CHAPTER FIVE


I Batta and Dastur.

II The System of Hundi and Problem of Finance.

III Dadni and Rates of Interest.
CHAPTER V

ENGLISH TRADE AND INDIGENOUS FINANCIAL PRACTICES

The seventeenth century India witnessed growing commercial activity and the consequent emergence of powerful mercantile groups. This was also the period of increasing sophistication of existing financial institutions and commercial practices owing to large-scale interaction with European trading companies. With the growth of the institutions of hundi, dadni, usury, sarrafi etc., the Indian financial intermediaries were able to exercise a tight control over the internal market. The complexity of the indigenous financial practices on the one hand made the European Companies completely dependent on the functionaries of the Indian business; on the other hand, the Indian merchants devised a large number of ways to maximize their profits and earnings by placing emphasis on these commercial methods. In this context the practice of taking batte and dautur was peculiarly Indian and along with the dadni system, enabled the brokers to earn profits from the investments of the European Companies in the Indian markets. An important feature of the Indian trading method was the system of advance contracting. Under this system, Indian producers, weavers and artisans were booked one or two seasons in advance and money advances were given by the buyers, through a chain of brokers to the primary producers.
Taking the above facts into account this chapter seeks to study the importance of two customary practices batla and daostur in the development of trade and commerce in India and the functioning of indigenous financial institutions such as hundi and dañhi systems.

I  Batla and Dastur

Two terms batla and dastur have frequently been used in the English Factory Records pertaining to the seventeenth century, while reporting on their trade in India, English Factors have generally been confused in referring to these two terms in the sense of 'allowance', 'commission', and 'discount'. Hence it would be worthwhile analysing the exact usage of these terms batla and dastur in various commercial transactions and also studying their impact on English trade to see how the English traders handled indigenous practices and financial institutions as evolved by Indian merchants during the seventeenth century.

During the Mughal period, as we have already examined in the preceding chapter, the multiplicity of gold, silver and copper coins bearing different names with varying intrinsic and exchange values, made the currency system more complex. Since not all the coins which were in circulation in the market could be accepted everywhere in the country, they could be exchanged only by paying a certain amount of discount. The discount allowed here for exchange should be considered batla. Besides, servafe were also taking an extra charge (referred to as batla) not only for exchange but also for lending
money, though it was neither a legal nor a regular practice. It was levied arbitrarily only in specific situations whenever there was an acute scarcity of money in circulation - in the market. In such a situation the sarraf extracted an additional charge, apart from the customary rate (which too was subject to fluctuations) which the English Factors were obliged to pay due to their financial and investment problems. This additional charge was also referred to as bitta. This may be noted in two letters written by an English Factor. The first letter, dated 1st February 1628 reads: "... Verji Vara's Wakil has no money to lend at present, and for another, when he has, he will exact three, if not four per cent, 'bottawa', which is far too high..."1 After sixteen days in another letter dated the 17th February, 1628, the Factor stated that they "Have been obliged to borrow at two per cent, besides one-half per cent 'bottawa', in order to pay their Camelsman...."2 From these two letters it appears that when the English Factors were in need of funds for investments in trade they had to pay extra bitta in order to get money. Moreover, the sarraf would pretend inability to exchange all the foreign coins brought by the English Factors and would relent only on payment of 1.5 per cent extra bitta apart from 4 per cent, the usual rate of bitta for exchange. In January, 1639, it was reported that the sarraf of Surat had charged 4 per cent extra bitta from the English Factor for exchanging the 'Reel of

1 EFl, 1624-29, p. 234.
2 Ibid, p. 239.
Eight' into silver rupees at its usual rate of Rs. 215.25 for a
hundred 'Reel of Eight'. Thus, the English merchants could get
only Rs. 206.75 instead of Rs. 215.25 for his hundred 'Reel of Eight'.

There was, however, no fixed rate of batta. On the 4th January
1639, at Surat, batta was charged at the rate of 4 per cent. In
January 1651, at Surat, its rate was 9.85 per cent. The reason for
such an extraordinary rise in the rate of batta, may be the shortage
of money with the English Factors. They, in order to meet their
financial need, tried to sell out their coarse sort of Peru 'Reels'
(known as 'Ockannes') at old rates which was not at all acceptable
to any sarraf of the town.

On the 17th February 1628, Virji Vohra loaned money to the
English Factor and charged 1.50 per cent batta in addition to 2 per
cent per month interest. Since we do not have more than one
reference from Gujarat region when batta was taken in addition to
the interest, it can not be said to have been a regular practice.

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3 EFL, 1637-41, p. 100.
4 Ibid.
5 The letter written on 4th January 1651 from Surat mentioned
that "... As regards the business of Naiz-ul-Mulk, at the
instance of Fazl Khan Davidge has accepted 10,000 rupees in
full settlement. On this amount one per cent was lost by
exchange between this place and Agra, besides the 985 rupees
abated from the original claim" (EFI, 1651-54, p. 8). The
letter does not clearly mention the amount of the original
'claim'; it could, however, be Rs. 10,000 and not Rs. 10,000
only, as Davidge had accepted rupees 10,000 'in full settle-
ment'. Thus it seems that batta was taken on Rs. 10,000 and
not on Rs. 10,000.
6 EFL, 1646-50, p. 316.
7 EFL, 1624-29, p. 239.
However, big merchants like Virji Vohra, of course, could take advantage of the situation when the factors were in need of money.8

In Bengal, we have references when _batte_ was deducted from the amount given out to the weavers and artisans in advance. In May 1676, Mr Hall made a charge against Messers Vincent and March, Factors of Desimbar, for extorting _batte_ at the rate of two rupees and thirteen annas for a hundred rupees from the silk merchants Gopal Bhai and others on the money given to them on _darmi_.9 After making an inquiry into the charges it was found that (1) these two factors had over-rated the silk and taffeta for the Company's ledger; and (2) Gopal Bhai had taken 1.5 per cent illegal commission from the weavers. Therefore, Vincent had tried to extort Rs. 5,000 from Gopal Bhai.10 However, it appears that the silk weavers might have agreed to pay an extra commission to the merchants in order to obtain more work. This fact may further be substantiated from the letter dated 21st August 1679, when Gopal Bhai and other merchants took money from taffeta weavers. They were asked to give in writing that they would not take commission from the weavers as long as they were in the service of the Company.11 The rate of _batte_ was not fixed as is clear from the Table 5.1. In October 1679, 1.4 per cent _batte_ was taken on every hundred chalani rupees given out in _darmi_ where-

