the formation of what he has termed as ‘corporate identities’, which were ‘formed around conceptions of religion and credit’. Along with the continuing trend of slow increase in population and area under cultivation from the later Mughal period, this substantially revises our understanding of the processes which were said to constitute decline in the eighteenth century. The important process here is the commercialization of the agricultural advance, which we see in the work of Rajat Datta too, in the context of Bengal during the hiatus between Empires.

Eighteenth century state formation may also be seen through a framework of problem-solving. One may say, as Bayly mentions, that at heart, these compact states of various sorts (and he delineates key features and classifies them into groups like resurgent Hindu

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<sup>9</sup> C.A. Bayly, *Rulers, Townsmen and Bazaars*, Cambridge University Press, Cambridge, 1983, p. 5.

<sup>10</sup> *Ibid*, p. 8.

kingdoms in Eastern regions like Benaras and Ghazipur, social movement-based state formations like the Jats, the Marathas, and the Sikhs, Muslim conquest states like the Rohillas, and Mughal Satrapies like Bengal under Murshid Quli Khan and Hyderabad , along with the new players emerging from Bengal, which were the English East India Company) were formed to solve the problems (especially economic and political ones) which the late Mughal Imperial apparatus was unable to address or balance. Rulers formulated policies to ‘overcome’ cash flow problems, along with aspects of political legitimacy which may have plagued the reigns of the later Mughals<sup>11</sup>. With more cultural similarities with the peasants and merchants of the new states and more compact geographical delimitations, the new rulers could aspire to a greater degree of efficiency and efficacy in state-building and growth.

To return then, to the idea of communities which were able to thrive in turbulent conditions, Bayly divides these new corporate groups into the following types. The first were the traders and bankers, who negotiated with multiple powers in a multi-polar scenario, forming networks of goods, grain, cash, and thus commercial linkages between the numerous petty powers. The second group included the administrative and military personnel who migrated to and from different regions in search of work at the emerging courts and administrative structures. These included administrators well-versed in ‘Indo-Persian revenue management’ and ‘court ritual’. The third were religious organizations which formed networks for pilgrims and religious learning. These different groups, Bayly illustrates, contributed to the formation of these different regimes, but, he insists, they

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<sup>11</sup>ibid, p. 11.

also, 'maintained a degree of independence' due to which they may be studied as independent influences in eighteenth century politics and social formations<sup>12</sup>.

In the context of the growing activities of traders and the markets they made in rural areas, Bayly discussed a two step process of commercialization of the agrarian process. In the first stage, a local merchant community was formed in the region in question. In the second stage, it linked up with the towns and wider markets through land revenue and the luxury trade. He uses the example of the Baiswara Rajputs to describe this process, which accompanied and was a result of 'agricultural intensification'<sup>13</sup>. The connection between town and hinterland, although crucial, can be picked up after dislocations as the relationship between the traders, the ruler, the gentry, and the mobile peasantry can be re-established as per ecological and political requirements. Bayly's greatest achievement, is perhaps, the description of this adaptive ability of North Indian society.

In a study of urban networks, and especially if one is questioning the very basic assumption of permanence, it becomes crucial to consider what makes a small town into a city or a collection of markets into a town. Bayly describes the basic unit as a *qasbah*, with a population of more than 3000, as a town, with a distinct 'social, legal, and economic status'<sup>14</sup>. The gentry, either administrators or military personnel, lived in these towns, and fueled the urban process. For those towns with a population greater than, 10,000, the term city has been used. But other than this heuristic, Bayly does not further

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<sup>12</sup>ibid, p. 30.

<sup>13</sup>ibid, pp. 96-99.

<sup>14</sup>ibid, p. 111.

distinguish between a town and a city. It may be submitted that a city is a step above in the nodal hierarchy between hinterland and town. In that case the city is the highest point, a confluence of maximum density and a centre of civilization, as Cohn called it. This network functionality of cities is highlighted by Bayly as ‘retail centers’ and ‘bulking points’ for goods and revenue management in the immediate radius, secondly, as ‘transit points for long distance, high-value trade’, where brokers and merchants ‘congregated’, and which supported its own artisan community, and thirdly, as servicing the regional rulers, nobles, and religious figures and organizations<sup>15</sup>. This shifting complex of factors decided the fate of towns.

In the eighteenth century, although the larger centers of civilization (Lahore, Delhi, and Agra) saw a broad decline in population, smaller centers like Benaras and Lucknow became regional centers with populations of over 200, 000, as opposed to the ‘great cities’, which went from approximately 400, 000 in 1700 to ‘stabilise’ or what some have described as ‘decline’, at 100, 000 in 1800. Similar are the cases of smaller towns like Jaunpur and the numerous *gasbahs* of Haryana. He goes on to say that the percentage of urban population was perhaps higher at the end of the eighteenth century than at the beginning, a striking insight, and one which he does not directly address afterwards. The significant number of members of the ‘soldiery’, like 10 per cent of the population of Ramnagar in Benaras in 1780 or 7 per cent Maratha forces in Agra in the late 1790s, clearly indicate a demographic and economic adaptation to continuous warfare<sup>16</sup>.

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<sup>15</sup>ibid, p. 112.

<sup>16</sup>ibid, p. 114.

Both Bayly and Datta (primarily agrarian commercialism as the linkage between the agrarian and a larger economic scale) describe and analyse this dynamism in the time of change. Yet, both treatments are essentially studies of multiple and quickly-changing equilibria, and the laws derived from it, like the interrelationships between society and markets or kingship and land. That is, both are studies of equilibria once they have been achieved, in terms of political and economic stability, and not examinations of turbulence itself (a task not easier since sources are generally produced in times of and as a result of some sort of temporary stability; they, thus, speak more of the equilibrium in question and previous equilibria, rather than the dislocation between them).

Barnett, on the other hand, with his examination of the Awadh kingdom, dives deeper into the actual process of turbulence and selective adaptations rulers like Safdarjung and others made. Although his conceptual framework of optimal reallocation of resources is itself an articulation of successive equilibria, his actual treatment and emphasis on geopolitical strategy and contingencies bring forth the idea of accommodations along possible network structures. Yet, his study of 'political decentralization' too is essentially an analysis of successive stages, in his case, the autonomy of Awadh, then dynastic legitimacy, and finally interactions and conflict and accommodations with the English East India Company.

Yet, these processual aspects of adaptation, of different communities and the changes wrought therein, like the mercantile activities of the *Gosain Sanyasis* in the Benaras region, who became important traders in the eighteenth century due to their networks connecting regions like Mirzapur, Ghazipur, Bengal, Nepal, Poona, and so on, would be

based on accounts of *particular actions and events*<sup>17</sup>, and may not be permanent aspects of networks themselves.

Whereas a network, once forged, never really disappears, except due to long-term ecological disruptions or technological upheavals. An understanding of horizontal networks connecting and balancing northern Indian regions provides us with a grid or lattice along which we might study, as Bayly, Cohn, and others have, the rise and fall of particular nodal points, for example, as mentioned above, Mirzapur or Farrukhabad.

Based on this understanding of networks as underlying social and economic change, we may be able to describe the nature of early-modern networks. Were they brittle, in a sense, and did social life remain forever on guard to the exigencies of politics and ecology? Or were they like cobwebs, with an inherent stickiness, reshaping and reforming in response to dislocations and turmoil?

The following chapters will seek to, if not answer, illuminate these questions further.

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<sup>17</sup>K.P. Mishra, *Banaras in Transition (1738-1795): A Socio-Economic Study*, Munshiram Manoharlal, New Delhi, pp. 95-100.

## Chapter 1

The examination of the networks of political economy of northern India in the late eighteenth and early nineteenth century may be divided into three parts. The first part is an examination of the networks and circuits of capital in the late eighteenth century, as forged by and in turn affecting internecine conflict and geopolitics in the region in question.

One of the unique features of the late eighteenth century was the mosaic of small states constantly competing with each other and the East India Company for resources<sup>18</sup>. Provincial history and ecologically influenced boundaries, fluid by nature, allowed competing hybridities in and of political economy, and an understanding of this period, thus, necessitates an understanding of fluidity and hybrid dynamics in statecraft and cash flow. The chapter includes a description of the ecological backdrop.

Rohilkhand, Farrukhabad (the Bangash Pahans), the Jats, Mughal generals like Najaf Khan, Awadh, Benaras, and the rising East India Company and the Marathas, along with smaller competing groups like the Sikhs and the Gujars, formed this mosaic of constant and internecine geopolitical conflict, embedded within networks of cash flow. The eighteenth century, at the end, was an emergent property (where the whole is greater than the sum of the parts) of this dynamic system, and not a mere aggregate of individual economic processes.

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<sup>18</sup>From discussion with Professor Rajat Datta.

The first chapter, would, thus, tentatively focus on these networks of cash and conflict, based on the Calendar of Persian Correspondence, Bristow's reports at the National Archives of India (dispatches from the war camps of contemporary western Uttar Pradesh, like Itawah and Kasgunj), Duncan and Fowkes' reports on Banaras (replete with cash concerns of both revenue farmers and bankers, as affecting and interacting with the nascent governance of the English East India Company), accounts like the *Balwant namah*, the *akhbarat* (tracing the constant military-monetary interactions), and so on. This chapter would delve into the cash requirements and negotiations of different states and large non-state actors like banks, in order to arrive at a sense of the circulation of large amounts of cash.

For example, When Shuja'ud Daulah turned against Hafiz Rehmat, the Rohilla leader, demanding a sum of forty lakhs, reneging on an earlier agreement for the restitution of the bond, Hafiz's Diwan, Puhar Singh, advised him to borrow the funds from Colonel Champion. When Hafiz refused to incur debt, Puhar Singh, an expert in monetary systems we may infer, suggested that they borrow the money from certain Mahajans. Instances like these are described in greater detail and the network ramifications are drawn, interweaving the secondary analysis of the matter.

The career and machinations of Sheo Lal Dube is an example of a banking magnate and the general conditions in Benaras also show the power of what Kumkum Chatterjee has referred to as 'big business'. For example, the extent to which bankers were deeply embedded into the processes of extension of agriculture and revenue extraction may be inferred from some of the instances presented in the Duncan records.

These and other examples present a complex network of interests operating in the channelization of agricultural earnings and surpluses in the economy. Thus, the first chapter will attempt to bring out this intertwining of business and military.

## **Chapter 2**

The second chapter would bring out the commercial and trading networks of smaller scales (utilizing travel journals, Polier's letters, the Calendar of Persian Correspondence, and so on), at which level, the interaction of commerce and conflict gives way to the vibrancy of local and regional trade.

The period saw the formation of the Rohilkhand and Farrukhabad states, forged by the military and trading motivations of the Afghan Rohillas and Bangash pathans. There is evidence pointing to the existence of bankers among the different factions, at both the level of big business and local *hundi* levels. Trade in arms, horses, slaves, elephants, small debt, both locally and through Banjara packs, and so on, provide a picture of this scale of commercial networks.

A revealing process which emerges out of Skinner's memoir is the trading activities of the Banjaras. The Banjaras are traditional Indian long-distance traders carrying varied goods across the subcontinent using pack animals. Skinner observes, at the peak of conflict between Holkar, the Company, and other ancillary players, banjaras carrying

goods in large quantities to the Delhi territory and the surrounding regions through the regions embroiled in conflict.

Similar to the mass trade by Banjaras at the height of geopolitical turmoil is the effective long distance hundi system, which is active during the long, turbulent eighteenth century.

Not only were economic systems and trading networks readjusting and adapting, a significant structural feature which the travelers and adventurers brought to our notice were the commercial linkages in the form of the hundi system and banking operations.

Considering some of the letters the French traveler and entrepreneur Antoine- Louis Henri Polier wrote to the Mughal General Najaf Khan and to his employee Manik Ram, we may arrive at some inferences regarding payments and commercial networks during the eighteenth century.

The gradual formation, as C.A. Bayly and Sanjay Subrahmanyam have written, of communities with expertise in various processes of business and statecraft, which eventually led to the formation of what Bayly termed, ‘corporate identities’, has also been explored through the example presented above<sup>19</sup>.

Local variations become important at this level and the finer differences between the social and economic regimes in question may be brought out. Although numerical data at this scale is painfully scarce, an attempt will be made to examine the commercial networks in conjunction with the larger scale networks of cash movements in the earlier chapter.

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<sup>19</sup>C.A. Bayly, *Rulers, townsmen and bazaars : North Indian society in the Age of British Expansion 1770-1870*, Cambridge University Press, Cambridge, 1983.

### Chapter 3

The third chapter would examine the changing networks under the spreading political and administrative dominance of the English East India Company. It is submitted that this chapter is a comparative transitional examination. It may take the previous chapters forward, at both scales of analysis, to the scenario at the beginning of the 19<sup>th</sup> century. By the early-nineteenth century, East India Company had effective control over most of this region. So, major war-related cash transactions reduced substantially, although they didn't vanish, as the Marathas remained belligerent. What began to emerge was a hybrid East India Company system, as the Company adapted to different regions in order to administer revenue and commercial processes (including administering *adalats* and monitoring assigned rulers). The observations of Judge Shore will be utilized to understand the nascent judicial system and the adaptations of local merchants.

Networks of banking, utilised extensively by the English East India Company for military purposes, thrived into the dominance of the latter. They continued to service big business and participate in the revenue business. But with the centralization of ruling interest, the earlier, wider dispersal of strategic interests was replaced by a system more recognizable today.

Accounts like that of Bishop Reginald Heber may also be utilized to present a picture of a political-economy of the dominance of the English East India Company. For example, his comments on Benaras, replete with the assumptions and prejudices of a missionary, are revealing as to the state of the city and the affluence of those who reside in it. He

describes markets, the show of affluence in the building of villas, and even the large sums spent by the city eminent on charity (in one case, amounting to one and a half lakh rupees annually, by a retired Maratha minister<sup>20</sup>.) He, along with other travelers, mentions the recrudescence and prosperity of smaller towns (like Mirzapur, which he compares with Patna<sup>21</sup>) and the zeal of commercial engagement on the part of the inhabitants.

What may be discerned is a shift and reallocation in capital and consolidation of commercial interests, whose foundations were set during the seeming chaos of the late eighteenth century. In attempting to tame the chaos, the Company subsumed it, and gave to itself the distinctive early-modern military-commercial-administrative form. The dissertation will hope to find, in this ceaseless conflict and complex fluidity, the sense of a dynamic political economy.

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<sup>20</sup>Bishop Reginald Heber, *Narratives of a Journey though the Upper Provinces of India*, J. Murray, Vols I, II, & III, London, 1828., p. 253.

<sup>21</sup>Ibid, p. 277.

## **Chapter One**

### **The Political Economy of Finance and War**

In the first half of the eighteenth century, as the Mughal system decentralized, regional rulers, earlier parts of the Mughal order itself, began to assert themselves into compact regional formations and emerging powers like the Marathas, Jats, and others, started staking claim to the opportunities revealed. Along with the invasions of Nadir Shah and Abdali, the eighteenth century, thus, began to look like a hodgepodge of different interests, a historiographically unfashionable and intractable arena. The second half of the eighteenth century, when Mughal power was reduced to a deployment of symbolic legitimacy and regional formations themselves suffered internecine geopolitical conflict, had thus been treated as an extended morass, where the imperial clarity of the earlier and later periods did not apply. Ill-equipped to examine protracted and multi-polar conflict, historians of different persuasions, couldn't but consider the chaotic affairs as a lamentable interlude. With the exception of Muzaffar Alam, who examined the decentralization process itself, C.A. Bayly, who deftly weaved together fluidity and adaptation, Richard Barnett, who examined the British engagement with Awadh, Rajat Datta, who examined the longer processes of agrarian grarian commercialism in Bengal, and a few other pioneers, the latter half of the eighteenth century remained an

unexamined bricolage of conflict, especially in Northern India, a part of which this examination straddles.

The following observation is the underpinning of the examination presented in this chapter. The latter half of the eighteenth century in Northern India, in this case the region extending from Delhi to Benaras, was a stark display of competitive commercialism thriving in chaos. The foundation of this chaos was the bricolage of competition, which transcended political umbrellas, the latter products of the former at a different scale, and the manifestation of chaos was the uneven prosperity in conjunction with political instability. To study the dynamic scenario of the period and region in question, thus, we must turn to a concept of political economy which considers economic motivations as embedded in geopolitical contestations and driving them, and a perpetual visitation of flux, swiftly reshaping not just political realities and alliances, but also social aspects. What this chapter eschews then, is the simplistic assumption that stability is necessary for economic activity, or that said activity does not accompany war and plunder.

The objective of this chapter is to discern the networks of banking and geopolitics in the region extending from Delhi to Benaras in the middle and late eighteenth century, to delineate the strategies of the different entrepreneurs and state-builders, who utilized these networks to build their respective careers. The period saw the formation of the Rohilkhand state, forged by the military motivations of the Afghan Rohillas, the consolidation and turmoil of the state of Awadh, and the subsuming of Benaras under the East India Company. In the formation of the State of Rohilkhand and the administration of Awadh, the political implications of money and banking were not as explicit as in Benaras (but critical, nevertheless, as the Afghan state builders were traders, particularly,

horse traders, where Company records allow us to observe the overt strategies of bankers. It will be posited that in the early formation of regional states, banking was implicit in the administrative and military structure and capital flows occurred as much through military-fiscal policies as through explicit commercial transactions. There is evidence pointing not only to the existence of bankers among the different factions, at both the level of big business and local *hundi* levels, but also large monetary transactions fuelling political unrest, like the Ruhilla war, which was fought for the restitution of a bond, and led to the downfall of Hafiz Rahmat Khan. The second phase is the maturing of these regional formations and the explicit assertion of banking and its collusion and conflict with the Rajas of Benaras and the Resident of the East India Company.

Economic growth was evident in many instances. For example, in describing the Chawk Bazaar of Faizabad, a text outlining its history described merchants flocking from Persia, Turan, China and Europe and making a substantial profit, along with two hundred resident Frenchmen, primarily military advisors and trainers<sup>22</sup>. There was an invocation of heaps of gold and silver in the market place. Even if we considered that a ritualistic invocation, the inference of well-being may easily be drawn. Towns could come up, with a semblance of political authority and stability, with traders and moneyed men moving their capital across the landscape. The way in which bankers were embedded into the system was given by Nawab Sadrunnissa Begum, who, among many different specialists, also hired bankers<sup>23</sup>. Mirza Abu Taleb, in his account, described the massive revenue departments *Subahs* used to have; ‘it would take too long to mention all the officers of

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<sup>22</sup> Muhammad Faiz Baksh, *Memoirs of Delhi and Faizabad*, trans. William Hoey, Volume II, Allahabad, 1889, p. 8.

<sup>23</sup> *Ibid*, p. 60.

the revenue branch in the Subah, for there were thousands of this class employed in the Government service'<sup>24</sup>.