8 _Ibid._


11 _Master's Diary, I, pp. 377-78._
TABLE 9.1

RATE OF BATTA ON DADNI MONEY

<table>
<thead>
<tr>
<th>Year</th>
<th>Place</th>
<th>Rate of Batta in % per age</th>
<th>Remarks</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1673</td>
<td>Hughly</td>
<td>0.50</td>
<td></td>
<td>Master's Diary, I, p. 379</td>
</tr>
<tr>
<td>May 26, 1676</td>
<td>Qasimbazar</td>
<td>2.13</td>
<td></td>
<td>EII. 1670-77, II, (NS), p. 399</td>
</tr>
<tr>
<td>Nov. 3, 1676</td>
<td>Dacca</td>
<td>2.00</td>
<td></td>
<td>Ibid., p. 19</td>
</tr>
<tr>
<td>Sep., 1678</td>
<td>Hughly</td>
<td>0.66</td>
<td></td>
<td>Ibid., I, p. 113</td>
</tr>
<tr>
<td>Oct. 23, 1679</td>
<td>&quot;</td>
<td>0.66</td>
<td></td>
<td>Ibid., II, p. 310</td>
</tr>
<tr>
<td>1679</td>
<td>&quot;</td>
<td>1.4 On chelani rupees</td>
<td></td>
<td>Ibid., p. 317</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.00 On sikka rupees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July, 1681</td>
<td>Malda</td>
<td>1.00 On chelani rupees</td>
<td></td>
<td>Malda Diary, pp. 125, 133</td>
</tr>
<tr>
<td>Sept., 1681</td>
<td>&quot;</td>
<td>1.00 On sikka rupees</td>
<td></td>
<td>Ibid., p. 138</td>
</tr>
<tr>
<td>Jan., 1682</td>
<td>&quot;</td>
<td>0.75 On sikka rupees</td>
<td></td>
<td>Ibid., p. 170</td>
</tr>
<tr>
<td>July-Oct., 1682</td>
<td>&quot;</td>
<td>1.00 On sikka rupees</td>
<td></td>
<td>Ibid., pp. 186, 199, 203, 213</td>
</tr>
</tbody>
</table>

As battra on sikka rupees was 2 per cent. At Malda, during 1681-82 battra was taken generally at the rate of 1 per cent on sikka rupees. From the English Factory Records it appears that the quality of dadni money did not determine the rate of battra. The fluctuation in the rates of battra simply depended on the discretion of merchants and,
of course, the demand and supply situation.

It is to be observed that the charging of **batta** on **dadi** money was the usual practice in Bengal. But, in Gujarat, during the first half of the seventeenth century, the charging of **batta** on **dadi** money does not seem to have been in regular practice.

Besides, **batta** was also taken by the governors, merchants and sometimes by the brokers on the purchase of commodities. In such cases **batta** may be referred to in the sense of allowance or, preferably a 'cut'. The rate of such cuts fluctuated from 3 to 9 per cent depending on the will of the governor or the merchant concerned who took into consideration the quality of the commodity.

In December 1617, an English factor conveyed from Agra that 10 per cent had been deducted from the total weight of indigo purchased in the neighbouring areas (if indigo was purchased in Agra itself, 'cut' was to be taken at the rate of 3 per cent only). The reason for this cut was that new indigo would have dried not less than 20 per cent of its weight. In the same year it was reported that on the purchase of 2,597 maunds and 1.75 *sara* of indigo, the weight of about 240 maunds was added for purpose of collecting **batta** or cut, so that it amounted to 9.2 per cent.

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12 English Factors have confusedly used 'batta' and 'dastur' for allowances or cut. Sometimes the Factors use 'allowance' for both 'batta' and 'dastur'.


In both the cases mentioned above, the price of indigo at Agra fluctuated between Rs. 28 and Rs. 36 per maund 'according to its dryness.'\(^\text{16}\) In 1629, at Ahmedabad, sugar of two varieties could be bought at Rs. 5.65 and Rs. 5.70 per maund of 40 sorg without any dasturi.\(^\text{17}\)

*English Factory Records* also mention the term dasturi or dasturi (a customary charge) which was also some sort of an extra batta or allowance to be charged, apart from the batta discussed above, both on money for loan and dadni. In 1615 and 1617 respectively at Ajmer and Agra 4 per cent dasturi was charged in addition to the batta on money paid to the weavers.\(^\text{18}\) In 1617, 4,437 pieces of cloth were bought "with the abatement only of 2 per cent dasturi and five per cent by agreement,"\(^\text{19}\) viz., 5 per cent batta. In 1614, the Factor had bought sarkhej indigo through brokers at the rate of rupees eleven per maund wherein the dasturi at the rate of 1.5 per cent was deducted from the amount paid to the indigo growers in advance.\(^\text{20}\) Here, we may infer from the above instances that in

\(^{16}\) *Ibid.*, pp. 235, 245. It is also to be observed that the maund contained 41 sorg at Biana in 1616 (*Ibid.*, IV, pp. 239-40). No change in this respect has been noticed till 1649. Please see Appendix B - *Table II*.

\(^{17}\) *FII*, 1624-29, p. 221; here dasturi has been used in the sense of a cut.


\(^{19}\) *Ibid.*, VI, p. 236.

\(^{20}\) *Ibid.*, II, p. 250; here 'batta' has been used for the 'cut'. It is also to be noted that indigo could be purchased at Rs. 11 per maund; for weighing new indigo, one maund contained 42 sorg and for old indigo one maund contained 41 sorg which, in fact, did not make any difference in prices.
fact merchants took 1.5 per cent interest on the *dadni* amount and called it *dasuri*.