### **Geographical Background**

The region whose financial politics has been examined in this dissertation may be described as the central part of the 'great crescent of alluvium from the delta of the Indus to that of the Ganga', 'the infilling of a foredeep warped down between the Gondwana block and the advancing Himalayas'.<sup>25</sup> The thick alluvial cover (the Indus is thinner) provided this region with the agrarian basis the commercialization of which led to the density of networks which form the subject of this study. The plains are 'remarkably homogenous topographically', with the 'only marked changes' being those which were created by the 'numerous shifts and diversions of the rivers'<sup>26</sup>. The 'broad interfluves', traditionally referred to as the *doab*, form the western part of the region selected. The Benaras region of eastern Uttar Pradesh forms the eastern part.

The north of the region in question was circumscribed by the Siwaliks east of the Yamuna, merging into the Kumaon kingdom, which figured prominently in the rise of the

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<sup>24</sup> Abu Talib, *History of Asafu'ddaulah*, Trans, William Hoey, Allahabad, 1885.

<sup>25</sup> O.H.K. Spate and A.T.A, Learmonth, *Indian and Pakistan: A General and Regional Geography*, Munshiram Manoharlal, New Delhi, 1984, p. 41.

<sup>26</sup> *Ibid*, p. 42.

Ruhilla kingdom. Daud Khan, the founder, was a mercenary for the Kumaon ruler after a stint at Peshawar, whence he returned on horse trading operations. The triangular politics between the Kumaon ruler, Daud Khan and the Bangash nawab, not within the ambit of this discussion, was important in understanding the fluid nature of eighteenth century state formation, alliances, and the nomadic nature of many of the northern Indian states<sup>27</sup>.

To return to geographical considerations, south of this, the soils of the Haryana or the Delhi Doab were 'light loam and sand', supported by well irrigation and crops such as gram, wheat, barley, millet, with 'fairly large, nucleated, evenly spaced' villages<sup>28</sup>.

Delhi, which figures sporadically in this examination, and prominently in the political history of the period in question, was a nodal centre through the entire medieval and early modern period, along with being the capital for long stretches. It was:

The gateway between the Thar–Aravalli barrier and the Himalaya; marchland position between the northwest, ever accessible to new waves of invasion and cultural intrusion, and the shock absorbing Gangetic Plains; the convergence of the routes from the ancient Cambay ports and the Deccan by Rajputana and Malwa.<sup>29</sup>

The upper Gangetic valley included the Doab, as stated above, between the Yamuna and the Ganga, the kingdom of Awadh, and between them, Ruhilkhand. Together these formed about the two-thirds of the united provinces. The impact of the winter rain

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<sup>27</sup> See Jos J.L. Gommans, *The Rise of the Indo-Afghan Empire: c. 1710-1780*, Oxford University Press, Delhi, for this transition from nomadism to state building. For us, the only aspect of interest is how this Ruhilla formation merged into the financial politics of the late eighteenth century.

<sup>28</sup> Spate and Learmonth, p. 539.

<sup>29</sup> *Ibid*, p. 540.

between Rohilkhand and Kumaon was crucial in the politics (as will be seen later), with the Ruhillas taking to the forests of the foothills to escape the Maratha forces, events which eventually led to financial wars and the downfall of Ruhilla power with the killing of Hafiz Rahmat Khan by the Awadh-East India Company combine.

On the eastern edge of the region delineated above was Benaras (and linked to it, Gorakhpur, Ghazipur, Ballia, Jaunpur, and other districts), which forms the edge of the region examined in this study. By the Ganga, on a *kankar* ridge, Benaras was an ancient settlement which operated with extreme financial vigor in the late eighteenth century.

There are multiple features which tied up the region in question and which form the chief reasons behind the selection of this particular part of the Gangetic plains and Doab for this study. The first was the ecological continuity, as described above. This ecological continuity led to patterns of agrarian commerce which eventually led to markets and towns linked to each other in increasing density through the eighteenth century. The second was the networks of capital being forged parallel to these ecological networks with Benaras bankers as a prime nodal point, which goes to explain the outward emanation of British power from the same nodal centre. Logically, we can extend further eastwards and include the Bengal delta to study the ramifications of the Bengal revenue for the operations of the British in Northern India, as Lakshmi Subramanian has shown. But the third reason, the formation of a grid of relatively autonomous successor states in the middle and late eighteenth century in this region, Awadh, Rohilkhand, Farrukhabad, and Benaras, along with the excursions of the Jats and the Sikhs in the northern regions provide us with a particular milieu of multi-polar political struggle and complex cash linkages to study an early-modern process of political-economic flux.

## The Political Economy of Change

According to C.A. Bayly, the ‘outstanding paradox’ which the eighteenth century embodied was the ‘coexistence of areas of local prosperity with political turbulence’<sup>30</sup>. But if one recognizes both capital and populations as perpetually moving, which Bayly recognized, in his analysis, there is no conceptual issue. An empire, for historian of empire, represents the epitome of certainty, hierarchy, and system. Flux, for the historian of transformation, represents the deep structure of historical change. In the perspective of this examination, the coexistence of regions of prosperity and wider political turbulence signifies human adaptation using networks forged through political and economic interactions.

An important shift, one is tempted to say, even tectonic shift, was the growth and deepening, through the eighteenth century, of the money market (along with the clearer delineation and rise of ‘corporate groups’, it forms the engine of Imperial transformation, one might say), through the commercialization of agriculture and growth of revenue farming.

The reliance on commercial networks and experts to navigate them wasn’t new. It began with the delegation of revenue matters in the Mughal period itself. The process gathered steam and in 1720, Bhimsen lamented that men ‘having learnt the art of arithmetic’

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<sup>30</sup> C.A. Bayly, *Rulers, Townsmen and Bazaars*, Oxford University Press, Delhi, 1998, p. 197.

became ‘masters of authority’ and plundered ‘the public’<sup>31</sup>. The increasing requirements of cash flows to engage in internecine battles of both resources and autonomy provided an opportunity to monetary entrepreneurs to strike deals with state-builders, leading to a deepening mosaic of capital networks.

Although the farming of the revenue of the state began in northern India and Bengal before the period of this study, that is, in the early eighteenth century, in Benaras and Awadh, revenue farming began to cover most of the taxation mandate of the ruler in the forty years following 1740. Diverse duties were levied, ranging from toll to bazaar duties, along with taxes on numerous commodities like wood, betel nuts, and so on, with the taxes of traders being farmed out. The causes of such extensive farming out of taxes may include convenience, for in the next chapter we will see the prospect of Gosains posing military trouble. However, it can also be argued that the prevalence of tax farming may have been a wider and more organic response of deeper money market activity, with the availability of cash becoming an asset in itself.

But the distribution of wealth and market power was skewed, and asymmetries, both financial and political, defined the system in transition. There was a concentration of revenue farming wealth at the top, with only about fifteen major men of capital in Awadh in 1770 and around thirty six in Benaras. Out of the fifteen of Awadh, two men controlled nearly 60 per cent of the revenue, a Jat and a Hindu raja, showing the complication of social origins brought about by the political maneuvers of men of capital. In Benaras, the

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<sup>31</sup> As cited in *ibid*, p. 199.

older Muslim revenue farmers had been pushed out by the rural Brahmins (*bhumihaars* mainly) in the wealth hierarchy<sup>32</sup>.

The revenue farmers had mixed portfolios. Other than farming taxes, they engaged in trade, financed military operations and provided banking services. The opium and sugar monopolies of Benaras, for example, were in the hands of Shanker Pandit and Beni Ram Pandit, who were also military contractors. These revenue farmers had control over multiple worlds, revenue, agrarian, and, at times, military. Some of them, like Sheo Lal Dube, whose financial-political maneuvers have been discussed in this chapter, survived into the East India Company regime. This adaptation was an important feature of the late eighteenth century.

At the lower levels, traders and commercial farmers like the Baiswara, grew under the rule of the Nawabs. Revenue farmers like Almas Ali Khan recruited collectors and under-managers from the elite Kayastha and Muslim families, who, later, in regions like Unnao and Hathgaon, became influential members of the gentry<sup>33</sup>. Other than these, the lower levels included village traders and shopkeepers (*bakkals*), and money lenders, who were crucial in the process of commutation of crops into cash. The local agents utilized by the revenue farmers may have been linked to them by caste or other trading connections, with one relationship being utilized for various transactions. In the evidence of Muhammad Elich Khan, presented in this chapter, we see this convergence of numerous roles on the powerful middleman.

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<sup>32</sup> *Ibid*, p. 200.

<sup>33</sup> *Ibid*, p. 202.

In the case of Benaras, money lender and traders handled transactions between Benaras and the different sub-divisional centers. Currency exchange between different siccas and rupees (examples of which are provided in the next chapter) provided arbitrage opportunities. The drawing of credit notes for security purposes while transporting treasure was another service which was provided. This led to the early British residents pushing for the extension of branches of the bankers into the countryside. The risk management aspect of the process is evident. The high risk of revenue failure could be hedged partially by entrepreneurs like Sheo Lal Dube by extending their own system through the countryside, thereby lowering transaction costs.

At the highest level, as has been discussed in this chapter, the bankers made out loans to the rulers as *dakhilas*. This kind of promissory note could be used as currency store of value and exchange. They were integral to the working of the state, becoming constituents of payments to troops, tribute, or other royal payments like those made during religious rituals or for ceremonial purposes. This led to the banking houses accumulating political power and tussles like the ones which have been described in this chapter. An example Bayly provides is how in 1776, Bhaiaram's Agarwal house of bankers and merchants proved to be the 'main obstacle' in the consolidation of the power of the resident in the principality. The relationships could sour, as occurred with Kashmiri Mal going into secretive partnerships with the royal family or the Jaunpur Rajputs complaining against the rising power of Sheo Lal Dube<sup>34</sup>.

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<sup>34</sup> Ibid, pp. 204-05.

In the late eighteenth century, the manipulation of economic variables by political players was evident from the instance of the warring camps of the Marathas and the Rohilla (Hafiz Rahmat Khan)-Shah (Ahmad Shah Durrani)-Awadh (Shuja'udDaulah) alliance at Panipat. In order to gain an upper hand, the Maratha General, Sadashiv Rao, interfered with grain supplies to the enemy camp, to which measure he dedicated thirty seven thousand foot and dug trenches and placed artillery. The measures were effective and the price of grain in the Shah's camp went up to a rupee for a *ser*. Even at the peak of geopolitical turmoil, eighteenth century northern India operated by market forces; rather ironically, in this instance (conflict could enhance market forces)<sup>35</sup>. Military camps had bazaars within them, which were important enough for the opponent to burn to gain an upper hand during battles, for example, the Shah's forces, later in pitched battle with Rao's army, attacked the camp from the rear and burnt the camp bazaar<sup>36</sup>. A contemporary record called this the 'greatest battle ever fought in Hindustan', in terms of the sheer number of soldiers involved, the numbers slain, and, relevant to this discussion, the amount of wealth exchanged<sup>37</sup>. It is interesting that an excogitation of the political economy of such military engagements has largely been overlooked by 20<sup>th</sup> century historians. And this isn't a lone incident either. It was customary for *baqqals*(grain merchants) to travel with troops, as evident from a dispatch of Antoine-Louis Henri Polier to Nawab Shujau'd-daulah<sup>38</sup>.

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<sup>35</sup> Abu Talib, *History of Asafu'ddaulah*, p. 62.

<sup>36</sup> *Ibid*, p. 65.

<sup>37</sup> *Ibid*, p. 66.

<sup>38</sup> Antoine-Louis Henri Polier. *A European Experience of the Mughal Orient*, Muzaffar Alam and Seema Alavi (eds), Oxford University Press, Delhi, 2001, p. 105.

When the Marathas were trying to take over Itawah from Sheikh Kabir, he refused to give up, leading to skirmishes. When the Marathas began a process of negotiation with him, he gave in after a lakh rupees were given to him for a store of grain for the use of the garrison, which he had laid. He promptly handed over the fort<sup>39</sup>.

When Shuja'udDaulah turned against Hafiz Rehmat Khan, the Ruhilla chief, demanding a sum of forty lakhs, reneging on an earlier agreement for the restitution of the bond, Hafiz's Diwan, Puhar Singh, advised him to borrow the funds from Colonel Champion. When Hafiz refused to incur debt, Puhar Singh, an expert in monetary systems we may infer, suggested that they borrow the money from certain Mahajans. Given the size of the amount, and its political ramifications, we can arrive at a sense of the strength of the banking networks. This advice was also turned down by Hafiz Rehmat<sup>40</sup>. It is clear that an engagement with the bankers of northern India was an option before every ruler and those who could do it successfully could gain decisive geo-political advantages. Hafiz Rehmat Khan was also famous for abolishing duties on exports and imports, foregoing 'many lacs of rupees annually', in the process<sup>41</sup>. He built towns, mosques, and reinstated pensions, and it is evident from his career that he utilized a space for pragmatism which the volatile political landscape provided. Although most records were favourable towards him, more from a moral viewpoint, his career suggests a deep understanding (either his own or his officials') of the geopolitical and monetary networks of northern India.

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<sup>39</sup> *Gulistan i Rehmat*, op. cit. p. 93.

<sup>40</sup> *Ibid*, p. 113.

<sup>41</sup> *Ibid*, p. 117.

Hafiz Rahmat Khan, in a rare dispatch to the Governor General at Fort William (1 September 1773,<sup>42</sup> explained the reason he refused to pay Shuja' the amount he owed him. The matter of war finance directly entwines with ecological history here. He claims that when the Mughal and Maratha forces attacked him, with his forces he retreated to the forests in the foothills of the Kumaon, abandoning his kingdom. As per an agreement between him and Shuja' and General Barker, they agreed to drive back the Marathas. Instead of carrying out said clause, they returned to Faizabad. When the rains came the Marathas crossed the Ganga and encamped, unable to enter the mountains till the rain ceased. Eventually, they withdrew in order to handle other conflicts. Based on this, Hafiz Rahmat Khan decided to hold the earlier agreement to be rescinded and refused to return the sum of 45 lakhs.

From a dispatch dated 5 February 1775, from Raja Chait Singh of Benaras to the Governor General at Fort William<sup>43</sup>, the following may be considered. Singh wrote to the Governor General complaining that the movements of certain power contenders, as ordered by the Vazir (this is at the time of the death of Shuja-ud-Daulah and the ascension of Asaf-ud-Daulah), that is, the presence of Manyar Singh and Ausan Singh at Faizabad, which at that time fell under the revenue collection portfolio of Chait Singh, 'has created disturbances in his zamindari and impeded the work of [revenue] collections'.

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<sup>42</sup>Muzaffar Alam and Sanjay Subrahmanyam (eds) *Calendar of Persian Correspondence*, Vol. 4: 1772-1775, National Archives of India: Archives in India Historical Reprints, Primus, Delhi, 2013, pp. 88-89.

<sup>43</sup>Ibid, p. 278.

He added that the Vazir, that is the Nawab of Awadh, was also building a house for himself in Benaras, which, the complainant in question felt, would work towards undermining his 'position' in the 'seat of his zamindari'. This brief dispatch is illuminating as to the machinations of Awadh within the rubric of arrangements and treaties as worked out by the East India Company, but more, as to the inherent power hierarchies besetting the region in question. For our task, it also indicated the interferences in the channelizations of surplus and its interaction with multiple power centers.

This instinct is also evident from another despatch, of 1 September 1773, this time from Shuja-ud-Daulah to the Governor General at Fort William, made a clear request. Shuja-ud-Daulah (Shuja' al Daulah) requested that if negotiations were to take place between the King (Mughal Emperor), the Rohillas, and the English East India Company, such negotiations should be referred to him and not be carried out by the English officers in his service<sup>44</sup>. Quite clearly, cash networks are forged out of and in turn forge the intricacies of early modern politics.

In another dispatch, dated 1 September 1773 (C.P.C. p. 88)<sup>45</sup>, Shuja-udDaulah made a more significant request, one which provides a glimpse of politicians attempting to tame business. He asked that the 'several English gentlemen and others' who carried out trade in his daulat, were of 'great detriment' to his interests. Since he had been friends with the British, he hitherto chose not to act upon it. But he could 'no longer allow it to continue'. Precise reasons were given for his ending indulgence. Before, lead and iron could be procured cheaply from Mirzapur, but since the merchants in question established a

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<sup>44</sup>ibid, p. 88.

<sup>45</sup>ibid, p. 88.

factory, they were ‘hardly obtainable’. He went on to say that he used to procure saltpetre from Partabgarh, but the English merchants there now refused to supply it. Shuja’ concluded that Mirzapur and surrounding regions were ‘ruined by the establishment of factories by English merchants’. Other than the clear separation between entrepreneurial and governmental processes (atleast as far as Eastern Awadh was concerned), what is evident is the repeated plunging together of the political and big business.

As of a dispatch dated February 1, 1775, from the Vazir to the Governor General at Fort William, part payments were being made, in this case, Rs. 15 lakhs sent through Mr. Middleton<sup>46</sup>.

### **Banking and Politics**

The extent to which bankers were deeply embedded into the processes of extension of agriculture and revenue extraction may be inferred from some of the instances presented in the Duncan records. The case of Kulb Ali Beg, a lease-holder of several parganas, who declared to the resident that he was involved in monetary engagements with the Raja in question that were beyond his current capacities, was one such instance. He cited his ‘involved circumstance’ with the bankers the previous year as a reason. The resident discovered that Kulb Ali was, indeed, bankrupt, with the bankers having extended him

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<sup>46</sup>ibid, p. 277.

funds for his kists (instalments), and had entered into unrealistic monetary engagements with the Raja so that the bankers could be paid off. The suggestion was that the scheme was orchestrated by the bankers themselves, who ‘urged him,’ as they wished to ‘extricate themselves in the course of it from all connection with him’<sup>47</sup>. Later, after Kulb Ali declared that he could not make payments due to hail destroying his crops, the Raja bestowed a Khilat on Kulb Ali, ‘by way of restoring confidence to the bankers ’ backing Kulb Ali<sup>48</sup>.

It was then discovered that the bankers had ‘appropriated to themselves’ a certain amount ‘on plea of repaying Kulb Ali’s debts’. The Raja convinced the Resident to pass an order for the refunding of the amount since it was an ‘unauthorised appropriation’. It helped matters since Kulb Ali was bankrupt. But the order ‘offended’ the bankers of Benaras in question to such a degree that they refused to give the *dakhilas* for the next *kist*, unless the Resident agreed to the amount taken from them being deposited in one of their houses. The entire revenue, the record tells us, passed through the bankers on its way to the Raja’s treasury. The resident then discovered that the misappropriation in question was but one instance and a ‘small part’ of similar misappropriations. The recovery would be difficult since the Shroffs and bankers could ‘command’ the Raja and the Government in matters of revenue realization, given that the *kists* were not realised in cash but through their *dakhilas*.

Important in these considerations was the aspect of bankers ‘combining’ to attain their objectives, and the time aspect of revenue realisation through successive kists. The

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<sup>47</sup> A. Shakespear, *Selections from the Duncan Records*, Vol. I, Benaras, 1873, p. 28-29.