Sometimes, the *dasuri* was also charged on the goods purchased by the English merchants. But, there was no fixed rate of *dasuri* and it rather depended on the discretion of the merchants or brokers. On the 12th July 1620, at Patna the purchase of calico, brokers abated 17 per cent *kassure* (dasuri) but on 11th November 1620, on brown cloth 25 per cent *dasuri* was taken. Whereas in general the *dasuri* rate depended on the discretion of the merchants, the reason for the rise in *dasuri* rate from 17 to 25 per cent may be traced to the fact that as the buyer did not pay brokerage, the broker had to be compensated by raising the *dasuri* rate. There is no clear indication whether the *dasuri* was taken on goods only from the English Factors or also from the producers, but it may be suggested that the brokers might have taken *dasuri* both from the producers and English Factors in one way or another.

So far as English trade in Bengal is concerned, *dasuri* was taken generally on the *dadni* money given to the weavers or brokers. At Malda, *dasuri* was taken at the rate of one rupee and nine annas for a hundred rupees. The table 5.2 shows that there was no fixed rate of *dasuri*.

21 *EFI, 1618-24*, p. 182: *Kassure* appears to be *qawwur* or discount. It has been used in the sense of *dasuri* only.
22 *Ibid*, p. 204.
24 *Malda Diary*, pp. 193, 199, 205.
## Table 5.2
### Rate of Dastur

<table>
<thead>
<tr>
<th>Year</th>
<th>Place</th>
<th>Rate in ##</th>
<th>Remarks</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1615</td>
<td>&quot;</td>
<td>0.50</td>
<td>Per maund on indigo.</td>
<td>Ibid., p. 282.</td>
</tr>
<tr>
<td>March 1615</td>
<td>Ajmer</td>
<td>4.00</td>
<td>On cloth.</td>
<td>Ibid., III, p. 65.</td>
</tr>
<tr>
<td>Nov. 1616</td>
<td>Agra</td>
<td>5.00</td>
<td>On the total weight of indigo bought.</td>
<td>Ibid., IV, p. 241.</td>
</tr>
<tr>
<td>Dec. 1617</td>
<td>Ahmedabad</td>
<td>10.00</td>
<td>On new indigo.</td>
<td>Ibid., VI, p. 239.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.00</td>
<td>On old indigo.</td>
<td>Ibid., p. 236.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4-5.00</td>
<td>On the purchase of cloth.</td>
<td></td>
</tr>
<tr>
<td>Dec. 1619</td>
<td>Agra</td>
<td>6-7.00</td>
<td>On cloth.</td>
<td>EFL, 1618-19, p. 163.</td>
</tr>
<tr>
<td>July 1620</td>
<td>Patna</td>
<td>29.00</td>
<td>On cloth from the weavers.</td>
<td>Ibid., p. 192.</td>
</tr>
<tr>
<td>1620</td>
<td>Agra</td>
<td>17.00</td>
<td>-do-</td>
<td>Ibid., p. 193.</td>
</tr>
<tr>
<td>Nov. 1620</td>
<td>Patna</td>
<td>20-25 or Re. 1 on cloth depending on the will of merchants.</td>
<td>Ibid., pp. 204-05.</td>
<td></td>
</tr>
<tr>
<td>Feb. 1622</td>
<td>Burhanpur</td>
<td>1.00</td>
<td>If payment was made in cash.</td>
<td>EFL, 1622-23, p. 41.</td>
</tr>
<tr>
<td>Aug. 1622</td>
<td>Broach</td>
<td>1.00</td>
<td>On each hundi.</td>
<td>Ibid., p. 116.</td>
</tr>
<tr>
<td>Feb. 1625</td>
<td>Surat</td>
<td>4.00</td>
<td>On sale of goods.</td>
<td>Ibid., p. 179.</td>
</tr>
<tr>
<td>Feb. 1628</td>
<td>Agra</td>
<td>3-4.00</td>
<td>On money given on loan.</td>
<td>EFL, 1624-25, p. 234.</td>
</tr>
<tr>
<td>Feb. 1628</td>
<td>&quot;</td>
<td>1.50</td>
<td>-do-</td>
<td>Ibid., p. 239.</td>
</tr>
</tbody>
</table>
### Table 5.2

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>Amount</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr. 1631</td>
<td>Surat</td>
<td>0.50</td>
<td>Claimed by the merchants for recovering of debts.</td>
<td>EFL, 1630-35, p. 155</td>
</tr>
<tr>
<td>Dec. 1634</td>
<td>Swally</td>
<td>1 inch</td>
<td>1 inch on silk cloth per yard</td>
<td>EFL, 1634-36, p. 62</td>
</tr>
<tr>
<td>Feb. 1636</td>
<td>Surat</td>
<td>1.6</td>
<td>On money</td>
<td>Ibid, p. 172</td>
</tr>
<tr>
<td>Jan. 1639</td>
<td></td>
<td>4.00</td>
<td>On exchange</td>
<td>EFL, 1637-41, p. 100</td>
</tr>
<tr>
<td>Jan. 1692</td>
<td></td>
<td>10.00</td>
<td>On cotton goods</td>
<td>EFL, 1691-94, p. 109</td>
</tr>
<tr>
<td>Feb. 1663</td>
<td></td>
<td>10.00</td>
<td>On every contract for goods</td>
<td>EFL, 1661-64, p. 189</td>
</tr>
<tr>
<td>1665</td>
<td></td>
<td>10.00</td>
<td>-do-</td>
<td>EFL, 1665-67, p. 15</td>
</tr>
<tr>
<td>May 1671</td>
<td>Hughly</td>
<td>0.33</td>
<td>For procuring goods</td>
<td>Master's Diary, I, p. 424</td>
</tr>
<tr>
<td>March 1673</td>
<td></td>
<td>0.50</td>
<td>From the weavers on dadni money</td>
<td>Ibid, p. 378</td>
</tr>
<tr>
<td>1673</td>
<td>Dacca</td>
<td>3.00</td>
<td>On dadni money</td>
<td>Ibid, p. 325</td>
</tr>
<tr>
<td>1676</td>
<td></td>
<td>3.00</td>
<td>-do-</td>
<td>Ibid, pp. 162, 425</td>
</tr>
<tr>
<td>Oct. 1676</td>
<td>Hughly</td>
<td>2.78</td>
<td>-do-</td>
<td>EFL, 1670-77, II (NS), p. 404</td>
</tr>
<tr>
<td>Nov. 1676</td>
<td></td>
<td>1.50</td>
<td>-do-</td>
<td>Master's Diary, II, p. 29</td>
</tr>
<tr>
<td>Sep. 1679</td>
<td></td>
<td>0.66</td>
<td>On dadni money from the weavers</td>
<td>Ibid, I, p. 113</td>
</tr>
<tr>
<td>Dec. 2, 1679</td>
<td></td>
<td>1.29</td>
<td>On dadni money (upon chaloni rupees)</td>
<td>Ibid, II, p. 317</td>
</tr>
<tr>
<td>Dec. 12, 1679</td>
<td></td>
<td>2.00</td>
<td>On dadni money (upon nilaka rupees)</td>
<td>Ibid, II, p. 317</td>
</tr>
<tr>
<td>Dec. 24, 1679</td>
<td>Balasore</td>
<td>1.54</td>
<td>-do-</td>
<td>Ibid, p. 359</td>
</tr>
</tbody>
</table>
While in Gujarat the evidence does not clearly point to the charge of *batta* and *dasturi* by the Company's merchants; in Bengal *dasturi* was taken by the Company's merchants, brokers, poddars, etc., as they were not allowed to have their monthly salaries from the English Company. On 6th December 1676, a decision was taken in a consultation held at Hughly that "... the varoomela, Banjars, Mutsuddids, Tegadegaars, Poddars shall from this time forward be allowed no monthly wages, but they shall be contented with Dastur of a quarter of an anna upon a rupee which the merchants doe allow them and they are not to take nor the merchants to allow anything more upon pains of being discharged in employment both the buyer and receiver and the said Dastor money shall be devided by the chiefe and Council of the respective factorises to the said Banjeras, Poddara..." 25

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25 *Ibid.* p. 30. Streyhnam Master in his report includes also "*damia*" (over seara) and *Paikara* (retail dealer) in the list of persons who were allowed to get their *dasturi* and *batta* (*Master's Diary*, II, p. 319).
Thus, it appears from the above discussion that the quite arbitrary burden of extra *batta* and *daatur* was to be carried by the weavers, artisans and other petty producers on one hand and later by the European Companies on the other, while brokers and merchants stood to gain. As functionaries in the credit and money transaction system the middlemen resorted to various means to augment their incomes. The *batta* and *daatur* which were typically Indian financial practices are also illustrative of a highly organized and sophisticated commercial system that developed in the medieval period. Such institutions were undoubtedly strengthened more by the coming of the Europeans because in a sellers market which was completely dominated by indigenous merchants of various strata, the European Companies had to accept the commercial terms laid down by the Indian merchants.

II The System of Hundi and Problem of Financial

The practice of making payments or transferring money through *hundi* (bill of exchange) or banker's draft may be regarded as one of the most remarkable features of financial transactions witnessed in the commercially advanced regions during the seventeenth century. Extensive use of *hundi* for cash transaction, which minimized the fear of an insecure journey and the risky operation of cash, made the system of *hundi* very useful for the traders and is thus a testimony to a highly developed banking system existing at that time.
Hundi was a sort of cheque to be carried by a person known as 'cassad' (gasid)\(^26\) or 'pattomar'.\(^27\) Hundi was operated in a very well organized manner by individual merchants who had commercial arrangements with other merchants. Usually bankers had their wide contacts in almost all the important trading centres through their 
\textit{gumshtaa} (agents).\(^28\)

The bills of exchange were used to serve different commercial purposes. They were generally used for borrowing money and transferring cash from one place to another. Sarrafa were not only dealing in small transactions but were also able to undertake large scale operation such as the transfer of vast sums from the treasury. In March 1621, Muqarrab Khan, governor of Bihar delivered three lakh rupees to the Patna 
\textit{sarraf} to be repaid to him at Agra through a bill of exchange.\(^29\) In July 1623, a 
\textit{sarraf} of Ahmedabad accepted a 
\textit{hundi} for the transfer of the Prince's Khakna rupees to Mando.\(^30\) In another instance, state revenue amounting to rupees 12,000 was sent from Burhanpur through a 
\textit{hundi}. On one occasion a zaminder also sent his pashkesh amounting to Rs. 50,000 through 
\textit{hundi}.\(^31\)

\footnotesize
26 EFl, 1618-21, p. 208.
28 \textit{Ibid.}, p. 349.
29 \textit{Ibid.}, p. 256.
30 EFl, 1622-23, p. 181.
The transactions of *hundi* were carried on in a number of ways facilitating exchanges at multiple transaction points. For instance, in August 1622, the Bushanpur English Factor provided a bill of exchange for Rs. 12,000 and informed the Surat Factor that the said bill was to be exchanged for a bill on Surat. This was, however, done only when money was to be sent to a distant place through *hundi* via an intermediate station. By sending the *hundi* via an intermediate station, the Company profitted as the discount rate in the two stage transaction was less than direct transaction from point A to point C. The usage of intermediate station/point B tended to lessen the discount rate. Such methods, however, were not in frequent use as they led toordinate delays and required a very well co-ordinated and organized commercial network. Only on major trunk routes such as Surat-Ahmedabad-Agra, these were frequently practised. In such cases, the remitter of bills purchased them on the intermediate station where he exchanged them for bills at the place where the remitter actually wanted to send them. English Factors often preferred remittance of cash from Surat to Agra via Ahmedabad in order to have an extra charge or 'dual exchange' and to save time too. The direct remittance, however, involved 2 per cent loss.