<sup>48</sup> *Ibid*, p. 33.

process was not overtly complex, but rather mundane in its significance for the entire process of revenue realisation in the region in question. If the bankers straddled the entire monetization process, and were noticed only when they acted in concert (and in this instance, against the putatively righteous Government), it may be surmised that the system of revenue operated through a structure of credit, with the dakhilas as prime instruments, controlled by the banking community.

To supply funds to compensate for deficiencies in the accounts, the Raja, through the banker, FatehChand, advanced a sum of Rupees 85, 000, on an assignment of the revenue of Pargana of KheraMungrore and Sheo Lal Dube of Benaras extended another Rupees 85, 000. Also extant were mortgage dealings between the Raja and the house of Manohar Das, and the Resident gave his word to the bankers to protect them from loan default<sup>49</sup>.

The bankers were also actively involved in the processes of revenue collection. Sheo Lal Dube, for instance, who was also the banker to the aforementioned Kulb Ali Beg, accompanied Neave, when the latter was deputed to realise the balances of certain districts like Jaunpur, at the end of which Neave made a 'flattering report' of Dube's expertise. Dube, later himself became a farmer of *mahals*, as Kulb Ali Beg became unreliable and the resident found himself in an engagement with Sheo Lal Dube. The terms were the same, and Beg was sent to the Adalat on charges of embezzlement. Dube's advances to the Raja, it is made clear, would not have been extended without the 'Resident's official signature'. There are repeated instances of Shroffs and bankers acquiring written assurance for the kists they were advancing.

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<sup>49</sup> Ibid, pp. 74-75.

The Resident thus made a settlement with Dube for the pargannas of Bhoilee for one year and the district of Jaunpur and its dependencies for five years. The writer noted that Dube was dealt with out of a 'painful necessity' and would have taken Bhoilee for five years too had it been granted such. The go-getter banker was utilising the opportunity presented, considering that he had held farms under his own account the previous year also. Dube also advanced to Raja Adil Shah a sum of Rupees 20, 226, to cover arrears, with his jagir as mortgage. From the details of the agreement, which spanned over six to seven years, with half the Raja's Malikana going to Dube as liquidation of debt, it is clear that the banker had an upper hand in the negotiations.

Sheo Lal Dube's challenges and his collaboration with the Resident were brought out through the events concerning a recalcitrant Zamindar, Zalim Singh, who, with 2000 men, and after causing sufficient harm like burning a village, went over to the Nawab's territory, the latter unable to cooperate in bringing him in due to Singh being too 'powerful' a 'rebel'. The Resident realised that his effecting of regulations would not work as long as the intermediary had the option of stepping over to the Nawab's territory and operating from there. This leads to the suggestion that, even in the case of a banking business as mature as that of Benaras, we cannot consider it independent of the execution of political power, primarily, rent realisation, and that the power of banking may have had certain systemic limitations. From the sequence of events it is also clear, as Dube repeatedly wrote to the Resident of Zalim Singh's activity, that Bankers, especially the larger ones, would systematically use political power to achieve their ends, even while, as described above, misappropriating funds themselves.

A dispatch dated 20 January 1775<sup>50</sup>, presented the summary nature of the cash-debt system. Raja Chait Singh of Benaras, writing to the Governor General at Fort William, stated that he had received the latter's letter 'demanding' 5 lakh rupees. Chait Singh simply borrowed the money and sent it over through a Mr. Motte (a transfer which would reach Fort William in the 'course of two or three days'). It would be illuminating if we knew whom Chait Singh borrowed this money from and to how many people the banker or the banking syndicate lent money and how much and the risk-reward ratios bankers maintained. But for now, this sliver of information presents itself, etching the counter-intuitive sense of a highly liquid money market.

This sense of the banking syndicate and banking operations may be arrived at from a dispatch from June 1775<sup>51</sup>, from Thakur Das, the wakil of Gopal Das, a Benaras banker. Although the sums involved in this dispute, to be related, do not amount to much compared to the sums presented earlier, the dispute itself will be useful in making some robust conclusions about the subcontinental network of banking. In 1764, Gopal Das entered into a contract with Gobind Ram, who was an agent of Ejal Das and Bhital Das, merchants of Benaras, contracting to pay Rs 7, 000 on account of goods bought from him, on the condition that they be delivered to Surat. Since the ship with the goods sank, Gopal Das demanded the paper of agreement be returned to him, since the goods in question were never delivered. A motion filed a few years later in Murshidabad was dismissed over jurisdictional concerns, the correct jurisdiction for the dispute being Benaras. Yet, a motion was filed again in Murshidabad, a few years later, which, found to

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<sup>50</sup>*Calendar of Persian Correspondence*, Vol. IV, Primus, Delhi, 2013, p. 270.

<sup>51</sup>*Ibid*, p. 327.

be in favor of the complainant (the successors of Ejal and Bhital Das), Gopal Das's property (kothi) was broken open, a 'large sum of money, was taken, and his gumastha was imprisoned. The present dispatch enclosed a petition for the restitution of the wrongfully confiscated wealth and was, interestingly, signed by 32 Benaras bankers and shopkeepers. Sufficiently clear from this example are the subcontinental networks of business, with Benaras as a nodal point, and the concerted, guild-like behavior of the business community.

Another example of the utilization of the banking structure of Benaras was in a dispatch sent from Fort William to the Nawab of Arcot, pertaining a payment of Rs. 20, 000, of which the bill is to be forwarded to the merchants at Gopamau (Hardoi district, modern day Uttar Pradesh). Fort William informs the Nawab that the amount has been remitted through the bankers of Benaras. This, and the next dispatch, to Gopamau, also refer to the currency differentials between the Arcot rupee and the Current rupee<sup>52</sup>.

The widening of cash flow networks also led to the rise of experts, who negotiated the intertwining realms of cash and politics.

In a dispatch of 16 Sept. 1776, Madho Rao wrote to Col. John Upton, that he 'claims' one-tenth the cash and one eighth of the territories acquired by the English, after the latter concluded their treaty with Rao Pandit Pradhan, for playing the role of negotiator. He

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<sup>52</sup>*Calendar of Persian Correspondence*, Vol. V, p. 12.

also claimed the precedent of ancient custom and requests his application be forwarded to the Supreme Council in Calcutta<sup>53</sup>.

In another dispatch, this time by Nahar Singh, the chief of the Gujars to Fort William, a system of negotiation and cash flow pattern was articulated which provided a different possible view of the dynamics of late-eighteenth century skirmishes in the region in question. The dispatch, dated 20 Sept. 1776, spoke of the Mughal King, Najaf Khan (a General in Mughal Service but also with independent designs) and the Maratha forces who arrived at Sukartal (in present day Muzaffarnagar district) in order to remove the Rohillas. Nahar Singh, the writer of the dispatch, was selected as a specialist ‘conversant with the situations and affairs of the country’, to carry out the negotiation<sup>54</sup>.

Later, Nawab Shuja’udDaulah, desirous of his expertise, also summoned Nahar Singh. Zabita Khan, worried as to Shuja’s designs upon the region in question, requested Nahar Singh to come to him instead. The geopolitics eventually pitted the Gujar chief against Zabita Khan. Both the parties (the Nawab of Awadh, with Nahar Singh, and Zabita Khan) began to court the Sikhs, using cash. The Vazir offered 7 lakhs of rupees to the Sikhs, ‘in equal instalments’, one in advance and one after defeating the Rohillas. Nahar Singh executed a qabuliyat to pay a total 33 lakhs of Rupees to the Vazir (including the payments to the Sikhs), in lieu of revenue from Zabita Khan’s lands. Upon hearing this, Zabita Khan began to court the writer, Nahar Singh, even more, leading to the latter escaping to Capt. Erskine, and making his case to the English East India Company, with estimates of revenue flows, as specified in the dispatch.

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<sup>53</sup> Ibid, p. 40.

<sup>54</sup> Ibid, p. 42.

To the Nawab Vazir through the English, per annum<sup>55</sup>: Rs. 26, 00, 000

To the Sikhs, per annum

Kharif harvest: Rs. 4, 00, 000

Rabi harvest: Rs. 3, 00, 000

Total: Rs. 33, 00, 000.

Thus, the question here was as to who could pick up the revenue stake through geopolitical maneuverings. Zabita Khan and the Rohillas lost to the British-Gujar-Sikh combine, which included British finances, Gujar networking and negotiational skills, and Sikh armed potential.

That negotiation, commercialized and strategically aligned with local knowledge and cash power, became an asset and a variable in financial politics, is evident from a dispatch dated 5 February 1775<sup>56</sup>, from Muhammad Elich Khan to the Governor General at Fort William. Khan, attempting to ingratiate and ally with the British, presented the following instances. Firstly, he mentioned how he rendered his services to Nawab Sabit Jung (Lord Clive) by ‘conducting’ the negotiations for the treaty of peace between the Nawab and the British. He helped Mr. Lambert in realizing 20 lakhs out of 35 lakhs for the revenue realization from Kora and Allahabad and helped Mr. Middleton in realizing the 15 lakhs discussed above. He also ‘furnished’ the monthly amount of 210000rupees, expenses covering the English battalion stationed with the Nawab Vazir (the British were sourcing out their military institutions for geopolitical and economic profit), and paid

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<sup>55</sup> All figures from Ibid.

<sup>56</sup>Ibid, p. 277

4lakh rupees to Colonel Gailliez at Faizabad. Interestingly, the purpose of the dispatch was to endorse Asaf-ud-Daulah's ascension to the Nawabi after the death of Shuja' udDaulah. The last line of the dispatch, though, was a clincher. It read, 'requests that Colonel Gailliez may be directed to do nothing at Fyzabad without consulting him (the writer)'. Here is an early-modern information and cash network, being manipulated by a cash-rich military entrepreneur, who was steadily crafting the politics of the region.

Lakshmi Subramanian, in tracing how the 'British establishment maintained itself and what made its victories possible', discussed the relationship between the indigenous monetary economy and the rise of the English East India Company<sup>57</sup>. The Bombay Government, for example, for most of the eighteenth century, was a 'deficit government which could barely support itself'. This 'role of local monied groups and indigenous credit institutions' was one of the crucial determinants of eighteenth century Indian politics.

The company consolidated its rule after the victories at the Battles of Plassey (1757) and Buxar (1764), as it gained control over fertile regions of eastern India. But one of the important agents during times of instability, in terms of financial security, was the *hundi* system. For example, when Shujauddin Khan, the son in law of Murshid Quli Khan, after becoming the governor of Bengal, raised 1 crore 50 lakh rupees, he used the *hundi* system of the banking enterprise of Jagat Seth to remit the amount to the imperial

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<sup>57</sup> Lakshmi Subramanian, *Indigenous Capital and Imperial Expansion*, Oxford University Press, Delhi, 1996, p. 5.

treasury, a system which was considered safe even in times of broader political instability<sup>58</sup>.

The revenue of Bengal allowed the British to finance deficits and expenses elsewhere (like tribute to Shah Alam at Delhi, payments for diamonds to Awadh, Golconda, and other regions, payments to Awadh for military purposes, to cite a few movements of cash towards the region examined in this dissertation) through the later part of the eighteenth century. The revenue from Bengal at the end of the eighteenth century, after the permanent settlement, led to the formation of a deep money market in Calcutta, which the Company utilized for its cash requirements. The proliferation and deepening of money markets even in the smaller towns of the Gangetic plains like Mirzapur and others is discussed in the third chapter of this dissertation.

Discussing the Bania community, Subramanian writes of how the Banias weren't an organized group during the Mughal period, and the Mughals did not rule backed by the monetary strength of the latter. Banias served specific regimes in specific roles, widely varying in their importance. But the decline and decentralization of the Mughal empire led to an increasing role of these business and commercial groups in the political and economic network realignments of the eighteenth century.

The formation and functioning of the successor states was dependent on cash requirements which the bankers were able to fulfill, thus leading to their rise. Important bankers were associated with all the major states of the eighteenth century, like Lala Kashmiri Mal servicing the Awadh nawabs, the Tulsibhagwales, who serviced the

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<sup>58</sup>ibid, p. 6.

Peshwa regime at Poona, and others<sup>59</sup>. But the changes were not one-off, with continuous realignments a regular feature of the political-economic landscape. In Surat, the local merchant community began turning towards the British after the 1730s (leading eventually to the formation of the Anglo-Bania order). In Benaras, the Banking enterprise of Gopal Das (to whom we will return in the next chapter while discussing the banking syndicate of Benaras), which used to service the Raja of Benaras, began servicing the English East India Company, later in the eighteenth century. In this, the western and eastern parts of the subcontinent showed similar proclivities.

An analysis of the transitions of the eighteenth century has to, thus, consider the political economy as a whole and operating through local and trans-regional networks, and not, as is mostly done, isolated fields in themselves. The embedded character of the banking structure within the larger geopolitical networks and within the structures of administration necessitates a wider approach. The deployment of revenue flows into markets as purchasing power, an older phenomenon, and the perpetual cash needs of rulers (fulfilled by cash rich entrepreneurs), make it very clear that the turbulent eighteenth century was operating by an economic logic of repeated feedback and interactions. So we cannot, as the repeated conflicts show, consider it a one-off readjustment. Flux was a permanent feature of the political economy of the period and region. Realignments were continual, if not continuous, and the restructuring a product of this turbulence. But the turbulence itself revealed deeper networks of realignments from Delhi to Benaras. Competitive and political entrepreneurs like SheolalDube, Elich Khan, to some extent Nahar Singh, and Polier revealed the utilization of these networks and the

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<sup>59</sup>ibid, p. 11.

arena of competitive commercial interests which thrived in the second half of the eighteenth century, although they did not forge a unified system which may be granted a clear typology, straddling instead, a political economy of chaos. These networks and their utilizations reveal the tournaments out of which so-called empires emerged.

## **Chapter Two**

### **Networks of Commerce and Credit**

The tentative attempt in this chapter will be to bring out the nuances of commerce as shaped by the movement of capital and human migration during the long eighteenth century, in North India, using travelogues, memoirs, chronicles, diplomatic and intelligence dispatches, and Company records (primarily the Duncan records).

It lays down the features of economic readjustment, trade, plunder and commercial linkages which became prominent in the putative turmoil-ridden scenario of northern India in the eighteenth century, where numerous smaller and compact states competed belligerently for resources and cash. It turns to the accounts of travelers and adventurers like James Skinner and Antoine-Louis Henri Polier, along with some dispatches from the Calendar of Persian Correspondence and the Duncan records, to consider conditions of commercial networks and economic activity in the eighteenth century and those aspects which were being redefined and readjusted at the structural level.

The elder brother of the founder of the Rohilla dynasty, Rahmat Khan was, in passing, referred to by Charles Hamilton as a trader, and not as part of the state-building process,

plying the route between Delhi and Lahore<sup>60</sup>. The trading and migratory network stretching from Afghanistan to the Ganga-Yamuna Doab underlay not just successive Afghan migrations, but also the geopolitical quests of the eighteenth century.

An instance of merchant power of this network in the early eighteenth century was of Daud Khan, an Afghan Warlord and one of the leading Afghan Generals of his time. He had bought some horses from the merchants of Shahjahanabad and not paid the 'stipulated price'. The merchants kidnapped his ally Shah Alam Khan when he arrived in Delhi. They refused to let him go although he offered his own property as pledge for the payment. Eventually the merchants did release him, and he procured the amount in question from Daud Khan and made the payment<sup>61</sup>. It is interesting that no action against the merchants was mentioned.

An author chronicling the rise of the Rohilla dynasty in India, Rustom Ali Bijnauri, in his *QissawaAhwal e Rohilla*, described Daud Khan's early career as a combination of merchant, nomad, and mercenary. The three words and concepts in conjunction, perhaps, describe no other political and social formation as well as they describe the Rohilla pathans. Operating as a mercenary in Peshawar and earning a mere two thousand rupees a year, he had the idea (*khayaal*) that he could sell horses. He thus bought turki calves (*bachhdeturki*) and moved towards Hindustan (*tarf e hindustaan*). In days, he was

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<sup>60</sup> Charles Hamilton, *An Historical Relation of the Origin, Progress, and Final Dissolution of the Government of the Rohilla Afghans*, J Debrett, London, 1788.

<sup>61</sup> Must'ujab Khan Bahadur, *The Life Of Hafiz Ool-Moolk, Hafiz Rehmut Khan, Entitled Guslistan-i-Rehmut*, Trans. Charles Elliot, J. Murray, London, 1831. p. 9.

admitted into Shahjahanabad<sup>62</sup>. An account of some of the events that followed have been presented in the previous paragraph. The act of career building through nomadic entrepreneurship and the necessary military prowess is evident from this instance.

As a matter of fact, few sources, if any, of North Indian political economy in the eighteenth century spoke of rulers turning against merchants and bankers, although there were instances of calibrated belligerence, as explained below..

What did form was a mosaic of state-business antagonisms as evident from the example presented of the interactions between the Nawab of Awadh and the Gosain trading and revenue farming community around the region of Etawah in the 1770s. Some tentative conclusions are drawn after the description of the antagonistic relationship.

From a dispatch from Bristow, from a camp near Etawah in western Uttar Pradesh of today, on 1 March 1776, we glean the following details, instructive of the relationships between the ruler and the Gosain traders, along with a general functioning of Asafudaulah's government<sup>63</sup>. He reported that the ruler had ordered the Gosains to 'give up their charge and disband their troops', and that they had, in return, 'promised obedience'<sup>64</sup>. But they had 'evaded' and 'protracted' following said instructions as much as they could, although Bristow claimed to have advised the minister 'to have the Gosaynes dismissed'. But the minister in question informed Bristow that the Nawab had been promised a considerable sum by the Gosains and thus was against the idea. All they

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<sup>62</sup>Rustam Ali Bijnori, *QissawaAhwale Rohilla*, in Iqtidar Hussain Siddiqui, (ed.) *An Eighteenth Century History of North India*, Manohar, New Delhi, 2005, p. 28.

<sup>63</sup>Bristow, *Secret Consultations*, 'Camp near Etawah', No. 1, 1 March 1776, National Archives of India.

<sup>64</sup> Ibid, pp. 2-3.

had actually sent to the Nawab, was a ‘trifling sum of a lack of Rupees’. It is the rationale for the delay on the part of the Gosains that Bristow mentions that shows us the shrewdness and administrative sophistication of their maneuvers.

The delay answered their purpose for it continued them in office long enough to collect to a large amount and make the Delivery over charge during the Rubby very prejudicial both to the country and the revenue. Had the nabob consented to dismiss the Gosains 10 days sooner than he did, He would have got twenty seven lacks for this year; as it is eighteen lacks are agreed for, but from the manner in which the nabob supports the new naib, I think it probable that this sum even will not be realized.<sup>65</sup>

Bristow wasn’t just reporting a loss of nine lakh rupees or much more. He reported the underlying reasons behind the inefficacy of the Nawab. The reason which Bristow presented linked together revenue gathering rights and economic incentives with political-military powers. The reason was that the ‘whole country’ was ‘filled with forts’. In many of these forts the Gosains had their agents, who would not give up the said forts ‘unless compelled’. They would ‘assert to the nabob’ that they had ordered their agents to withdraw from the forts, but when the ‘new naib’ would send his men to ‘take possession’; he would be ‘positively refused it’. The Gosains ‘privately’ encouraged this method on the part of their agents (they probably ordered it in the first place).