32 *EFI*, 1622-23, p. 115.
33 *EFI*, 1618-21, pp. 181-82; *EFI*, 1620-23, p. 96; *EFI*, 1646-50, p. 103.
34 *EFI*, 1618-21, p. 182.
36 Ibid., p. 181; *EFI*, 1620-23, p. 96.
There is an instance when an English Factor advised his agent at Surat to transfer the debts through the bill of exchange.\(^7\) This suggests that the bill of exchange was also used for transferring debts from a place where the rate of interest was higher to the place where the debtor drew the bill of exchange in order to transfer his debts on to another party's shoulder. In this case the purchaser of bills of exchange becomes the creditor. On 12th November 1645, an English Factor of Agra obtained a bill of exchange for transfer of debt amounting Rs. 12,000 to Surat and the Factor could reduce the rate of interest from 1 to 0.75 per cent per month.\(^8\)

Bills of exchange were conditional and the payment was made according to the terms and condition laid down there in the satra (letter of agreement).\(^9\) satra always mentioned the period for the payment of mundia as is shown by table 5.3

**TABLE 5.3**

<table>
<thead>
<tr>
<th>Mundia obtained at</th>
<th>Mundia to be drawn at</th>
<th>Period</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surat</td>
<td>Ahmedabad</td>
<td>8 days</td>
<td>EFL 1618-21, p. 104.</td>
</tr>
<tr>
<td>Cambay</td>
<td>n</td>
<td>5 days</td>
<td>Ibid, p. 389.</td>
</tr>
<tr>
<td>Thatte</td>
<td>n</td>
<td>61 days</td>
<td>EFL 1624-36, p. 139.</td>
</tr>
<tr>
<td>Cambay</td>
<td>Surat</td>
<td>6 days</td>
<td>EFL 1622-22, p. 171.</td>
</tr>
<tr>
<td>Agra</td>
<td>Patna</td>
<td>40 days</td>
<td>EFL 1618-21, p. 236.</td>
</tr>
</tbody>
</table>

37 EFL 1637-41, pp. 287-88; EFL 1622-23, p. 72.
38 EFL 1642-45, pp. 302-03.
39 satra was a sort of written document. Factory Records mention it as 'Bandeya mudat' (Band-i-Muddat) or the limit of time within which the document remained valid, (EFL 1618-21, pp. 236, 248).
Every such transaction was based on specific agreements that varied from time to time and place to place depending on the current credit and market conditions. The payment of hundi was often refused by the arrafa, owing to the fact that the English Factors wanted full payment of hundi while the arrafa found it difficult to pay in full. On 19th August 1622, the English Factor from Broach returned one hundi for 3,500 mahmudia to Surat as 'Surge Ingonders' (Surendra Dao) a arrafa of Broach refused to pay unless he was given fifteen days time. 40

It is, however, not certain that the payment of a hundi could be made in time by the arrafa whom the hundi was referred to even if he was otherwise able to redeem it. Hundi could only be accepted or paid when the arrafa was certain about the authenticity of the issuing merchant and his credit—worthiness. Normally, since transaction took place between bankers who had commercial arrangements with their counterparts in another city such problems did not arise. However, when the issuing authority was an unfamiliar banker, the authenticity of the document and commercial standing of the firm had to be ascertained. Mr Hughes reported from Patna on 31st March 1621 that "Two of the bills were at once accepted, but the third was at first rejected, the sherffe saying it was not by their sahu." 41

40 [EFI, 1622-23, p. 110.]
41 Sahu or Banker, [EFI, 1619-21, pp. 247-48.]
For the operation of hundi, usually hundi rupees\(^{42}\) were preferred but chelani\(^{43}\) rupees were also used sometimes for transaction through hundi. English Factory Records at places refer to the current rupees also (viz., chelani) in the use of hundi as 'exchange money'.\(^{44}\)

Hundi transactions involved various intricacies whereby the discount rate could be raised by the payee in response to the currency-bullion conversion problems. For instance, in a letter dated the 30th April 1634, it was reported that a hundi for Rs. 19,000 was sent from Surat which was to be drawn upon the agent of Virji Vohra. This cost the factor practically 7 per cent of the amount. Yet an attempt was made to extort a further 3 per cent claiming a ".... deduction from the Chulleine rup(ee), which hath alwaies byn the rup(ee) current on bills of exchange; clement could have taken up money at Agra in exchange for bill on Ahmedabad at reasonable rates."\(^{45}\) It appears that the urgent need of money compelled a seller of a hundi to accept coins of different value other than the chelani rupees. It may, of course, be expected that the dealer tried to get an extra profit, over and above the profit gained on the usual rate of exchange claiming

\(^{42}\) *Ibid.,* pp. 236, 246.

\(^{43}\) *EFL, 1651-54*, p. 81; *EFL, 1630-32*, p. 194; *Holbe Diari*, p. 29.

\(^{44}\) *EFL, 1651-54*, p. 81.

\(^{45}\) This was a charge made against Richard Wylde, an English Factor then stationed at Agra, that "he had underhand dealings with Varji Vohra," *EFL, 1630-32*, p. 194.
that the hundi did not represent newly coined rupees of full weight. This was an unusual situation where the payee was trying to exploit the drawee. Thus, we see that a dealer was in a position to reduce the value of a hundi.

Since mahmudi was widely accepted in Broach and Ahmedabad in Gujarat region, the payment of hundi was always preferred in mahmudi in these markets, as it has been noted earlier that rupees could be accepted only at a discount. Several attempts, however, were made to settle the issue that rupees be exchanged at the usual rate. However, brokers and arrafa were ready to accept hundi both for rupees and mahmudi.

It is also evident from the English Factory Records that it was the arrafa's discretion to make payments against hundi either in rupees or in mahmudi. On 14th November 1622, the English Factor from Cambay wrote to Surat: "Request that payment be made to 'Narren Booder (Narain Bahadur), a banyan of Surratt', of 4,819½ mahmudi or 2,141-8/9 current rupees, for money taken up here...." This letter explains that the repayment of money (drawn at Cambay or Surat) at Surat was made either in rupees or in mahmudi at the rate of 2.50 mahmudi for one rupee; while the

46 EFL, 1618-21, p. 27.
47 Supra, p. 18.
48 EFL, 1618-21, pp. 87-8, 92.
50 Ibid., pp. 116, 147, 193.
51 Ibid., p. 147.
usual rate there was 2.25 mahmudia for one rupee. Thus, by
devolving the rupees in terms of mahmudia, sarraf could save 241
rupees or 555 mahmudia. No wonder the institution of sarraf had
such a crucial and lucrative position in the commercial system of
Western India. By manipulating the currency and exchange system,
they strengthened their hold over the financial institutions of
Western India.

Hundis operated at varying rates as it is apparent from
Appendix C - Table VI. From 1619 to 1623 at Surat, the rates re­
mained more or less constant at 3.75 per cent excepting in March
and June 1619 when the rates were 6.87 and 4.08 per cent respecti­
vely. In 1655, it was reported that at Surat, sarrafa were
charging 9 to 11 per cent from English merchants, 5.75 per cent
from the Dutch and 6.75 per cent from other merchants for issuing
hundis. These varying rates charged from different categories of
merchants were, again, according to arbitrary decisions taken by
the sarrafa because of "the shroffs finding more profit by
exchange." The foreign merchants had no choice but to comply
with the demands of the sarrafa, as funds were desperately needed
for making investments. Lack of availability of funds would
entail non-availability of goods; on the other hand purchases
would shoot up due to the closing of the shipping season. Thus
the sarrafa were ideally situated to engage in the manipulation
of exchange particularly vis-à-vis the European trading Companies.

52 EFI, 1637-41, pp. 91, 120; EFI, 1642-45, p. 96.
53 EFI, 1656-59, p. 10.
Though the English factors do not mention the reasons for the rise in the rate of hundis we are in a position to suggest reasons for the occasional rise in the rates. First, the rate of hundis was to be fixed after considering the place where hundis were to be sent. Secondly, the quality of coins to be paid against the hundis could also determine the rate of exchange. Thirdly, the scarcity of money in the markets tended to enhance the discretion of arrafis.

On hundis which were issued from Surat for Agra, the arraf generally used to take 4 per cent or a little more. In February 1626, hundis were issued at a discount rate of 4 per cent; in November 1645 at 4.75 per cent; in December 1648 at 4.37 per cent; and in January 1652 at 4.12 per cent. On hundis which were sent from Swally to very distant places such as Bengal, Golconda etc, the rates varied from 5 to 8 per cent. On the 3rd March 1621, the Patna factor received two hundis amounting to Rs. 90,003 and Rs. 5,003 from Agra at the rate of 1.87 per cent. Satte for both the said hundis mentioned a period of forty days.

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54 EFl, 1624-29, p. 254.
55 EFl, 1644-45, p. 302.
56 EFl, 1646-50, p. 229.
57 EFl, 1651-54, p. 8.
58 EFl, 1634-36, p. 69; EFl, 1642-45, p. 207.
59 EFl, 1618-21, p. 236.
60 Ibid, pp. 236, 247.
We have numerous references which bear out that the quality of coins to be paid against hundi could be an important factor in determining the rates of discount. On the 31st March 1621, a hundi was procured for tena sikka, at Patna, but when drawn at Agra in hundi rupees it incurred a loss of 1.25 per cent. In January 1622, English Factors at Cambay borrowed 6,000 sikka rupees and procured a hundi for the amount at the rate of 5 per cent, which was to be repaid at Surat. In the same month, another hundi was procured at a higher rate of 6.25 per cent at Ahmedabad for Agra only because English Factors wanted the payment in "money for money." In other words the English Factor had deposited sikka rupees with the sarraf of Surat. This was to be transferred to Agra through hundi where again it was to be paid in sikka rupees.

The scarcity of money in the market had also an important role to play in the fluctuation in the rates of hundi. There is ample evidence which shows that the scarcity of money was badly felt in the markets. This occurred because of various reasons. In a letter dated 19th January 1623, the Ahmedabad Factor had requested the Surat Factor for an early remittance of money "... by reason the Prince hath commanded his cassana to be transported to Mando by the shraffia of this place, which hath the many dayes caused a grete scarcity of money." During 1624-29 the need of money compelled the English Factors to "... pledge the gold for

61 Ibid, p. 249.
64 Ibid, p. 181.
In another letter dated 29th April 1636, the English Factor gave the reason for the scarcity of money as follows: "The merchants also at Surat sent what money they could possibly got to Brampur to procure grains." In 1662, it was reported from Surat that "... the scarcity was never so great as now, caused by the Governor taking all merchants money into his hands for account of the kings, which before they could to whome they pleased and at what price they could best agree with the Shrave of the town, but he (i.e., the Governor) gives them his owne price and make(s) them what weight has please." Taking advantage of the scarcity of money in the market, the sarrafi did influence the rates of hundi to an appreciable extent. For example, in February 1636, at Surat, the English Factor had to pay for the hundi to be drawn at Agra at the rate of 1.50 per cent. After two months in April 1636, the rate of hundi flared up to 5.5 per cent owing to the scarcity of money. The Factors also observed that "... according to many occasions for rupees to send to Agra, Allahabad or any other parts, the Wattle both rise or fell."
While facilitating bills of exchange, sarkara used to get a considerable amount of profit by taking advantage of the multiplicity of coins and their varying exchange values. English Factors called it "double exchange." On the 3rd March 1621, the English Factor at Patna acknowledged that "... they have drawn on the latter place for Rs. 2,000 more, at 98-1/8 rupees nuryas per cent. rupees handies..." This evidence would perhaps suggest the making of indirect gain by the sarkara at any transaction, even if it involved exchange of one set of newly coined rupees for another, such as the hundi for the nuri rupees. Thus, if a sarkara paid the hundi at the rate of hundred hundi rupees for 98-1/8 nuri rupees, he got Rs. 1-7/8 or 75 damas. Supposing that the hundi rupees paid to the Factor against bill of exchange lost 2 ratties per rupee, it meant a loss of 200 ratties on 100 hundi rupees. A discount of 100 damas was given on Rs. 100 (i.e., 4,000 damas) according to the rule that a discount of 1 dam per rupee was to be given to a loss of every 2 ratties. Thus the receiver got Rs. 97.50 only, whereas, the sarkara got rupees 1-9/8 (75 damas) legal charge for operating the bill of exchange and Rs. 2.50 (100 damas) indirectly by ignoring the deficiency in the weight of rupees. In other words, the Factor got only Rs. 94.47 (nuri) out of Rs. 98-1/8 (nuri) for the investment.