Murtaza Khan was ‘directed’ to displace the Gosains ‘on the other side [of] the Jumna’. He crossed the river and ‘remained inactive’. ‘To distress the nabob’, the Gosains

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<sup>65</sup> Ibid, pp. 3-4.

withdrew their people from the forts and assembled them 'about Etawah'. As per Bristow's estimates, there were about 5000 of the Gosain forces at 'akory', 'where it is said the Gossaynes have about twelve lakhs of treasure'. He reported that a body of more than 1500 soldiers joined them five days before the writing of the dispatch. The Gosains pretended through the process that their interests were purely pecuniary. But they were accompanied by guns and had their horses saddled through the nights and had 'every preparation made for engaging, pretending that the nabob intended to attack them'<sup>66</sup>.

The many deployments in military history which do not ultimately lead to significant military combat form the alternate histories professional historians cannot value or rationally utilize. But what we can do here is acknowledge the authority and genuineness of the deployments themselves. The gosains and the nawab never had the kind of military conflict recorded history bequeaths to us. What they had was perpetual belligerent antagonism cloaked in business interests, or the reverse, of deep business interests at times taking the form of belligerent military deployment.

This tells us something which may be of interest. The conjunction of arms and trade, much touted by many historians as the primary cause behind the success of a couple of joint stock companies from Europe in the waters of the Indian Ocean and along the coastal regions of India was not unique to these companies, but a much older proclivity of Indian sub-continental political economy, albeit at a smaller scale.

K.P. Mishra, in his *Banaras in Transition*, described how the Banaras region was 'thriving' agriculturally and commercially and its trade was increasing in the period of

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<sup>66</sup> Ibid, pp. 7-8.

Balwant Singh. Speaking of the ‘body of Sanyasi merchants found to be dominating the city in 1787’, Mishra wrote that they were evidently ‘of some long standing’ and central to the mercantile community and mercantile operations of the region. The Sanyasis ‘carried on a brisk trade in cloth, raw silk and gold and silver bullion’ in this period forging networks with regions like Nepal, Nagpur, and the Deccan and did business with the Banaras bankers<sup>67</sup>. The taxing of the trade of the Sanyasis by Balwant Singh through the institution of the *sona mahal*, the office which collected duties on imported gold, did not prevent them from becoming a preeminent group of traders of the region. The total value presented by Mishra of the exports and the imports of the Sanyasis which made their way through the custom houses of Banaras was Rs. 989,618 in 1784-85 and Rs. 1,614,759 in 1786-87. Raw silk imported from Murshidabad to Mirzapur, to be re-exported to the Deccan and other parts of western India formed around 40 per cent of this amount<sup>68</sup>. This growth was achieved in spite of double duties at Mirzapur and additional taxation on *hundis*.

In order to explain the reasons behind this dominance in the trading scenario, Mishra delved deeper into the form and organization of the Sanyasi community and their trading proclivities, which may be read in conjunction with the instance and system of Gosain political belligerence and manipulation presented above. The Sanyasis were referred to as Gosains, Atits, or the Nagas. They belonged to the Shaivite sect and became traders with some even becoming mercenaries. The Banaras and Awadh Sanyasis belonged primarily to the Giri sect of the Gosains and could be found in Mirzapur and Banaras running

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<sup>67</sup> K.P. Mishra, *Banaras in Transition*, Munshiram Manoharlal, Delhi, 1975, pp. 93-95.

<sup>68</sup> *Ibid*, p. 96.

operations of money lending, trading and banking. In Banaras itself, there were more than 40 major houses of Gosain businessmen. Mahant Fakir Giri and Gosain Rudra Puri were counted among the major importers of shawls from Kashmir, the major traders with Nepal were Gyan Giri, Kaushal Giri, and Shiv Giri, and major traders of silk included Mihir Giri, Shamsheer Giri and Gulab Giri<sup>69</sup>.

One of the chief reasons Mishra presents for the rise and the success of the Sanyasis as merchants and entrepreneurs was the 'institutional framework wider and stronger than their family and kin, provided by the network of monasteries and the constant movement on pilgrimage between them'<sup>70</sup>. Their *maths* were distributed far and wide across the landscape, and by some estimates were around fourteen hundred in number. The Sanyasis travelled armed and in groups and the merchandise was well protected. The conjunction of arms and trade thus widened to arms, trade, and religious authority, replete with revenue free lands and gifts of money and jewels on festive occasions. In the next chapter, we will see the scale of these gifts in the early nineteenth century. Wide pilgrimage networks also gave them knowledge of the best trade routes, an ability of great value in times of internecine political conflict.

In the next chapter we will see the utilization of the legal-judicial system by traders and the difficulties faced by them in the beginning of the nineteenth century. Mishra cites the views of Barlow, who recommended the establishment of commercial courts under the resident of Banaras. He also recommended the abolition of tolls and duties levied by zamindars. These were collected by the zamindars and the revenue farmers, each for their

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<sup>69</sup> Ibid, p. 97.

<sup>70</sup> Ibid, p. 98.

‘respective jurisdictions’ and protection was provided to the merchants in return. Sanction was given to these recommendations, said duties having already been abolished in Bengal and Bihar<sup>71</sup>.

Throughout the eighteenth century, the manipulation of economic variables by political players was evident from the instance of the warring camps of the Marathas and the Rohilla (Hafiz Rahmat Khan)-Shah (Ahmad Shah Durrani)-Awadh (Shuja’udDaulah) alliance at Panipat. In order to gain an upper hand, the Maratha General, Sadashiv Rao, interfered with grain supplies to the enemy camp, to which measure he dedicated thirty-seven thousand infantry and dug trenches and placed artillery. The measures were effective and the price of grain in the Shah’s camp went up to a rupee for a *ser*. Even at the peak of geopolitical turmoil, eighteenth century northern India operated by market forces; rather ironically, in this instance (conflict could enhance market forces)<sup>72</sup>. For example, military camps had bazaars within them, which were important enough for the opponent to burn to gain an upper hand during battles, for example, the Shah’s forces, later in pitched battle with Rao’s army, attacked the camp from the rear and burnt the camp bazaar<sup>73</sup>. A contemporary record called this the ‘greatest battle ever fought in Hindustan’, in terms of the sheer number of soldiers involved, the numbers slain, and, relevant to this discussion, the amount of wealth exchanged<sup>74</sup>. It is interesting that an excogitation of the political economy of such military engagements has largely been

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<sup>71</sup> Ibid, pp. 122-124.

<sup>72</sup> Must’ujab Khan Bahadur, *The Life Of Hafiz Ool-Moolk*, p. 62.

<sup>73</sup> Ibid, p. 65.

<sup>74</sup> Ibid, p. 66.

overlooked by 20<sup>th</sup> century historians. And this isn't a lone incident either. It was customary for *baqqals*(grain merchants) to travel with troops, as evident from a dispatch of Antoine-Louis Henri Polier to Nawab Shujau'd-daulah<sup>75</sup>. The resilience of markets and trading communities was also evident from instances like when, during the turmoil that ensued after the Awadh administration and political power suffered under Asaf-udDaulah's rule, and large tracts were described as in ruins, it was specified that the shops of traders and artisans were not deserted<sup>76</sup>. Travelling in and through Lucknow, Comte de Modave wrote that it 'does not merit consideration save by its commerce which is quite extensive.'<sup>77</sup>,

When the Marathas were trying to take over Itawah from Sheikh Kabir, he refused to give up, leading to skirmishes. When the Marathas began a process of negotiation with him, he gave in after a lakh rupees were given to him for a store of grain for the use of the garrison, which he had laid. He promptly handed over the fort<sup>78</sup>.

European travelers to the region in question during the eighteenth century made a wide variety of observations. Not all of them travelled through the entire region, but most through parts. A common motif in their observations was the evocation of major Mughal cities in ruin and a lament-tinged appreciation of how Mughal monuments and urban spaces might have been in their heyday. James Forbes, for example, in his *Oriental*

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<sup>75</sup> Antoine-Louis Henri Polier. *A European Experience of the Mughal Orient*, Muzaffar Alam and Seema Alavi (eds), Oxford University Press, Delhi, 2001, p. 105.

<sup>76</sup> *Memoirs of Faizabad*, op. cit. p. 63.

<sup>77</sup> As cited in Rosie Llewellyn-Jones, *A Fatal Friendship*, Oxford University Press, Delhi, 1985, p. 12.

<sup>78</sup> *Gulistan i Rehmat*, op. cit. p. 93.

*Memoirs*<sup>79</sup>, launched into descriptions of the monuments he found in the different towns during his travels. He described the town of Gwalior as ‘in a ruinous state’ and ‘very thinly inhabited’<sup>80</sup>. He attributed it to a recent ‘dreadful famine’, along with the wars and political instability of the turbulent century. Yet, interestingly, ‘amidst a variety of ruined buildings’, he found a ‘handsome serai’, where the ‘poorest traveler may avail of accommodation and food’. Forbes cited Thomas Coriat’s letter to his mother, where the latter claimed to have found remarkable convenience of this sort (he could live for two pence a day) while travelling in India. This is important because although the low prices may reflect a stagnant or declining economic scenario, which is the conventional understanding of economic history, it may also reflect a market operating reasonably smoothly due to an ‘economy of abundance’<sup>81</sup>. The robustness of certain areas of economic life may be used as a reference point to observe the fall and decay of Imperial glory. Later on, we will see how financial networks like the *hundi* system were remarkably reliable during the eighteenth century, as seen from accounts like those of Forster and Polier.

Forbes went on to describe, in considerable detail, the beauty of the abandoned Mughal structures he found (not just in Gwalior, but in other places too). This was a leitmotif in his analysis, and it may be submitted that if one were to study eighteenth century mentality with all its contradictory nuances, one will have to take into account the fact that eighteenth century travelers and commentators may have been so affected by the

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<sup>79</sup> James Forbes, *Oriental Memoirs: A Narrative of Seventeen Years Residence in India*, Volume II, Richard Bentley, London, 1834.

<sup>80</sup> *Ibid.*, p. 404.

<sup>81</sup> Rajat Datta, in academic comment.

visual decline of Mughal glory, that is, the ruins of Mughal architecture, that they may not have themselves appreciated, or at least articulated the nature of the re-adjustment and reallocation taking place during their lives, that is, the changes in the settlement patterns and reallocation of investment power.

On the way from Gwalior to Agra, the travelogue mentioned ‘completely depopulated’ and ruined villages, as Forbes continues the evocation of ruin and decline, from a putative point of view of past glory. But again, a contradiction was at hand. They soon come to the town of Nourabad<sup>82</sup>, using a good road, where they not only find the ‘handsomest bridge’, but also a large serai. Sir Charles, whose journeys Forbes describes, reached the town of Dolpur, where Muhammad Beg Hamdani, a jagirdar of Scindia, lived<sup>83</sup>. The change in description here was striking. The town was ‘large’, with many ‘public and private edifices of great beauty’ and had surrounding it groves and gardens appealing to the travelers eye due to their level of maintenance. The fall and growth of towns is well known as an indicator of rising and falling political fortunes. But the complexity here tells us more. Gwalior was a bigger and more famous city, through most of the medieval era. The eighteenth century saw its decline, while situating a different prosperity in the smaller towns on the routes between these cities. These towns, like Aligarh or Mathura, due to geopolitical reasons, took on a prominence. Although the fate of individual urban centres could be ephemeral, their significance as nodal centres in wider network-readjustments was structurally significant.

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<sup>82</sup>Ibid, p. 407.

<sup>83</sup> Ibid, p. 408-09.

Forbes found another serai near the river Gambhir, of which he was appreciative. But his summary of the journey, invoking the ‘melancholy’ picture of skeletons in Gwalior’s suburbs and uninhabited villages, took on a whole new wave of lament as he saw the condition of Agra, describing it as that of ‘fallen grandeur’<sup>84</sup>. Again, his emphasis of ruin were the mosques, palaces, and gardens, largely symbols of a vanished Empire, and this aspect of his mentality is clear from his detailed description of the Taj Mahal. Forbes, in that sense, was not an observer of human life primarily, but an aesthete trying to recreate the grandeur of Mughal rule itself. Concerned as this chapter is, with the economic aspects, it is important to place Forbes’ observations in relevant context. Thus, the road from Mathura to Delhi was again described as populated by rats and wolves and not humans, but the Serais, again, were described as good<sup>85</sup>.

In describing the Chawk Bazaar of Faizabad, a text outlining its history described merchants flocking from Persia, Turan, China and Europe and making a substantial profit, along with two hundred resident Frenchmen, primarily military advisors and trainers<sup>86</sup>. There was an invocation of heaps of gold and silver in the market place. Even if we considered that a ritualistic invocation, the inference of well-being may easily be drawn. Towns could come up, with a semblance of political authority and stability, with traders and moneyed men moving their capital across the landscape.

The economy of the eighteenth century, as the century progressed, adjusted to human migrations and structural readjustment. Thus, moving away from the static picture of

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<sup>84</sup>Ibid, p. 410.

<sup>85</sup>Ibid, p. 426.

<sup>86</sup> Muhammad Faiz Baksh, *Memoirs of Delhi and Faizabad*, trans. William Hoey, Volume II, Allahabad, 1889, p. 8.

Imperial stability, we begin to arrive at a network in flux, readjusting and reshaping itself to a period of turmoil

### **Nomadic Trade and Rational Plunder**

This idea of adaptation to turmoil is evident from the memoirs of Skinner, writing later, in the beginning of the nineteenth century, as he ran a horse regiment for the East India Company<sup>87</sup>. The two crucial aspects that he pointed towards are the underpinning of Banjara trade and the adaptation of plunder as economic rationality.

While chasing the Maratha General, Holkar, Skinner cooperated with the East India Company with his devoted soldiers and often with regiments from the company itself. The structure of the conflict he witnessed and his observations as the urban and rural life in northern India give us a view of northern Indian commerce and geopolitics which were dynamic in nature.

On multiple occasions, he spoke of plunder by the military of towns and villages for their sustenance. Reading this, one may easily arrive at the conclusion, like the state-centric colonial and nationalist historians did, that northern India in the eighteenth century was a

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<sup>87</sup> James B. Fraser, *Military memoir of Lieut-Col. James Skinner, C.B., for many years a distinguished officer commanding a corps of irregular cavalry in the service of the H.E.I.C.: Interspersed with notices of several of the principal personages who distinguished themselves in the service of the native powers in India*, 1851, Smith, Elder, London.

bricollage of decline and thus not an era worth examining in a more nuanced manner. Yet, the precise way in which Skinner spoke of plunder and loot is instructive.

In one instance, while dealing with a small north-Indian town near the Jumna called Shamli, the inhabitants of which were recalcitrant and siding with the ruler opposed to Company interests, after defeating the ruler, the dragoon plundered Shamli. Skinner even justified the plunder by indicating the earlier stance of the people of the town. In a second instance, when Skinner and his men were chasing Holkar down the plains, they lived off the fields as they traveled. In a rare glimpse of how the itinerant military adventurers' lives might have been, Skinner described the exhaustion of a week on the chase and how they lived off the loot of the villages. He wrote about the product of the fields which they boiled with meat and consumed. What is important here, as shown by both the cases, is that plunder was not seen by these travelling soldiers as a result of the breakdown of the state. It was part of the rational arsenal of geopolitical strategy and survival.

This process began earlier in the eighteenth century as Mughal rule over the Ganga-Jumna Doab weakened and Safdarjung gradually gained autonomy for the province of Awadh. In geopolitical trade-offs the villages around Delhi were repeatedly given up for plunder either as concessions or as rewards. The example of the plunder of Surat by the Marathas is well-known, as are the Maratha *Barghirs* who institutionalized plunder as an expansionary economic method. They reached up to Bengal for gains using plunder and loot.

In the Calendar of Persian Correspondence, dated 11 November 1764, a *qasid* reached Patna from Delhi in sixteen days and informed that Najib-ud-daulah, who was stationed with his troops at Delhi, was asked by his antagonist, Jawahar Singh, stationed a few kos

from the city, to come out and negotiate with him, so that ‘the city may not be plundered’<sup>88</sup>. Plunder then, was a variable in geopolitical and economic negotiations and processes. What was unique about the transitional period of the eighteenth century is that one is able to observe the structural readjustment as plunder gets integrated into economic rationality and mentality.

The other revealing process which emerged out of Skinner’s memoir was the trading activities of the Banjaras. The Banjaras were traditional Indian long-distance traders carrying varied goods across the subcontinent using pack animals. Skinner observed, at the peak of conflict between Holkar, the Company, and other ancillary players, banjaras carrying goods in large quantities to the Delhi territory and the surrounding regions. In one instance he noticed 60,000 pack animals and in another instance he observed 1,00,000 pack animals, loaded with grain and other supplies, as they inched across the conflict ridden landscape of northern India<sup>89</sup>.

Similar to the mass trade by Banjaras at the height of geopolitical turmoil was the effective long-distance hundi system, which was active during the long, turbulent eighteenth century as we shall see in the next section of this chapter.

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<sup>88</sup>*Calendar of Persian Correspondence*, Imperial Records Department, Vol. 1, 1759-1767, Superintendent Government Printing, Calcutta, 1911, p. 352.

<sup>89</sup>Skinner, *Military Memoirs*, pp. 40-70.

## Money and Credit

Not only were economic systems and trading networks readjusting and adapting, a significant structural feature which the travelers and adventurers brought to our notice were the commercial linkages in the form of the hundi system and banking operations.

Considering some of the letters the French traveler and entrepreneur Antoine- Louis Henri Polier wrote to the Mughal General Najaf Khan and to his employee Manik Ram, we may arrive at some inferences regarding payments and commercial networks during the eighteenth century.

A French service-provider in this period, Polier provides the best example of the networks that were being utilized in order to make the best use of the opportunities the political-economy provided. We must add here, though that Polier is not a representative of the wider indigenous trading community and his links needn't have been replicated, perhaps weren't replicated by the indigenous bankers. Polier was a European (French) adventure-entrepreneur and his mercantile operations may be seen as the European dimension of eighteenth century private enterprise in northern India.

As he changed employment, from the East India Company to Nawab Shujau'd-daulah to Shah Alam of Delhi, his business interests stretched all over what is today considered Uttar Pradesh, from Itawah to Benaras. In a dispatch of his to Raja Chait Singh of Benaras, he wrote of his agents Gokul Chand and Ramchand Shah, travelling from Benaras to Lucknow. He requested, in no uncertain terms, for security services of 10 *piyadas* (footsoldiers), for their journey. Polier ordered horses (Turkish horses especially)

from Afghanistan for different Generals, like one Mirza Abdullah Beg, who was using other *saudagars* for his supplies too<sup>90</sup>. To Mir Muhammad Azim, in Lucknow, and others, he sent small hundi amounts as a part of his business. Yet, every now and then, Polier's business interests appeared as part of his political relations and his political relations appeared driven by his business interests.