71 E.I. 1618-21, p. 181.
72 Ibid., p. 236.
In another case, on 21st March 1622, an English factor from Ahmedabad wrote "... acquainted the Burhanpur factors of the rates of exchange for bills on that city, which was the takers up shall receive 91½ and the dealewors to pay 92½ rup(eea) accountes, to pay or receive 100 Brampore rup(eea)...." 75 It suggests that the dealer in the bills of exchange deposited Rs. 91.50 at Ahmedabad for the hundi to be drawn at Burhanpur and promised to pay Rs. 100 at Burhanpur. Here, the dealer took Rs. 8.50 for a hundred as his charge for operating the hundi. Similarly, the factor had to give Rs. 92.75 to the Ahmedabad sarraf. In this case, the sarraf got Rs. 92.75 - 91.50 = Rs. 1.25. If the quality of sikka and Burhanpur rupees is taken into account, the sarraf would get extra money, indirectly, from remitting the hundi. Since the value of Burhanpur rupee is not known it is difficult to work out how much the sarraf could get as extra benefit.

Secondly, it seems that if the hundi was sent after the rainy season or during the investment time, the rate of hundi was generally higher for the reason that this was the time when factors needed money and had to depend upon the sarraf of the town. Thus, sarraf got an opportunity to take an extra batta, depending on the distinction between old and new coins for the payment. 76 However, in order to avoid disputes over the currency, Shahjahan had issued an order to transact all the hundis in Shahjahani rupees. 77

75 FCI, 1622-23, p. 68.
76 FCI, 1624-36, p. 164.
77 FCI, 1646-50, p. 122.
Thus, it appears that fluctuations in the rate of exchange were also due to the varying value of different coins. The sarraf used to derive profits in two ways: (1) through the fluctuation in the rates of hundi and (2) by deliberately ignoring the apparent distinction between two types of coins having different exchange values.

III Dadni System and Rate of Interest

To provide funds for investment and to secure the supply of goods in time remained a great problem for the English Factors in India throughout the seventeenth century. In order to meet these difficulties English merchants depended largely on the system of dadni where money advances were made by the buyers along with the orders for desired quality and quantity of goods one or two seasons in advance. Owing to large-scale interaction with the European trading companies the dadni system could reach its highest level of sophistication during this period. In this context it should be a plausible study to analyse the actual operation of the mechanism of usury and dadni and also to see the impact of these operations on the English trade in Gujarat and Bengal during the seventeenth century.

Financing of the English trade in India had always been a problem for the English East India Company during the seventeenth century. The scarcity of money for investment in goods, owing to delay in minting their bullion at the local minting houses, on the
one hand, and the increasing demand of merchandise on the other, compelled the English Factors to borrow money from local merchants and carry at high rates of interest. 78

The rate of interest was not uniform; it varied from 0.5 to 1.50 per cent per month. 79 Sometimes money was not at all procurable in the market and money-lenders were in a position to raise the interest rates, perhaps by hoarding most of the money in circulation. In 1617, English Factors could get money for investment only at a high rate of interest of 3 per cent per month. 80

In 1626, at Agra, a vakil of Virji Vohra charged 2 per cent interest per month on a loan of Rs. 20,000 owing to non-availability of money. 81 Pelsaert observed that "... if goods lie unsold, the interest of 10 to 12 per cent, annually consumes the merchants like a canker. In Agra the men who are richest live mainly by money-lending...." 82 In 1675, it was reported from Bengal that at Qasimbazar and Scalcottore there was great "scarcity of rupees"; hence the Factor was instructed to "... continue his borrowing at interest rather than have his investment hampered." 83

79 Appendix C - Table VII.
81 Efl. 1624-29, pp. 234, 239.
82 Pelsaert, op. cit., p. 28.
Considering the monopolizing tendency of moneylenders during the investment months viz., from September to June, the English Factors decided to borrow money before the season viz., between March and July. They could rather pay an extra bit in interest even if the money remained unutilized for a while, than face scarcity of money when the time for investment arrived. Considering the high rate of interest on scarce money, this proposition was obviously still cheaper for them.

Interest could also rise on other counts. Thus in January 1659 the rate of interest was 9 per cent per annum at Surat whereas it had been only 7.5 per cent per annum in October 1658. The reason for the rise in the rate of interest was the failure of rain, and a consequent decline in production. On 17th February 1659, the English Factors from Surat reported that "want of rains the last years hath made all sorts of provisions to rise to double the price they use to be at...." Accordingly the English Factors required extra money to maintain their trade. In the same month, the English Factors also reported from Surat that ".... little to be had; every one rather burying of their money than adventuring to trust it out in this tyme of warr," (viz., the war of succession). The Factors could procure money neither by borrowing be-

84 EFL. 1659-60, p. 196.
85 Latt, Rand., V, p. 87.
86 EFL. 1659-60, p. 163.
87 Ibid., p. 196.
88 Ibid.
89 Ibid.
cause of the high interest rates nor through hundi because even hundi were not acceptable at Surat. This for two reasons - merchants suspected that the money would be used "... not to pay for the indigo, but to discharge his own arrears of interest..." and secondly, with the fear of insecurity prevailed during the war, financial transactions inevitably suffered. Presumably, such money as was advanced must have carried unusually high rates of interest.

The tendency of hoarding money was very much evident during the 1660's. On 10th January 1660, an English Factor reported from Surat, "... your favourable censure of our endeavours will remedy soone this present intollerable evil of want of monaye to manadge our businessse with credit and comfort. The town is very emptye of monaye; Virjee Vorah is the only master of it, and he is so close fistted that for the considerat1on of no interest it cannot yet be procured of him; ...." In 1662, the problem of scarcity of money had reached its peak, for the governor of Surat had taken all the money into his hands. Earlier, the governor used to monopolize the circulation of money in the market by buying all the foreign bullion and selling them at the rate of his choice to the sarraf he liked. In 1675, it was reported

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90 Ibid., p. 14. From this report it is clear that the price of indigo was higher and the Factors preferred to clear his dues first than to buy indigo; on the other hand merchants wanted to gain more profit from indigo business. It is also possible that the merchant was acting as sarraf also.

91 Ibid., pp. 215, 301.

92 EII., 1661-64, p. 76.

93 Ibid., p. 77.
that Malik Qasim, governor of Balasore, tried to get a profit from the scarcity of money in the town. Mr Clavell, an English Factor, however, refrained from accepting the governor's offer of "... Rupees 200 for 240 weight of silver"; for "it would be a bad precedent, encouraging Governors to drain the town of cash and then force the English to sell treasure to them at their own terms."  