Polier, in his Persian letters, laid bare the processes and ramifications of the banking networks. Polier, a businessman who capitalised on his relations with the political heavyweights of his time, extensively used the hundi system, conducting his operations in Faizabad, Farrukhabad, and surrounding areas, while he solicited favours from the Emperor in Shahjahanabad. His Persian letters were replete with instances of business related transactions, like a hundi in 'Delhi currency (chalani) to be cashed at the shop of Kewalkishan and Jagan Nath, the sahlukars of Khurja'<sup>91</sup>. While shifting his establishment to Shahjahanabad, he ordered Manik Ram, his agent, to utilize the reliable services of Golukchand Mahajan for selling his goods.

Worried about the pending payments that he was supposed to have received from the Mughal court, Polier wrote to Manik Ram communicating his concerns. In one instance, questioning why Khan wasn't making the payment in question, he wondered aloud, 'I fail to figure out the difference between Akbarabad (Agra) and Shahjahanabad (Delhi) in this

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<sup>90</sup> Antoine-Louis Henri Polier, *A European Experience of the Mughal Orient*, Muzaffar Alam and Seema Alavi (eds), Oxford University Press, Delhi, 2001, pp. 97-100.

<sup>91</sup> Ibid, p. 390.

case'<sup>92</sup>. For a military entrepreneur like Polier, the *hundi* system was crucial in terms of his functioning in a high-stakes environment. He wrote, 'if you want to pay, then you can do it from whichever place you like'<sup>93</sup>.

In the opinion of Polier, the commercial linkages were intact, and he chided Khan for not being able to make timely payments. Polier's understanding of contemporary conditions may be questioned but what is without doubt is that some of his information is incontrovertible, as he cautioned that the expenditure of the royal court in Delhi is three times the income, data not to be taken lightly, either by his correspondents or by us, since he resided at the court for the significant period in the 1770s<sup>94</sup>.

Writing from Delhi, thus, Polier wrote again to Manik Ram, who was employed by the aforementioned Najaf Khan, indicating a significant shift in economic power. 'Here in Delhi the Kashmiris are in control.'<sup>95</sup> The letter is important, because travelling in Northern India in the 1820s, Bishop Reginald Heber, too would meet the prominent Kashmiri merchant, Sub Chand, and enjoy his hospitality (to be discussed in the next chapter). Polier, in the middle of the eighteenth century, wrote to Manik Ram that he had 'neither a Kashmiri nor a Bengali', that is, he indicated how these communities had begun to build business know-how and made themselves indispensable to the commercial process. Polier wrote that if he, Manik Ram, could send him, 'people like that', who could 'manage his work', then he should 'send them'<sup>96</sup>. This is the gradual formation, as

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<sup>92</sup>Ibid, p. 247, folio 255a.

<sup>93</sup>Ibid, p. 247.

<sup>94</sup>Ibid, p. 321.

<sup>95</sup>Ibid, p. 62.

<sup>96</sup>Ibid, p.62.

C.A. Bayly and Sanjay Subrahmanyam have written, of communities with expertise in various processes of business and statecraft, which eventually led to the formation of what Bayly termed, ‘corporate identities’<sup>97</sup>.

Polier’s hundi transactions were not restricted to smaller amounts alone. In a strikingly instructive dispatch to Manik Ram, he ordered the errant agent to send him an installment of at least 12000 rupees and preferably 14000 rupees (later on we will see the amount commensurate with the larger transactions of the bankers of Benaras). What is important is his reason for instructing Manik Ram to not send smaller installments. He wrote that was ‘because if money is sent in one big installment, it inspires the confidence of the mahajan here, and facilitates the transactions with him’<sup>98</sup>. Manik Ram eventually, sent him an installment of Rs. 3000 *ant* (marked silver coin)<sup>99</sup>, ‘to be cashed at the shop of Thakur Das and Sri Kishan, mahajans of Dharmapura’, the receipt for which was sent back to Manik Ram by *dak*<sup>100</sup>.

When Polier was appointed the *amin-o-faujdar* of Khair, after protracted negotiations, after being promised Khalilganj earlier, which the Warlord and General Najaf Khan took away from him (along with a loan from Polier which remained unpaid for a considerable

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<sup>97</sup>C.A. Bayly, *Rulers, townsmen and bazaars : North Indian society in the Age of British Expansion 1770-1870*, Cambridge University Press, Cambridge, 1983.

<sup>98</sup> Polier, p. 368.

<sup>99</sup> There is a suggestion of mahajans and saukars operating within the margins between the different local currencies. Polier writes to Muhammadi Khan that in Khan’s area the currency in circulation is 7<sup>th</sup> Regnal year Akbarabadi, ‘and therefore on the hundi of Rs 300 of the 10<sup>th</sup> year of Deeg, there will be a discount of Rs 4. As per your suggestion in the letter, I have deposited the money equivalent to the discount at the market with the agent of the saukar here’. At other places we here of the Delhi and Bareilly siccas. Ibid, p. 364.

<sup>100</sup>Ibid, p. 382.

duration), he sent his deputy, Harsukh Rai, as the amil of the unit. He stated in a sanad that Polier himself dispatched, that Harsukh Rai's 'duty is to keep the ri'aya happy and satisfied with his behaviour, endeavour for ways to increase the revenues and habilitate the ri'aya, collect the revenues on time and send them to the royal establishment regularly'<sup>101</sup>.

To return to the basic structure of trade and commerce, it is evident from Polier's writings that the Hundi system and general economic activity was active and reliable in northern India throughout our period. Travelling around the same time through northern Indian turbulence, George Forster, exchanges his *hundi* bills of Calcutta in Lahore, after evading most of northern Indian belligerents in disguise<sup>102</sup>. Rennell, in his memoirs of mapping Hindustan, after being critical of decline as per colonial commentary, in a footnote, expresses his surprise at the resilient Indian commercial system, himself mentioning Forster's travels<sup>103</sup>.

An entire regional dispersion created currency divergences. This led individuals, both traders and office holders, to manipulate these divergences to their benefit. An interesting example of currency entrepreneurship is the following. While discussing the details of the pargana of Gurwar, a pargana considered difficult due to its zamindars' 'turbulent and

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<sup>101</sup> Ibid, p. 387.

<sup>102</sup> George Forster, *A Journey from Bengal to England through the Northern part of India, Kashmere, Afghanistan, and Persia, and into Russia by the Caspian Sea*, Vol. 1, 1798 and Vol. 2, 1808, R. Faulding, London.

<sup>103</sup> James Rennell, *Memoir of a Map of Hindoostan: Or The Mogul Empire : with an introduction, illustrative of the geography and present division of that country and a map of the countries situated between the heads of the Indian rivers, and the Caspian Sea : also, a supplementary map, containing the improved geography of the countries contiguous to the heads of the Indus*, 1796 (Reprinted from the 3rd ed., London, 1793.). Calcutta: Editions Indian.

refractory disposition', each of them with a fort<sup>104</sup>, the Duncan records mention the Amil, 'a man of excellent disposition', due to whose efforts, a part of the 'jamma' of the pargana were raised. The Amil received the revenue in the Mundosahee pucca pice, at the rate of 17 taccas or 34 of those pice for a rupee. The 'supposed revenue currency' of the district was an Alla sicca (an 'imaginary coin'), which was computed to be equal to 17 of these taccas. Then the Amil sold his currency reserves again, at about Rs. 15.5 BenarasSicca, and made a profit of roughly 9 per cent. The on-paper currency and the Mundosahee being relatively overvalued, he made significant profit while trading them with the Benaras sicca rupee. It is tempting to think of the depth and sophistication of currency hedging and arbitrage in this economic landscape of multiple currencies, but as of now, the data provides us just a glimmer of enterprising individuals utilizing fluid political-economic networks to make a profit.

To go deeper into the mechanisms governing credit networks, the following is illustrative of the depth of the credit system. The banking system and its relationship with geopolitics have been discussed in the previous chapter. Here presented is a sense of detail at a lower scale.

In the mid-1790s, the Resident of Benaras submitted to the government 'all the information' he could gather on the interest rate regimes prevalent in the region in order to inform the possible decisions of increasing or decreasing the interest rates. The first enclosure tracing these interest rates showed them to range from 3 per cent to 12 per cent per annum. Interestingly, a form of loan called the 'Hoondee or Oogahee' was mentioned

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<sup>104</sup> A. Shakespear, *Selections from the Duncan Records*, Vol. I, Benaras, 1873, p. 191.

as a form of loan given by the bankers of Benaras city (described as a ‘practice’) to the ‘poorer classes’<sup>105</sup>. The premium of this loan exceeded 40 per cent per annum, but the resident suggests that it would be ‘unsafe’ or ‘very inconvenient to prohibit it’, since ‘this seemingly enormous profit was only in proportion to the risk attending the distribution of such minute advances of money’<sup>106</sup>. The said loan was not to exceed Rs. 100 at a time.

In the second and third enclosures of the said report could be found the rates of interest on the loans, pledges, and mortgages for the mofussil regions (or jurisdiction) of the Benaras zamindari, which for money, ranged from 12 to 37 per cent per annum. Mostly though (effectively, one may assume), they operated at 2 to 2.5 per cent. It was only from the ‘more indigent’ groups of borrowers (those borrowing smaller amounts) that higher rates were demanded, in order to compensate for the ‘risk of recovery’<sup>107</sup>.

Before going deeper, one may foray some observations as to the structure of rates and income class distinctions. A traditional inequality and class-based analysis would use this data to highlight the ‘exploitation’ or ‘discrimination’ of the poor by the banking community. One hopes that they would, in the process, at least attest to the spread and risk-based sophistication of the banking structure. The question here is not the existence or intensity of inequality. Firstly, this examination is not about inequality in access to credit, although the tiers are indicative of a multilayered structure. Secondly, such inequality was such a deep, ubiquitous feature of society (persists till date even in the post-Mohd. Yunus period) that it is axiomatic in any assessment of social history. The

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<sup>105</sup> Ibid, p. 266.

<sup>106</sup> Ibid, p. 277.

<sup>107</sup> Ibid.

coordination and understanding effected by the resident with and towards the banking structure is another aspect this examination would wish to point out.

A consideration of the work of Rajat Datta with respect to Bengal may illuminate the asymmetries involved in the credit systems in place. In his excogitation of the commercialization of the agrarian economy of Bengal in the eighteenth century, Rajat Datta analyzed the political economy and social implications of credit<sup>108</sup>. A 'buoyant demand for food' both in rural and urban areas, surging prices of agricultural commodities, and sporadic famines shaped the linkages between the rural economy and the money markets<sup>109</sup>. With respect to Bengal, he postulated that the activities of the grain '*byapari*', especially the providing of loans through their agents, advances for cultivation that is, 'to cultivators wanting to reclaim wastes' and for the cultivation of their own properties, data for which was available from Jessore, became 'endemic'. It became the 'invariable mode' of powering agriculture and in Rangpur, merchants organized production, using sharecroppers.

While discussing the 'constraints' which threw the 'inferior' or poor *ryots* into the cycle of debt (like the interest rates mentioned above), Datta cites the 'shortage of material resources... working capital and the uncertainties of production' as important factors<sup>110</sup>. Peasants took such a variety of consumption loans that it was difficult to qualify them, for example in Birbhum, and the interest rates ranged from 24 to 36 per cent, 'depending on the dictates of the creditor'. After loans such as these were taken, the only way to escape

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<sup>108</sup> Rajat Datta, *Society, Economy and the Market: Commercialization in Rural Bengal, c. 1760-1800*, Manohar, Delhi, 2000.

<sup>109</sup> *Ibid*, p. 216.

<sup>110</sup> *Ibid*, p. 217.

long-term indebtedness would be a ‘series of good harvests’<sup>111</sup>. But ‘alternating cycles of good and bad agricultural years’ could push the peasants deeper into debt.

Production loans, a greater part of the market, could account for as much as half the standing crop, like in Burdwan in 1794, or half of the total cultivation, like in Dinajpur in 1807<sup>112</sup>. From Datta’s evidence, like that of the cultivators of Purnea and Rangpur, it is clear that the availability of money in Bengal in the period under consideration was controlled in such a way as to build dependency of the cultivator on the money market, if cultivation had to continue. The timing of these loans, coordinated with the agricultural seasons was crucial in determining the profit the money lender would make. Betel leaf in Eastern Bengal, sugarcane in Birbhum, tobacco in Nadia and Rangpur, and ginger in Rangpur are some examples of crops grown and later refined using industrial processes utilizing loans of the sort being discussed.

The loans had no written documentation supporting them, an aspect of credit wider than just Bengal. The cultivator received two-thirds of the value of the advance before cultivation; the rest was to be given at the time of delivery. The rate of advance depended in the crop and the variety.

Merchant capital, thus, ‘[intruded] into the very core of Bengal’s Economy’ and its power was evident from the fact that if the merchant decided to end the agreement the cultivator was forced to ‘dispose’ off his produce ‘on any terms’<sup>113</sup>. In conjunction with the evidence presented regarding Benaras above, we may arrive at an understanding of credit

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<sup>111</sup> *Ibid*, p. 218.

<sup>112</sup> *Ibid*.

<sup>113</sup> *Ibid*, p. 220.

networks imposing a structure with a systemic power asymmetry, yet one which was indispensable to the furtherance and the functioning of the agrarian economy.

Now, let us go deeper into the banking of mortgage management. Mortgages were primarily of two kinds. The first was called 'Bhogbunduk'. The property, in this case, was made over to the 'possession of the mortgagee' and returned upon repayment of the Principal. In the second case, the property remained in the hands of the borrower as possible collateral in case of default.

The first case can be seen more clearly from the following example, if the subject mortgaged was an orchard (this is the example presented in the records)<sup>114</sup>, its fruit which was produced would be treated as the full interest payment and the property itself would be returned upon the payment of the principal back to the lender. This same mode could be used with respect to land, with the revenue as interest till the land was returned upon repayment of principal amount. Thus, under Bhogbunduk, land-based entrepreneurship operated by the lender assessing whether the revenues would be higher than the cost of the funds he was providing. The margin between the revenue after taxes and the fair interest would be the lender's profit. The reverse strategy could be utilized by a proprietor who used as mortgage land whose yield after taxes would be less than the cost of the funds. Suffice to summarize that future revenue flows and future produce was thus

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<sup>114</sup> Duncan, Vol. I, p.277, orchards, according to the Duncan records, were exempt from revenue, in the district in question. It would be interesting to consider the reasons for this and compare with other districts, although that would be part of an examination devoted to revenue management and luxury goods.

being repackaged into financial securities which then the banks and the company could buy and sell between themselves.

### **Commercial Marts**

An example of a successful mart from the Benaras region was the salt *mahal* of Do in the *parganna* of Mongra. The salt mahal in question was a ‘separate and distinct concern’ from the other financial arrangements of the *parganna*. It was leased out to the banker and revenue farmer Sheolal Dube (discussed in the previous chapter as one of the big business interests operating in Benaras). Salt was similarly produced in nearby districts like Gurwara, Rary, Singramow, Zufferabad, Gopalapore and other places, out of which Mongra accounted for roughly 66 per cent of the total produce. The top quality, at Rs. 2 per maund, was consumed primarily in Benaras and Jaunpur, and the lower qualities, ranging from Rs. 1 per maund to Rs. 1 Rs. 8 annas was sold to Awadh<sup>115</sup>.

Another example from the region is the town of Rusera, which was such a ‘capital mart’ that the trade duties arising from the ground rent of the town and mart itself, made the zamindars ‘rich and easy’. Thus, when the order of 1788 was issued to abolish all rahdaariand gunjduties, the zamindars were ready to fight to ‘preserve their

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<sup>115</sup>Ibid, p. 193.

immunities'<sup>116</sup>. But the 'settled merchants' got the zamindars to accept the regulations in question. In return they promised an increase in their ground rent by 50 per cent, from an earlier Rs. 5, 000 per annum to Rs. 7, 000 per annum. Interestingly, all of this was kept secret from the Resident at the time, and the records admit to having learnt from 'very good authority' later.

To grasp the extent of the network of commercial centres, we must briefly expand our regional consideration a bit, since the actual networks did not follow the delimitations of historical research. Thus, in order to feel the stretch of the network connecting regions like Delhi or Lucknow to the larger North Indian landscape, let us tentatively venture outside the region in question, with the express purpose of returning to the region itself as composed of nodal centres.

Describing the desolation of Mewar, in Rajasthan, James Tod makes an interesting point. After mentioning that roads were no longer safe and that even marriage processions were looted he adds that external commerce, in spite of these instabilities, was not stagnant. The 'produce of Europe and Kashmir would pass each other in transit through Mewar', having to pay a lot of taxes, but guarded against theft and plunder all the same<sup>117</sup>. The existence of long-term networks of trade operating beneath political exigencies is, therefore, demonstrated.

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<sup>116</sup> Ibid, p. 179.

<sup>117</sup> James Tod, *Annals and Antiquities of Rajasthan or the Central and Western Rajput States of India*, Vol. 1, Low Price Publication, Delhi, p. 555.

Providing an account of the measures which were meant to rejuvenate the ailing economy of Mewar, Tod writes about the high insurance and interest rates which were markers of political instability. At one point, the Rana borrowed at 36 per cent and it became necessary to recall the merchants and bankers to inject life into the local and nodal economy of Mewar. Foreign bankers and merchants were requested through proclamations to establish connections through the various towns of the region in question. As a result, 'branch banks were everywhere formed', mercantile agents were 'fixed in every town in the country', and the many posts which collected transit duties were abolished to rejuvenate external trade, except for at the frontiers. The scale of duties went through reduction of from 30 to 50 per cent. As a result, the transit and custom duties of Mewar constituted a major part of the revenue, and in a few years, as Tod writes, 'exceeded in amount what had ever been known'<sup>118</sup>. This is a clear demonstration of banking capital and trading flows which shifted along the lines of the network searching for better rates and more profitable conditions. As and when these were offered by stable ruling regimes, the bankers and merchants would push up economic activity very quickly. What the above illustration also indicates is that this wasn't an antagonistic relationship between capital and the state. If trading and economic activity were allowed greater freedom, like in the above example of abolishing most transit duties, the increase in volume of trade filled up the exchequer due to rising custom and transit collections at the frontiers.

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<sup>118</sup> *Ibid*, pp. 560-61.

A major commercial mart mentioned by James Tod to have survived into the early nineteenth century was a town called Bhilwara, whose speedy rise from ruin to having twelve hundred houses in a span of a few months, with half of them occupied by foreign merchants<sup>119</sup>, showed the mobility of capital and human potential in the construction of trading centres during times of turmoil and political uncertainty. ‘A weekly fair was established for the home manufactures.’ There were tax exemptions for a year and gradations thereafter. By the early nineteenth century, thus, Bhilwara contained ‘nearly three thousand dwellings’ primarily inhabited by merchants, bankers, and artisans. In a striking acknowledgement of network mentality and the tacit knowledge of trading interconnections, traders from Jaisalmer, Surat, Banaras, or Delhi were asked to pay lesser than those domiciled at Bhilwara, in terms of town-duty of ‘metage’ (*mapa*). Although there were differences, as with the Jain and Vaishnava merchant councils and underlying religiosities played a part, arbitration often balanced factors and the region built up its trading and commercial potential. Even after Tod had left, he observed Bishop Heber’s favourable description of Bhilwara as opposed to Delhi<sup>120</sup>.

Speaking of another mart in the Rajasthan region, Pali, Tod wrote that commerce in the region was ‘the basis of liberty’<sup>121</sup>. Even ‘despotism’ left it ‘unrestrained’. There were shades of commercial assertion in the face of state power here. Bhilwara and other marts like Jhalrapatan, Rani, and others, Pali elected her own magistrate, both for municipal regulations and as to matters pertaining to commercial processes. Pali’s currency had remained ‘undebased’. It was on the connecting link between the sea coast and northern

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<sup>119</sup> Ibid, pp. 561-62.

<sup>120</sup> Ibid, p. 563.

<sup>121</sup> . James Tod, *Annals and Antiquities of Rajasthan*, Vol. 2, pp. 812-13.

India. Commercial houses at Muskat-Mandavi, Surat, and Navanagar 'transmit' products from Persia, Arabia, and Africa and received those from Tibet and India. The position and operational aspects of these leading trading centres and entrepots as network nodes allowed the numerous trading marts like the ones being described to flower along the routes in question. From the coast came elephant ivory, rhinoceros hides, copper, tin, pewter, dried and moist dates which were consumed in considerable quantities in the region itself (*kharak* stage, when the dates are red or yellow, as per variety, and of the *pind* state, when they are ripe), gum-arabic, borax, coconuts, broad-cloths, striped silks (*patang*), dyes (specifically kermes or crimson), drugs like the oxides of arsenic and quicksilver, spices, sandalwood, camphor, tea, *momiai* or mummy (wax), and green glass (*kanch*). From Bahawalpur, Tod lists soda (*sajji*), *al* and *majith* (two kinds of dyes), matchlocks, dried fruits, asafoetida, Multan chitzes, and wood. Kotah and Malwa provided Opium and chintzes. Jaipur sent various cloths and sugar. Bhuj provided swords and horses. The major exports from Pali included salt and woollens, the staples, and cotton cloth and paper. The blankets (*lois*) were priced at between four and sixty rupees per pair. Tod mentioned that they were transported all over India. Duties from salt exports amounted to half the land revenue from the country. The major salt lakes (*agars*) were Pachbhadra, Phalodi, and Didwana, some of which were several miles in circuit. The total commercial duty amount of Pali, according to Tod, in the early nineteenth century was 75, 000 rupees annually, which he called 'a large sum in a poor country like Marwar'<sup>122</sup>.

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<sup>122</sup> Ibid.

The above description of the marts of Pali makes two factors abundantly clear. First, trade persisted in the region in question during the turbulence of the long eighteenth century. But that is the lesser aspect. The more important gleaning is that the trade and commercial strength were not necessarily functions of political stability or strength (although we have seen how they interacted) of one or two regions or kingdoms, but, more importantly, tied to and themselves a result of network structures. The marts of Mewar and Marwar fell on the permanent trade routes between the Western coast of India and northern cities like Delhi and Lucknow. The route itself was a segment in the larger connection between West Asia, Africa, and the Ganga-Yamuna Doab and eventually the Himalayan ranges. Capital movements in the eighteenth century, and perhaps longer, have followed these axes.

Speaking of the exports of Marwar and the routes they follow, Tod mentioned, after salt and the salt lakes from where they were extracted and exported 'over the greater part of Hindustan', marble from Makrana marble quarries, as the chief constituent of palace, mosque, and tomb construction in major urban centres like Delhi and Agra.

Limestone quarries near Jodhpur and Nagor, concrete (kankar) used for mortar, tin and lead from Sojat, alum from Pali, and iron from Bhinmal are some of the other raw natural resources mentioned as possible export commodities.

To return to the prevalence and density of marts in the region in question, Bhilwara, as described above in Mewar, Churu in Bikaner, Malpura (literally city of wealth) in Amber, and Pali of the Rathors, which also posed as competition. This incipient competition between the different marts also demonstrates a frenetic commercial landscape. The chief trading communities, mostly Jain merchants formed the human nodal points of spreading

trading and commercial networks. Merchants of the Khadatara sect migrated in thousands across the landscape and the legendary Oswals, from the town of Osian near Luni, had one hundred thousand families who could best be described occupationally as belonging to the commercial sector. A priest attempting to enumerate the 'classes' involved in commercial activities was said to have reached up to eighteen hundred names and then given up, such was the diversity of communal involvement in trading and mercantile aspects of occupational life.

With Pali as the entrepot for eastern and western trade, 'where the productions of India, Kashmir, and China were interchanged for those of Europe, Persia, Africa, and Arabia', one may describe the activity of caravans (kitars) in these cyclical trading patterns<sup>123</sup>.

These caravans carried products inland from the ports of Cutch and Gujarat. Some of the major products were ivory, copper, dates, gum Arabic, borax, coco-nuts, broadcloth, silks, sandalwood, camphor, dyes, drugs, oxide and sulphurate of Arsenic, spices, coffee and so on. Export commodities included mainly chintzes, dried fruits, jira, asafoetida from Multan (a condiment known in northern India primarily as *hing*), sugar, opium from Kotah and Malwa, silks and fine cloths, potash, shawls, dyed blankets, arms, and, as elucidated above, salt manufactured within the sub-regions in question<sup>124</sup>.

It is important to note that this, the early nineteenth century (Tod's account), is the end of the very period where major urban centres like Delhi and Agra were said to be in decline.

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<sup>123</sup> *Ibid*, pp. 1108-109.

<sup>124</sup> *Ibid*.

But as the earliest Archaeological Survey writings show, construction in Delhi proliferated at the turn of the century, especially, mercantile construction.

In her book, *Delhi between Empires*, Narayani Gupta described the nineteenth century in Delhi. But describing the late eighteenth century she wrote how ‘even as late as the 1780s... there were sixty bazaars in the city and abundant supplies of food’<sup>125</sup>. The decline of imperial authority brought with it a rise in the powers of the kotwal (with his office in Chandni Chowk) and his *thaanedaars*, who, other than policing operations, also handled the collection of the duties, regulation of trade and industries, and demographic regulation through the institutions of the mohallas. Delhi was taken over by the British from the Marathas in 1803. There were a significant number of large houses, with the *umaras* and traders owning palatial ones. According to the *Gazeteer of 1815*, the prices of land had doubled in the previous decade. Building of mansions (*havelis*) included that of Bhawani Shankar and by 1843, 17, 000 out of 23, 000 were ‘listed as being made of brick and stone’<sup>126</sup>. Through the beginning of the nineteenth century a steady increase in the population of the city was observed. ‘Pockets of settlements’ proliferated outside the walls of the city. The immigrants were mainly Punjabi *khatri* communities, and according to Gupta, the decline of Mughal power did not bring a proportional change in the number of Muslim families in the city as opposed to the number of Hindu families. ‘The immigration rate of both communities was fairly equal’<sup>127</sup>.

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<sup>125</sup>Narayani Gupta, *Delhi Between Empires*, Oxford University Press, Delhi, 1998, p. 3.

<sup>126</sup>*Ibid*, p. 4.

<sup>127</sup>*Ibid*, p. 5.

This chapter has attempted to present a picture of the commercial networks straddling northern India in the later part of the eighteenth century, by examining plunder, nomadic trade, banking, credit, and commercial centers or marts. The focus, like the previous chapter, was on attempting to unearth aspects of what may be called the ‘deep structure’<sup>128</sup> of networks of political economy. The next chapter will focus more on the role of the English East India Company and the transitions of the early nineteenth century.

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<sup>128</sup> The term is used in linguistics and network physics (and recently in genetics) to show underlying and invisible patterns in language acquisition and information networks. See Barabasi, Albert Laszlo, *Linked: The Science of Networks*, Basic Books, 2003 and Noam Chomsky, *Aspects of the Theory of Syntax*, MIT Press, Cambridge, 1965.

## Chapter Three

### The Transformation of Financial Networks and the English East India Company

This chapter will consider the political economy of money and banking as it survived and changed into the beginning of the nineteenth century, as the English East India Company centralized and intensified its rule. It will attempt to demonstrate that the networks in question adapted to a large extent to the onset of British policy and even utilized it to a certain extent.

C.A. Bayly, in his examination of the rise and fall of towns and town building in the late eighteenth and the early nineteenth centuries considered in conjunction the falling urban centers and the rising ones<sup>129</sup>. As the demand from Delhi, Agra, and other major urban centers declined, weaving centers like Allahabad, Bahraich, Phulpur, and Fatehpur also declined<sup>130</sup>. But the size of Bareilly increased, as did the as did the Rohilla marts of Chandausi and Najibabad. We will look at the composition of trading and artisanal communities in Bareilly later, as we consider the urban scenario based on the observations of Bishop Heber and an 1824 survey carried out in Bareilly. ‘Middle rank

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<sup>129</sup> C.A. Bayly, ‘Town Building in North India, 1790-1830’, *Modern Asian Studies*, Vol. 9, No. 4, 1975, pp. 483-504.

<sup>130</sup> *Ibid*, p. 486.

market towns' like Mirzapur grew and up till the 'routing of the railways in the 1850s' considerable volatility was seen in the fates of these towns.

The dispersion of urban gentry and trading families through the middle ranking towns (Bayly mentions cotton traders moving from Agra and Panipat before 1820 to Mirzapur and Kanpur after 1830<sup>131</sup>) and their services being often directed towards the English East India Company, led to a wider decentralization of administrative expertise. Cotton trade led to the formation of Cotton marts around cities like Agra and Allahabad and Indigo trade, as we will see later led to a general increase in economic activity in these cash crops<sup>132</sup>. This chapter will also consider the money market ramifications of these developments.

But to consider the mutating and evolving monetary systems, this chapter will begin with micro examples of conflict ridden regions in the beginning of the nineteenth century and then move on to a description of the towns Bayly called our attention to. The chapter will then move on to the utilization by merchants and moneyed men of the regulatory system and its possible long-term effects and conclude with the system of banking around the middle of the nineteenth century as documented by Northcote Cooke.

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<sup>131</sup>Ibid, p. 491.

<sup>132</sup>Ibid, p. 491.

## Local Trade and Perpetual Conflict

The ready presence of *baniyas* in remote regions of northern India was evident even in the beginning of the nineteenth century. Broughton, while travelling in the arid region repeatedly assailed by Goojar tribesmen in 1809, away from Agra, carrying Sindhia's pass, reached a point where to encamp for the night he needed the Qiladar's permission. Permission to encamp was granted, along with 'assurances that Buniyas, or merchants, should be sent to supply the people with all that they wanted'<sup>133</sup>. Later, closer to Kundhar, towards Ranthambore, another instance was presented in more detail. 'Soon after the tents were pitched, Buniyas came from the town, plentifully furnished with meal and other articles', but their 'purchases, however, were scarcely completed, before the Buniyas were seized by the servants of one of the Qiludars'. The permission for trading had not been taken from the said Qiladar, and as a result, he had 'made no bargain as to what share of their profit was to accrue to himself'. The next morning, Broughton heard that 'they had all been thrown into confinement, and a good round sum extorted from them before they were again released'<sup>134</sup>. This is another illustration of traders operating with political permission, although we will see instances of traders bypassing them later. Broughton provided a description of the makeshift bazaars which come up in the Maratha camps.

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<sup>133</sup> Thomas Duer Broughton, *Letters from a Mahratta Camp During the Year 1809*, Archibald Constable and Company, London, 1892, p. 14.

<sup>134</sup> *Ibid*, p. 16.

The quarter-master general, upon reaching and ascertaining the ground on which the army encamped, would plant a small white flag, in order to specify the spot for the tents of the Maharaj. The different flags of the different Bazars were then fixed as they arrived. They were fixed in a straight line and the *dukaans* would be 'pitched in two lines running parallel to each other'<sup>135</sup>. A 'grand street' was thus formed from the 'front to the rear of the army'. The interesting sense of scale is that the street often extended 'from three to four miles'. The chiefs encamped in the neighborhoods of specific bazaars. The shops which the bazaar consisted of were made mostly of 'blankets or coarse cloth stretched over a bamboo, or some other stick for a ridge pole, supported at either end by a forked stick fixed in the ground'. These were called *pals* and ranged in height and width from three to nine feet, according to the circumstances of the owner. 'Under these miserable coverings, could be found not only the goods which were to be sold, but also the families of the shopkeeper, which resided in them throughout the year, 'and for many years together'. The wealthiest merchants of these Bazars also used these *pals*<sup>136</sup>.

The protection afforded to traders in the Maratha camps were well known. Broughton describes a 'welcome visitor in the person of a fruit merchant from the Punjab', who had with him 'an assortment of pears, apples, grapes, apricots' and who had experienced the 'protection of a Mahratta camp' before. He had 'wisely taken up his quarters, this time, in

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<sup>135</sup> *Ibid*, pp. 17-18.

<sup>136</sup> These would also sell among other things alcohol distilled from Mahua fruit. The product distilled once was called daru and the one distilled again, more expensive, was called phul. Four quarters of daru and two of phul were sold for a rupee. 'And it is now common to see [the alcohol] exposed for sale in English bottles.' *Ibid*, p. 19.

ours'. The fruits were 'packed in small round boxes between layers of cotton, and were 'generally brought in a very good state of preservation'<sup>137</sup>.

The camps had their own banias to lend to both the merchants and the soldiers. Soldiers and generals, perpetually 'distressed' for cash, would borrow at rates like five per cent per month. In one instance, claims of the banias upon the 'maharaj' amounted to 7 lakh rupees<sup>138</sup>. Broughton got this information from a man personally invested in Sindhia in this fashion, who wanted to know about the prospect of payments from the East India Company to Sindhia, hoping that would ease his own debt return situation. More precisely, he enquired as to 'how many of the quarterly payments, made by our government [the English] to Seendhiya, were forestalled', since 'a report was prevalent', that a Maratha banker of 'great wealth' had 'bought them up [the English cash flow] for the next eighteen months'. These payments in question amounted to 'upwards of a lakh and a half of rupees; one lakh being paid to Seendhiya himself, and eighty thousand nominally to some of the principal chiefs of the Durbar'<sup>139</sup>.

When Sindhia needed cash, or 'to satisfy any very clamorous creditor', he signed 'receipts for these instalments', since these were 'the only stock that will fetch a reasonable price in the market'. These receipts were generally sold again in the market, 'at a discount of from eighteen to thirty per cent; the latter being the usual rate when they have a year to run'. The enquirer informed Broughton that his master had bought one of those receipts, 'for a payment to be made two years and a half from the present time'.

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<sup>137</sup> Ibid, p. 42.

<sup>138</sup> Ibid, p. 29.

<sup>139</sup> Ibid, p. 31.

Like Skinner before him, as described in the previous chapter, Broughton too observed large packs of banjaras (whom he described as mainly Gujars and Jats) moving large quantities of grain across the landscape. About the business credibility of banjaras he said that ‘so much reliance is placed on their honesty, that large sums are often paid to them in advance, by the merchants who employ them, to make their purchases of grain’. Since they were ‘generally useful’, ‘their persons and property are always respected, even in times of war’<sup>140</sup>.

### **The Case of Awadh**

By the end of the eighteenth century, British intervention in Awadh began increasing considerably. In 1800, Wellesley forced the Wazir into agreeing to the military forces being reduced drastically and the Company’s forces being increased. The next year districts from Gorapkhpur to Rohilkhand were handed over the British. Between 1795 and 1801, European commerce developed quite rapidly, but whereas up to 1801, British intervention was of ‘varying degrees’, after it, it increased drastically with the handing over of large parts<sup>141</sup>.

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<sup>140</sup> Ibid, p. 39.

<sup>141</sup> Peter Marshall, ‘Economic and Political Expansion of Oudh’, in *Trade and Conquest*, Variorum, 1993, p. 478..

The scale of European trade, according to P.J. Marshall, posed a significant political threat to the power of the Wazir through the 1790s. European merchants tried to ‘set up local systems of monopoly’. They negotiated independently with powerful *amils* like Almas Ali Khan and tried to bypass authority. But, Marshall went on to say, it wasn’t this that led to annexation of large parts. Commercial residents were spread out over large parts to make purchases like piecegoods amounting to four lakhs from Rohilkhand and sugar and piecegoods worth five lakhs were order from Mau and Azamgarh. The Company monopolized salt and saltpetre. This zeal on the part of the Company towards the centralization and control of business seemed a stronger incentive in greater intervention into the matters of Awadh than British entrepreneurship by and of itself. This aspect will be further etched out in the latter part of this chapter when the observations and analyses of John Shore are discussed. This greater intervention occurred at the same time as heightened rhetoric that Awadh was in very bad condition.

This taking over of the ceded provinces marked a new phase in British centralization, but, as Marshall wrote, it could ‘hardly be described as a triumph for an economically motivated imperialism’<sup>142</sup>. The rise of business towards the end of the eighteenth century, after 1801, led to ‘excessive exports of Oudh piecegoods’, producing a ‘marked decline in current orders’<sup>143</sup>. Indigo and cotton would soon suffer from volatility in demand. The top-down command linking of the British territories, thus, would have had mixed effects, which would mark an emerging era of merchants turning against and subverting state institutions, as has been shown in the section regarding the nascent British judiciary.

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<sup>142</sup>Ibid, p. 481.

<sup>143</sup>Ibid, p. 482.

But first, let us turn our attention to the changes in the urban landscape, with the rise of small towns like Mirzapur and Bareilly, a phenomenon which travelers like Bishop Reginald Heber observed.

### **Bareilly, Mirzapur, and the Rise of Middle Ranking Towns**

An article (or rather a short survey) written by Robert Thomas John Glynn, for the Royal Asiatic Society in 1826 gives us a fairly clear, empirical picture of the state of the Rohilla economy, at least in the town of Bareilly, at that time. The survey itself was made in 1822. For the purposes of this dissertation, there were 200 bakkal families engaged in trade and banking (bakkals were primarily grain traders, diversifying into banking, although often translated as grocers), and 400 more families of the same caste operating as shopkeepers<sup>144</sup>. There were 512 kayastha or scribal families, who along with being clerks, accountants, and public office holders, ‘engaged in trade and agriculture’. 188 families belonged to the Khatris, another caste of mixed professions including merchants and soldiers.

There were 65 shops of Sarrafs or shroffs (money changers and brokers, who made between 4 to 5 rupees and 100 rupees or more in a month) and thousands of shops of

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<sup>144</sup>Robert Thomas John Glyn, 'Enumeration of the Various Classes of Population, and of Trades and Handicrafts, in the Town of Bareilly in Rohilkhand, Formerly the Capital of the Rohilla Government', *Transactions of the Royal Asiatic Society of Great Britain and Ireland*, Vol. 1, No.2 (1826), pp. 467-484, p. 470. The paper has vast detail and only a small part of the data has been produced here to present a picture of urban settlement.

artisans (for example 707 houses of Muslim cotton cloth weavers called Nurbafs, 191 shops of silk and muslin dealers, 32 houses of sugar refiners, described as an ‘opulent class’ earning between 50 and 100 rupees in a month, 4 houses of seasonal kite makers and dealers, 66 houses of grass sellers, 68 houses and 65 shops of Muslim tobacco sellers, 136 shops of corn dealers, 6 houses and 8 shops of ‘dealers in spirits’ who made 100 rupees a month out which a government duty had to be paid, and more than 140 houses of tawaifs and courtesans, and many more). 12 shops of salt dealers imported and sold the salt wholesale. 24 houses in the town belonged to Banjaras, and the Bareilly district, according to the author had approximately 14, 000 Banjaras in terms of population. The key figures are presented below in tabular form.

Profession	Number of Shops or Houses
Sarraf	65
Nurbaf	707
Silk and Muslin Dealer	191
Sugar Refiner	32
Kite Maker (Seasonal)	4
Grass Seller	66
Tobacco Seller (Muslim)	68 houses and 65 shops
Corn Dealer	136
Alcohol Dealer	6 houses and 8 shops
Tawaif	140
Salt Dealer	12

Travelling through upper India in the 1820s, Bishop Reginald Heber made in-depth observations about the life and the economy in those regions. Unlike other traveler-commentators Heber was aware of the recent histories of those regions and also observed social processes as they unfolded. Writing a decade later, Judge Frederick Shore, a District judge in Farrukhabad, among other positions, would commend Heber's understanding of Indian society as he himself would struggle to explain to the English the mistakes they were making in their attempts to govern India. We will turn to Shore's observations after considering Heber's to first, follow a chronological pattern, and second, consider the evolution of a political economy quickly being subsumed under the centralizing attempts of a growing English government.

One of the important transitions we see in the early nineteenth century was that operators, who at different points opposed the East India Company, came into their pay, and became parts of the expanding economic and social machinery. For example, there was the Maratha ex-Peshwa Amrut Rao, who 'enjoyed' a 'large pension' from the East India Company government and resided in Benaras at the time when Heber was visiting<sup>145</sup>. He also possessed a 'vast private fortune', no doubt a result of his career. He was one of the 'chief alms givers' of the city. His annual contributions in alms went up to, according to

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<sup>145</sup> Bishop Heber, *Narrative of a Journey*, Vol. 1, p. 374.

Heber's sources, up to 1.5 lakh rupees. Examples of those who had made their fortunes serving the Company were many, like the 'fine house' belonging to the son of a 'celebrated babu' who had made a 'vast fortune' as the deewan of some Europeans. (emphasis that it shows dispersal of wealth)

Benaras, Heber described, was a 'very industrious and wealthy city'<sup>146</sup>. It was the 'great mart' where converged the imports of various kinds, like the shawls from the Northern part of the subcontinent, the diamonds from the southern part, muslin from Dhaka, and manufactured silk, cotton and fine woollen. From Benaras English hardware, swords, shields, and spears manufactured in Lucknow and Monghyr, and European luxury products (Heber doesn't mention which ones) circulated to Bundelkhand, Gorakhpur, and Nepal, and other regions away from the 'main artery of the Ganges'. The population was 582,000 according to a census of 1803<sup>147</sup>. Rich merchants from Bundelkhand and other regions built their places of worship.

Heber is also useful because he described market towns like Chunar, with a population of, according to him, about 15,000<sup>148</sup>, where he wrote about 'large rollers of Chunar stone', the demand for which, 'must be great to elicit such a supply'<sup>149</sup>. He also sketched a poignant portrait of an imprisoned, and once feared Maratha General, 'Trimbuk Ji', whiling away his time in a small house with a small garden, stingily bickering with his

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<sup>146</sup>Ibid, p. 381.

<sup>147</sup>Ibid, p. 382.

<sup>148</sup>Ibid, p. 403.

<sup>149</sup>Ibid, p. 416.

servants<sup>150</sup>, as Elphinstone wasn't allowing him to return to the Deccan or even meet his family.

The size of Mirzapur surprised Heber<sup>151</sup>. It grew largely due to English power and economic requirements. He described it to be as large as Patna with a population of between 2 lakh and 3 lakh people. Within a journey of 200 miles, he had passed 6 towns of considerable size and 1 major city. Upon enquiring of Mr. Corrie that he had expected the big cities to be ruined, and hadn't expected such 'opulence', Heber received a reply which reaches the heart of the transition of the eighteenth and early nineteenth century. The answer was that 'certainly very many ancient families had gone to decay, but... the gap had been ever perceptible... since it had been more than filled up by a new order rising from the middling classes, whose wealth had... increased very greatly'<sup>152</sup>. The cities, Corrie observed, instead of decaying, had a greater number of houses, temples, and *ghats*, the last of which he considered a sign of affluence and wealth in India. The great cities of the Doab though, he said, were scenes of 'desolation', like Delhi and Agra.

Yet, even further north, while travelling towards Bareilly, Heber noticed large towns like Shahabad, 'a considerable town, or almost city', with some fortifications and large houses<sup>153</sup>, or 'Oudunpoor', which 'would be called a moderate-sized market-town in England'. He also observed significant cotton cultivation in the country around. In the latter town he was introduced to the 'principal' mahajan of the town by the Amin. The mahajan was primarily a cloth dealer and 'other multiform commodities which generally

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<sup>150</sup> Ibid, p. 406.

<sup>151</sup> Ibid.

<sup>152</sup> Ibid, p. 417.

<sup>153</sup> Heber, Vol. 2, p. 115.

stock an English country shop'<sup>154</sup>. Regarding Shahjahanpur, he wrote that the markets 'shew marks of activity and opulence'<sup>155</sup> and there seemed to be, according to Heber, 'a greater appearance of ease, security, and neatness among the middling and lower classes of the Company's subjects than among those of the King of Oudh'. The sugar, rice, and cotton of Rohilkhand was said to be the most highly-priced in India and Heber observed toddy, date palms, plantain, strawberries, grapes, apples, and pears 'thrive' there<sup>156</sup>.

Although he described Delhi as a mass of 'ruins' and 'desolation', he also wrote about a shawl manufacturing unit with Kashmiri weavers using wool brought from the Himalayas, in the house of a 'wealthy, Hindoo merchant' called Soobin Chand and an immigrant lane of Kashmiri weavers outside with their wives<sup>157</sup>.

### **Merchants and Early British Judiciary**

The prevalence of small trade may be seen from the litigation which it gave rise to, for example in the court of Justice Shore, as he while explaining the 'inutility' of the civil procedure, furnished the reader with the following example. A plaintiff by 'A' would state, 'I advanced 500 rupees to B to supply me with Indigo to that amount. The Indigo was

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<sup>154</sup>Ibid, p. 117.

<sup>155</sup>Ibid, p. 119.

<sup>156</sup>Ibid, p. 122.

<sup>157</sup>Ibid, p. 295.

inferior in quality and only worth 400 rupees; I sue for the remainder'<sup>158</sup>. The answer provided by B would be the following – ‘The plaint is false: the Indigo I furnished was of the best quality, and worth the sum I received.’ A would reply, ‘The answer is false, the Indigo was only worth 400 rupees’. B would deliver the ‘rejoinder... “The reply is false; the indigo was worth 500 rupees”’, and the cross-denials would continue. Importantly, as Shore, states, ‘I could mention a hundred instances of the same sort’. For Shore, the replies and rejoinders were of the ‘least use’, as his writing was about how the institutions imposed by the English government weren’t working towards their putative goals.

But we may infer from these many instances which he refers to, that trade would have been many times that captured by litigation. And, as we will see in the coming pages and the rest of Shore’s writings, merchants and moneyed men often made the entire judicial and governmental apparatus a variable in their operations, instead of letting it shape them.

In another instance, Shore presented the summary of a ‘large number of suits’, which were filed by a merchant between 1824 and 1828, a total of roughly 119 suits, against ‘cultivators to whom he had advanced money for indigo and other produce’<sup>159</sup>. Two of them, worth 673 rupees, were undecided, two, worth 504 rupees, were dismissed, ten, worth 6564 rupees were ‘adjusted by agreement’, wherein the defendants either paid or arranged to pay back by installments, and decrees were given by the court for the remaining 105, worth 99, 091 rupees. The total cost of these suits to the complainant was 9550 rupees. He realized a total of 27,908 rupees, by the close of 1830.

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<sup>158</sup>Frederick John Shore, *Notes on Indian Affairs*, Vol. 2, London 1837, p. 9.

<sup>159</sup>*Ibid*, p. 19.

Shore provided this example to demonstrate the inefficiency, corruption, and inefficacy of the courts. One narrative of colonization may be that of inefficacious government (in this case the judicial system) eroding the workings and dynamism of business. Suffice to say for now the nascent judicial system was one way through which some kind of delayed cash flow was ensured.

Shore's writings tell us a lot about the banking and monetary systems. For example, while discussing the lack of capital among numerous kinds of speculators and investors, he mentions the Agra bank as 'of greatest utility'<sup>160</sup>. He considered the interest the bank would charge to be 'moderate'.

He described the forming of wide banking operations using agents in the following way. As soon as a 'native merchant firm' began to 'flourish', the 'universal practice' was to send 'agents to reside permanently' in towns with other banking houses, and not merely engage in correspondence<sup>161</sup>. To these agents was 'entrusted', 'considerable capital and property', of which they had, at the time, 'entire control'. They were most commonly paid as per percentage of profits accrued due to their operations. In cases of dishonesty of the agents, there would be further litigation instead of summary dismissal.

In criticizing the system in place, he pointed out that the 'arrangement of an equitable adjustment of debts', 'was perfectly well-known to the native merchants in practice', before the intervention of British administration (although the adjustments were mostly to the benefit of creditors), due to which the older practices were 'set aside'. There is a debt-averse side to Indian banking and entrepreneurship in general which keeps coming up.

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<sup>160</sup>Ibid, p. 56.

<sup>161</sup>Ibid, p. 68.

But where there might have been penalties and injunctions, credit was also a widely prevalent way to use social networks to protect investments. Although the large banks and merchants received ‘considerable’ amounts on which they paid interests, they weren’t ‘troubled with the petty savings of the poor’<sup>162</sup>. Therefore, those commoners who did save, in order to protect their savings, ‘immediately began lending to those of their own class’, due to being ‘tempted by the enormous interest which [was] offered’.

Writing of how the regulations hurt long-distance merchants<sup>163</sup>, he described how in a ‘country in which so much of the trade is carried on by travelling merchants’, who, during the year, ‘pass over hundreds of miles of ground’, and many of whom came, ‘from distant foreign territories’, and would often be ‘obliged to submit to a loss of money, rather than sacrifice the time necessary to enforce a just demand’. Government policies, by ‘subverting the customs among merchants’, encouraged ‘men to act in a fraudulent manner’.

In Awadh, on the other hand, he described how people turned to middle-class landholders and the merchants in the towns to ‘resort to arbitration’<sup>164</sup>. Shore’s recurrent theme was the condemning of top-down regulation on an old system which knew how to survive and evolve.

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<sup>162</sup> *Ibid*, p. 203.

<sup>163</sup> *Ibid*, p. 215.

<sup>164</sup> p. 265.

In praise of the economic conditions of Awadh, which contradicts what many others have said and what Shore said himself<sup>165</sup>, he focused on the bazaars and mercantile life. ‘Not only in Lucknow’, he wrote, but in any other town of Awadh, the market was filled with products ‘far more numerous and expensive’, than in corresponding territories<sup>166</sup>. He went on to present the economic logic behind it, writing that ‘no merchant or tradesman’ would keep ‘a stock of commodities, unless sure of a sale’. So, the commodities were sold and there were incomes among the buyers to afford them. Equally importantly, ‘large sums’ were invested by the Awadh merchants on Government securities.

But not only Awadh, Shore claimed that as one progressed further towards the North West, the people seemed to be in better conditions, and that people were in far better condition than in the Delhi territory<sup>167</sup>.

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<sup>165</sup> According to Shore, the ‘immense drain of specie from that country of late years, amounting, within a few years, to the enormous sum of two crores and thirty nine lacs of rupees, exclusive of what may have been sent down to Calcutta to answer the bills drawn for the payment of troops, and on private accounts’, was the ‘foremost’ cause of the ‘ruinous’ condition of the state of Awadh. Ibid, p. 75-76.

<sup>166</sup> Ibid, p. 273.

<sup>167</sup> Ibid, p. 96.

## Banking and Commerce in Uncertainty

Let us go deeper into the banking and credit system as he described it. Shore stated the 'legal rate of interest' at 12 per cent. But then he went on to describe that it wasn't just 12 per cent. Taking the example of the 'proceedings of the old houses of agency' and their transactions with the Indigo planters, he stated that the following additional rates were levied. A charge of 1 per cent was levied on 'receipts and disbursements'. Some 'petty charges' were levied on the monthly advance to the planter, which was called 'subsistence money'. The planter also could not sell his produce to maximum profit in the open market but had to send it to his 'money-lending agent' and pay him a commission on it. The indigo planters themselves, according to Shore, claimed that they paid upto 18 or even 20 per cent of interest on the funds. When it came to the loans disbursed to civil and military officers, it was roughly the same, with 12 per cent rate on the money itself, 1 per cent on receipts and disbursements, and they also required the borrower to insure his life, the premium for which was paid and taken by the money lenders themselves, and not an 'insurance office', the lender thereby taking up the risks of the insurance company. This is a striking example of risk hedging by the money markets of the early nineteenth century and there is no reason it may not be considered an older practice. In a society where political conflict and consequent short-term economic volatility may have been the norm, the bankers and the money market hedged their risks of a loan asset by charging the premium of life insurance, and in the case of the life in question being lost, one may safely infer, set the insurance payment against the loan repayment. One may

note the remarkable sophistication and foray deeper into the system. Shore, on the other hand, considers it ‘merely a trick to raise the interest a little higher’.

Yet, he went on to provide, like a professional judge that he was, the merits of the system itself. The interest rates in question he considered ‘a fair compensation for the risk they ran’. The indigo planters had no capital and the civil and military borrowers were salaried individuals whose life expectancies weren’t comforting for the bankers. He went on to describe how the interest rate was fairly flexible and that the lenders were also ready, when the cost of funds went down, to lend money at ‘nine, eight, or at one time, seven per cent’. In his description of loans given to the ‘natives’, Shore stated that no ‘idea of enforcing laws’ was followed.

The reasons Shore presented for supporting a regime of high interest rates, included ‘the scarcity of capital’, ‘bad security on the part of the borrowers’, and a ‘bad government’. ‘The native bankers and merchants’, he insisted, charged ‘a rate proportionate to the security or good faith of the borrowers’. He went on to describe the money market as one where, ‘should a merchant of established reputation be suddenly pressed for... money, even to the amount, sometimes, of 200,000 or 300,000 rupees, he will find no difficulty in procuring it from his brother merchants at six per cent – a transaction which is constantly occurring in every large mercantile town.’ Then they would demand from their customers, 12, 18, 24, or 30 per cent, depending on their risk valuation. They had ‘way and means of evading the law’.

When it came to lending money to ‘Englishmen’, 12 per cent would be supplemented by 5 per cent commission on the money disbursed since the lender would be ‘employed to procure the articles required for the concern’, in procuring which, he would make a

‘common profit’. It would amount to 18 to 24 per cent, according to Shore. It is entirely possible that the bankers made much more.

In an example of quick transition, Shore described how, ‘before the introduction of the new judicial system’, around 1832, it was ‘impossible’ for farmers to get loans at even up to 40 per cent, due to uncertainty as to land tenures. But the moment the ‘new system’ came into operation, within a ‘few months’, the farmers were able to borrow funds at 18 or 24 per cent, in certain districts, ‘because the bankers found that justice was now attainable’. Within a few months, the banking networks sprang into action, the way they had, perpetually adapting to political uncertainties through the eighteenth century, as the previous chapters have shown. All this amounts to an understanding of the banking and mercantile networks utilizing and adapting to any government, be it local or colonial, in furthering the requirements of finance, utilizing quickly acquired liquidity and utilizing extant networks. And speaking of ubiquitous perjury, Shore highlighted how the bankers and merchants knew well how to manipulate the judicial machinery<sup>168</sup>. In light of this, Shore, sensibly, recommended less government intervention ‘to allow a man the liberty of employing his capital and his merchandise to the best advantage, in whatever mode he finds conducive to his just interests’.

In all other points, let men be free to make their own bargains in interest of money, as well as in everything else. It is lamentable to think how much we have done to deteriorate the character of the natives, by the introduction of laws and customs, not only at variance with their habits, but opposed to the dictates of justice and right reason, of which these usury laws are a memorable example.

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<sup>168</sup> Shore, Volume II, p. 295.

Shore was a nineteenth century Burkean conservative, intensely critical of English attitudes and corrupt and inefficient governance. We may consider a lot of what he says as ideologically tinted, but that does not take away from the truth of certain aspects of his observations. But in spite of that, we may arrive at a tangible sense of the financial networks operating in that time, through his writings.

P.J. Marshall, in his discussion of ‘Private British Investment in Eighteenth Century Bengal’, cited Edmund Burke’s discussion of British rule in India as ‘birds of prey and passage’, highlighting the rapacity of the British<sup>169</sup>. Marshall then went on to, with great elegance, present a picture of the actual enterprise of British traders in Bengal in the eighteenth century. In terms of climate and insecurity of property, the British trader did not consider India the epitome of a rosy future. Even the political fortune of the British was uncertain till 1784 and the individual trader did not have any rights against the East India Company. ‘He could not hold land or even live in India without the consent of the company’, and was required to use the Company’s ships to send his goods to England from India. In terms of entrepreneurial prospects and operations capital was scarce and interest rates were high, as have been and will be referred to in this examination. Yet, the impact of this trade was seen in Bengal, with the city of Calcutta being transformed into a bustling centre of commerce. Private European investment also played a major role in the business growth of raw silk, indigo, and sugar, and in 1785, when there were around fourteen private silk filatures, factories for indigo production, and three plantations of sugar in Bengal, with Europeans attempting to utilize deposits of iron ore, copper, coal,

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<sup>169</sup> P.J. Marshall, ‘Private British Investment in Eighteenth Century Bengal’, in *Trade and Conquest*, Variorum, 1993, p. 52.

and lead<sup>170</sup>. This picture of British entrepreneurs is richer and more complex than the outright condemnation of Edmund Burke. That is but natural since it is the result of historical research and not polemical statesmanship. Where Shore displayed a Burkean understanding was not in condemning the British merchant, which he did not as we have seen, but in attributing to Indian society an autonomy of history and dignity of respect, in which he was not a common administrative official.

To return to the task of unearthing entrepreneurial history, there is a fundamental problem with writing the history of merchants and bankers and Bayly mentions it. They were, and even are, we might venture, deliberately and craftily (or strategically) secretive about their systems. States revealed a lot through scribal and bureaucratic records. Individuals revealed through memoirs and objects and private life. But of vast, historical merchant networks, we only know what we can discern behind the veil of administration<sup>171</sup>.

Corporations were different of course, more bureaucratic in nature, more political, to the point of utilizing arms and violence on a much larger scale.

Speaking of transit duties and internal customs, and its 'native system', Shore likened them to 'the nature of a toll'. It was charged based on the load on the ox, pony, camel, or cart, and not based on the value of goods. There was, thus, 'no temptation to smuggle', 'no pretext of search on the part of the custom-house officers', and no passes or forms

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<sup>170</sup>Ibid, p. 53.

<sup>171</sup>With the exception of historians who have, like Bayly, studied the bahi-khatas of the merchants themselves, or for example when something like the Cairo Genizah documents are unearthed. All of these though, still leave a lot to be learnt.

were required. The tolls were payable every forty or fifty or even sixty miles depending on the regimes operating and thus distance travelled was a bigger factor than value of trade. For short distances, the toll could have been marginal. The English, using their ‘rowannah’ system, increased the tax burden on the merchants. The deeper we go into the political economy of transition of the eighteenth and early nineteenth centuries, we see it was less a matter of Indian against British interests and more a matter of Indian and British traders against Indian and British bureaucracies. The later impoverishment, following this logic, would have had more to do with centralized State policies which asphyxiated the older networks of commerce.

In order to prevent smuggling, the government set up search houses (*chaukis*), which were ostensibly supposed to be set up close to the custom houses, to compare the actual goods with the details in the passes. In practice, Shore wrote, the search houses were spread out at distances even of sixty or seventy miles from their respective custom houses. The delay and costs to the merchant due to these searches was prohibitive<sup>172</sup>. Thus, the search process became a system of bribes (*doucuers*) failing to pay which would lead to a detailed search. ‘The merchants merely pay’, Shore wrote, ‘to prevent the law from being executed, and to enable them to carry on a small trade, crippled most wretchedly by the heavy duties... which fall upon it’. A letter to the collector of customs at Meerut on 15 December 1832, described these customs officers as ‘authorized plunderers’,<sup>173</sup>.

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<sup>172</sup>Ibid, p. 299.

<sup>173</sup>Ibid, p. 302. Judge Shore refers to Collectors as ‘usually some stupid being’. Ibid, p. 301.

Thus, traders of ‘small capital’ were at a disadvantage. Another example presented was of a Delhi trader engaging in the shawl trade of Benarasin order to ‘employ his capital’. The result had always been the ‘detention of their goods’ by the customs machinery and their quitting the investment due to incurring heavy losses in the process<sup>174</sup>.

The same was the case with town duties. Although only eight items were supposed to be taxed in this system, which were salt, sugar, tobacco, ghee, betel nut, turmeric, oil and oilseeds, and pulses, what happened instead was that the searching process, in order to determine that these goods weren’t being transported would extract the aforementioned bribes from the traders. But this process led to an interesting proliferation of marts surrounding the important cities. So, for example, Bawani, Shamli, Bewari, and Shahadara grew around Delhi as marts which operated to evade the heavy customs taxation regime of the cities. The same happened around Allahabad, Farrukabad (where the author was a District Judge at the time of publication of this collection), Mirzapur, and so on. He writes that the number of boats leaving Farrukhabad ‘twelve or fourteen years ago’ was ‘treble what it is at present’<sup>175</sup>.

Shore’s observations were from the point of view of a nascent judiciary, which evolved into a peculiar hybrid of common law and custom, about which a lot has been written by legal historians<sup>176</sup>. But the proposition made in this dissertation is the following. Indian

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<sup>174</sup> Ibid, p. 304.

<sup>175</sup> Ibid, p. 310.

<sup>176</sup> And actual practitioners like Dinshah Mullah and Pollock in their famed commentary on the Indian Contract Act or M.C. Setalvad in his lectures on Common Law.

businessmen and career builders, like in the following example, would sometimes use this very system.

The case presented was one regarding the inheritance of a rent-free estate, which was granted by Daulat Rao Scindia to Ramkrishna Brahmin in 'Snigrampur', near Fatahgarh, which fell under the jurisdiction of the provincial court of Bareilly<sup>177</sup>. Ramkrishna Brahmin died in 1819 and was succeeded by Sabsukhram, his disciple, who was 'installed' as the successor to the rent-free estate. Another disciple, Shivram, appeared and sued for the right, in the Bareilly provincial court, claiming to be Brahmin's nephew. The suit was dismissed. Shivram then appealed to the Sadar Diwani, where the decision was reversed, 'to the utter consternation of the people'. Sabsukh attempted to appeal to the King in Council but his attempt could not be carried out successfully due to lack of funds.

For this entire litigation, Shivram had borrowed the funds from 'a Bengalee', one may assume a banker from Bengal and assigned the temple, lands, and endowment of Snigrampur as security for his loan. The banker later sued Shivram in the Supreme Court, got a decree, and employed the officer of the Sheriff to attach the property. In response, Shivram had his disciple sue the banker for trespass.

The matter continued with other complications, but we may end the account now, as an example of local interests being channeled through a new judicial system and the latter becoming a variable in the strategies of mercantile and commercial operators.

But whereas merchants and traders exploited the new system when they could, the British too exploited older forms of monetary exchange like plunder, which, as described in the

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<sup>177</sup> Shore, Notes on Indian Affairs, Vol. 2, pp. 539-40.

previous chapter was a calibrated strategy of cash appropriation. For example, the moment the town of Bharatpur had been captured, it was plundered<sup>178</sup>. Shore laments a structural feature which violated his ethical sensibilities.

As we saw, an account of a political economy in transition shows the ways in which the operators (even fraudulent ones) used the changing system, adapting them to their purposes. Describing another such case, that of one Paramsukh<sup>179</sup>, Shore wrote that he borrowed different sums of money from ‘a great many different people’, ‘on the pretense of trading’, but that he was ‘a mere swindler’. Upon finding out the nature of his trade, one of his creditors sued him for the 500 rupees which was lent in the district court and ‘obtained a decree’. Immediately, Paramsukh sent his servant, with wages of 3 rupees a month, to the provincial court which was 150 miles away, to sue the creditor for 10, 000 rupees. ‘The servant swore to his pauperism and the suit was at once admitted’. The creditor, on the other hand, was a ‘man of property’ and had to defend the lawsuit in the ‘regular way’, whereas the servant was not required to bear certain costs. So, he had to spend on a lawyer and other associated expenses, all of which amounted to about 400 rupees, and although he could have got the servant in question jailed, the latter would have been released immediately due to the insolvency laws at that time, which, Paramsukh was misusing. The important thing is not this. What is interesting is right after this, Paramsukh went to all of his creditors and warned them that he would, in case of being sued, carry out this process with each and every one of them and thus prevented legal action against himself.

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<sup>178</sup>Ibid, p. 98.

<sup>179</sup>Ibid, p. 208.

The above example is important for many reasons, but two of them may be articulated here. The first is that incidents like these indicate a wide network of monetary exchanges between different parties and litigation was only the outcome of a percentage of conflicts. The second is that this kind of utilization of regulations indicated a far older pattern of commercial profiteering.

Henry Lawrence, in his essay on Oudh in 1845, wrote of how the Lucknow bankers sometimes 'engaged for large districts' to farm their revenues and carried out the process of appointing their own agents<sup>180</sup>. He referred to these agents as 'low persons' with 'vilest arts'. He too, like Shore before him, referred to their paying of bribes to court officials.

The first chapter of this study elucidated upon the political connections of the bankers of the eighteenth century. But as the nineteenth century progressed, that political status was eroded. For example, Cooke wrote that the 'Banking corporations and Government agencies' which followed the 'hereditary establishments of the Dosses and the Setts' happened to be 'devoid of the political influence which the latter exercised'<sup>181</sup>. The operations of the Zillah banker had been divided between that of the revenue collector and the 'independent capitalist'. The village banker, although, still retained his character, and, in the form of the Mahajan, continued the institution.

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<sup>180</sup> Henry Lawrence, *Essays, Military and Political, Written in India*, W.H. Allen and Co., 1859, p. 77.

<sup>181</sup> Charles Northcote Cooke, *The Rise, Progress, and Present Condition of Banking in India*, P.M. Cranenburgh, Bengal Print. Co., 1863, p. 13.

It is important to note that Cooke was making a generalization and that the political character of banking was retained till much later in the Northern regions which have been the subject of this examination. The ‘diffusion of capital’ and greater monetization of the economy had changed banking further, ‘though an extensive system of banking [was] carried on’. Except that it ‘[bore] a less peculiar character than before’. The first two chapters have elucidated upon this peculiar political and adaptive character of banking and trade.

He went on to categorize the bankers into three groups. They were the city shroffs, the ‘Zillah’ bankers, and the village mahajans. The first category was primarily ‘engaged in exchange operations, in dealing with the public stock, and making advances on securities to commercial establishments’. They had ‘extensive credit throughout the country’. The second category were lined to the ‘monied wealth of the landed families or their creditors’ and had ‘a close connection with the internal trade of the country’, in which they often engaged ‘directly on their own accounts’<sup>182</sup>.

The third, according to Cooke, that is, the village mahajans, were the ‘only thriving class’ in the North-West provinces (which includes the Northern regions we have considered). Although Cooke claimed that they thrived due to the ‘impoverished conditions of the agricultural classes’, it is difficult to comprehend how they could have thrived when the agriculturalists to whom they extended loans were in impoverished condition.

Describing the currency diversity, he explained that the Faruckabad rupee, like the Sicca, in spite of not being the legal currency, was found ‘in great abundance’ in the North

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<sup>182</sup> Ibid, p. 14.

Western provinces. The 'weight and value' was that of the 'new of Company's rupee'<sup>183</sup>. In 'the great marts up-country', they were exchanged in lots by being put in bags of 500 or 1000 rupees each. The rates of batta or discount varied so much in the interior that 'it was impossible to give in fixed sum' as to its rate. He gave the example of Mirzapur, where the discount on the Farruckabad rupee was between 8 and 12 anna per cent. In Patna the currency was 'unknown as a currency', though the 'extensive transactions' between Mirzapur and Patna, were adjusted in the Farrukhabad currency, also called the Mirzapur currency.

As territories like Lucknow and Rohilkhund were annexed, their currencies like the Lucknow rupee and the Rohillkhand Suddhora rupee were assayed for weight and constituents and the exchange rates determined for exchange and trade.

An interesting rise and fall of a bank was the Bank of Mirzapore, started by an Englishman called Bathurst in 1835-36, which wasn't initially trusted by the Mahajan's, but he won over their trust with timely payments and his links with the 'highly respectable firms' of Calcutta and they slowly began lending him money and accepting his bank notes<sup>184</sup>. The public, however, did not have the same faith in his notes as they had in the Bank of Bengal and by 1837 his bank collapsed, and he left India in order 'to avoid unpleasant proceedings'. 'Some of the notes of the Mirzapore Bank are, we believe, still to be met with in the Upper Provinces'.

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<sup>183</sup> Ibid, p. 42.

<sup>184</sup> Ibid, p. 203.

## Some Instances of Hundi

The discount or commission which determined the rate of the particular hundi transaction was based on the cities which connected the transaction. The rates were affected by various factors, changing continuously, as all flexible, realistic rates do. Two factors, the distance between the two cities in question and the volume of such transactions between them, may be said to have influenced the rates. Let us consider the rates through the seventeenth and eighteenth centuries.

In the 1640s, the rate of discount when it came to the issue of hundis in Surat, on Ahmedabad, ranged from 0.62 and 1.25 per cent. The rate between Surat and Agra ranged from 2.69 and 3.5 percent, a difference reflecting both the distance (and attendant risks) and the total volume of traffic of bills. There is very little evidence of changes in the seventeenth century itself, but a slight rise could be discerned. Therefore, by 1689, rates which could be applicable in Surat on Agra ranged from 3.56 per cent to 3.75 per cent, with one instance of 3.68 per cent. In one instance during the year 1688, the said rate reported as 4.25 percent. One instance worthy of mention was of the year 1669, when, in addition to a commission of 2.5 percent, which was charged at the point of time for the issue of the hundi in Surat on a Coromandel coastal city, the following was stipulated. At the time of encashment, an additional commission of 1.25 per cent would be levied by the sarraf's agent.<sup>185</sup> These instances provide us with a background of risk and revenue

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<sup>185</sup> 'Cashless Payment Mechanism in Mughal India: The Working of the Hundi Network', Paper to be presented at Session 2 of the International Economic History Congress, Helsinki, 21-25 August 2006.

sharing as practiced by the bankers in the seventeenth century and the long distance transactional networks which already existed.

Referring to the eighteenth century, and the year 1788, Lakshmi Subramanian reports the following case of negotiations with the Shroffs playing an important role. The Surat factors provided the information that 1 lakh rupees had been ‘negotiated for at the rate of Surat Rs 92 per Murshidabad Rs 100’. The shroffs in question refused to negotiate ‘even at the rate of Surat Rs 90 per Murshidabad Rs100’ due to problems in monetary supply, which had been caused by the ‘general decay in trade with Bengal and the Gulfs’. During their negotiations with the English at Surat, the shroffs specified that due to an ‘acute shortage of cash in the city’, the purchasing of bills ‘granted at Bombay under Surat Rs 90 per Murshidabad Rs 100’ had been declined by them.<sup>186</sup>

In another instance of a contract made in July 1789, the government arranged with the house of ManohardasDwarkadas, ‘at an exchange of Bombay Rs 93 per Banaras sicca Rs 100 for a time period of 51 days.’<sup>187</sup>

For another sample of mid-eighteenth century rates with Jaipur as the place of origin, but traversing through some of the regions examined in this study, the following table may be considered.

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<sup>186</sup>Laxmi Subramanian, ‘Banias and the British: The Role of Indigenous Credit in the Process of Imperial Expansion in Western India in the Second Half of the Eighteenth Century’, *Modern Asian Studies*, Vol. 21, No. 3 (1987), pp. 473-510.

<sup>187</sup>Ibid, p, 499.

Mid 18<sup>th</sup> century rates<sup>188</sup>

Place of origin	Place of Encashment	Hundi Rate
Jaipur	Agra	5 to 6 percent
Jaipur	Banaras	6 percent
Jaipur	Delhi	6 percent

The above examples show the continued commercial and banking networks and their adaptations as British rule centralized and intensified. There doesn't seem to have been a drastic curtailment of commercial activities or severing of linkages, but a gradual process of evolution as the networks and operators adapted to more severe regulatory regimes. The networks were sticky and multi-layered and could survive through extended periods of conflict and harsh regulatory regimes. The underlying structure of commerce and banking and the importance it had in larger political transformations should, thus, be considered.

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<sup>188</sup>Mamta Tyagi, 'The Role of "Hundis" in the Jaipur Kingdom in Pre-Colonial India', *Social Scientist*, Vol. 42, No. 3/4 (March–April 2014), pp. 25-44, p. 34.

## Conclusion

This dissertation has examined the networks of trade and commerce in order to arrive at an understanding of the political economy of the region between Delhi and Banaras, including Rohilkhand, Awadh, and at times, extending beyond, to establish the wide reach of the networks themselves, in the later eighteenth and the early nineteenth century. It has also looked at the ways in which this network transformed with the rise of the English East India Company.

Eighteenth century internecine political conflict and the accompanying state formations were embedded in capital mobility and, in turn, affected it. Money lenders, bankers, and merchants formed a web of commercial networks which rulers could utilize and gain political strength. It is instructive that the early rise of the English East India Company was with the cooperation of these businessmen and their eventual expansion into northern India, especially the region under consideration in this dissertation, was aided by these resilient networks of capital.

This merging of political conflict and monetary concerns, mediated by specialized negotiators and traders, has been shown in the first chapter. Political decentralization was linked to growing commercialization through aspiring groups of revenue and administrative professionals and merchants. The first chapter focused on large commercial transactions and the nature of political formations as tied to capital networks. It also shed light on the machinations of the large bankers, especially those of Banaras, and the revenue farmers.

The Rohilla Pathans were the clearest example of the merging of trade and state formation, having forged their entrepreneurial success through horse trading (along with bhang and opium) on the path from Kabul to Delhi, and then establishing their eighteenth-century kingdom in Katehar. The Awadh nawabs were tied to the revenue farmers and bankers of Lucknow and the Banaras Rajas were dependent on the Banaras bankers and revenue farmers. The Marathas brought to the scene an exquisite mix of extortion and banking, as the example regarding Sindhia in the third chapter shows and the English East India Company were in constant business with bankers and merchants, led by the eminent house of Jagat Seth.

The underlying networks of trade and commerce could thus be seen to operate at many levels. At the upper level, large capital flows were based on revenue farming and war financing, leading to the formation of large banking concerns. At the lower levels, it could range from the trade in different commodities as carried out by the Pathans, the *Banias* or the Sanyasi traders to transaction fees and interest rates charged on different aspects of the banking operations. This picture of a tiered horizontal network provides an understanding of history not as the rise and fall of empires, but as a product of the human proclivity to migrate and trade, with the early modern features of density of market formations and the securitization of agrarian revenue in the commercial networks.

The expansion and rise of the English East India Company showed that it wasn't the prospect of business that the commercial networks resisted, but the steady centralization which was wrought from the beginning of the nineteenth century. A participant in the vibrant markets of commercial and political markets of eighteenth century Hindustan

became a centralizing government exacting duties and administering a judicial system which became a hybrid of common law and local custom.

One may argue that the existence of different small, compact states, as in the eighteenth century, allowed for this degree of flux, that decentralization of the Mughal Empire was the spark that led to the vibrant political economy that this dissertation has attempted to describe. But one may similarly argue that the networks were pre-existent, and the growth of Empire meant a subsuming of these under the rigidities of Imperial administration. One may further argue that the transformation of the economic fortunes of many of the traders, revenue farmers, and administrative officials expedited the decentralization that followed the fall of the Mughal Empire, as in the case of Awadh.

But the changes over time must be considered too. Immediately after the death of Aurungzeb in 1707, the decentralization had begun. The rise of the East India Company through the northern regions which have been studied in this dissertation truly picked up pace on from the 1770s, during the governor-generalship of Warren Hastings. In the 70 years in between, Awadh and Rohilkhand consolidated as States. From the 1770s, Rohilkhand first became a part of Awadh and was then taken over by the English East India Company at the end of the eighteenth century. Awadh continued to operate with a British resident, but the power of the Company and greater intervention ate away at its autonomy as the nineteenth century unfolded.

Historians used to speak of the invasion of Nadir Shah in the middle of the eighteenth century as marking the end of an era. The capital networks and the rise of towns examined in this dissertation continued to increase in density and volume of transactions in the later part of the eighteenth century. The political economy of northern India,

operating through widespread commercial networks, was far more resilient than historians lamenting the loss of a diamond and a throne.

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