Pelsaert informs us that at Surat nothing could be had locally apart from a few haftas which were woven there. It was difficult to buy merchandise at Broach and Ahmedabad during the rainy season for want of money that could only be borrowed from the local serrafa at higher rates of interest. Taking advantage of the situation, serrafa had raised the rate of interest from 1 to 1.25 per cent per month.  

In 1664, it was reported that 1.50 per cent per month was the lowest rate of interest at which money could be borrowed. It is also evident that since big serrafa showed their inability to supply money to the English merchants, the smaller serrafa followed suit. In January 1640, at Ahmedabad, English Factors had noticed that following the example of two big serrafa Shantidas and Mahidas, the rest of the serrafa of the city denied having any money with them.  

Under such circumstances, the English Factors could manage to borrow money only at a high interest; in addition they had to

95 Pelsaert, op.cit., pp. 41-2.  
96 EFL, 1661-64, p. 390.  
97 EFL, 1637-41, p. 225.
pledge their gold with the sarraf in security. On 16th March 1628, at Ahmedabad, in order to pay off sugar merchants, the English Factors borrowed a sum of Rs. 8,000 at 1.50 per cent per month interest and kept their 'Sunnaas' (a Gujarati gold coin) in pledge with the sarraf.

It appears that although the quality of money given on loan did not affect the rate of interest, it could certainly influence the English investment. In 1628, at Ahmedabad, English Factors had borrowed khazana rupees 10,000 at the rate of 1 per cent per month, but they returned Rs. 7,000 to the sarraf, as the khazana rupees paid to the English Factors on loan were reported to be acceptable only at a 'great loss' in the market. It seems that the sarraf had given Rs. 7,000 in old coins, out of the total amount of Rs. 10,000, borrowed on interest, declaring all of them to be khazana rupees. Later on, in 1635 instructions were perhaps given to all the English Factors stationed in India to transfer their money from one place to another only through hundis and not in cash as it involved the risk of the money being changed into debased coins. It was also reported that the rupees sent from Ahmedabad were of inferior quality where each rupee fetched one paisa less than its standard value.

98 EFl. 1624-29, p. 235; EFJ, 1670-77 (NS), I, p. 267.
99 EFl. 1624-29, p. 235.
100 EFl. 1624-29, p. 215. Mitford had noticed in 1619 that 5 khazana rupees (80 paisas each) were equal to 4 Janaanadi rupees, (Iott. Reec., III, p. 87).
101 EFl. 1624-29, p. 221.
102 EFl. 1624-29, p. 308.
103 Ibid.
On 4th November 1639, the English Factor borrowed money at Ahmedabad at the rate of 2.50 per cent per month interest, which was to be transferred to Agra through hundi. In another case, Hari Prasad, a sarraf of Agra had taken only 1 per cent interest upon Rs. 4,878.25 but had collected a charge for issuing the hundi. From the above two instances it appears that in the absence of charge for hundi, the rate of interest would be raised.

It is also to be observed that the middlemen were entitled to charge interest from the Company upon the money they gave out in advance to the artisans if it was over and above the amount handed over to them by the Company. As at Agra on 6th July 1668, Rs. 10,000 was given to the merchants for the supply of 200 bales of indigo. The Factors allowed the merchants to have "interest on any money advanced by them beyond that amount." The rate of interest taken by the middlemen on their money is, however, not known. Considering the scarcity of money, of course, they would have charged relatively high rates of interest.

English Factors had to depend for their trade in Bengal on the local sarrafs and brokers as was the case in Gujarat. In Gujarat, the English Factors financed their purchases either by selling their bullion and goods or, on barter terms. Some-

104 EFl. 1637-41, p. 193.
105 EFl. 1622-23, p. 284.
106 EFl. 1668-69, p. 7.
107 Among the imported goods, quick silver, lead, broad cloth, gold and silver had acquired prime importance, EFl. 1618-21, p. 155; EFl. 1622-23, p. 58; EFl. 1624-25, pp. 159, 221, 245, 339.
108 English Factors used to barter lead for sarkhej indigo, Latt. Recd., IV, p. 240; EFl. 1624-29, pp. 270, 339.
times the English Factors did manage to buy Indian merchandise partly by paying in cash and partly by disposing of their goods.\textsuperscript{109} However, English Factors had to borrow money not because they were not being financed from England,\textsuperscript{110} but because of the unexpected delay in getting their bullion converted into local coins and the monopolistic control of the local \textit{sarraf} over the circulation of money in the markets.\textsuperscript{111}

There are, however, very few references to show that the English merchants could barter their goods for saltpetre, calico and silk in Bengal.\textsuperscript{112} From the \textit{Diaries of Streynsham Master}, it seems that local merchants by and large refused to accept broad cloth and lead in exchange for Bengal silk, \textit{ranna} etc.\textsuperscript{113}

Before Streynsham Master took over the charge of English trading affairs in Bengal, English Factors continued the practice of giving advances to weavers, artisans and brokers both in cash


\textsuperscript{110} Court Minutes of English Company reveal that before 1660 the English Factors had certainly faced the problem of importing bullion from England but it was soon resolved, \textit{A Calendar of the Court Minutes of East India Company (1660-63)}, eds., Ethel Bruce and Foster, Oxford, 1922, pp. 5, 61, 241, 274-75. Prof. C. Nettles has calculated on the basis of English Custom Records that during the years 1698-1715 the average exportation of bullion to India amounted to \$398,000 a year, C. Nettles, "British Policy and Colonial Money Supply," \textit{The Economic History Review}, Vol. III, 1931, p. 222.

\textsuperscript{111} \textit{EFL}, 1618-24, p. 8; \textit{EFL}, 1670-77, (NS), I, p. 336.


\textsuperscript{113} \textit{Master's Diary}, I, p. 308.
and kind. But Streynsham Master decided to make ".... all payments and advance in cash alone." Following this decision, the financing of English trade in Bengal depended completely either on the money obtained from the sale of bullion or on the local arraifes.

Occasionally, the English Factors were forced to borrow money from local merchants at high interest rates for although they possessed bullion but could not sell it in the market. In 1677, Bengal merchants refused to accept payment in English bullion owing to the imposition of a new minting tax of 5 per cent by Aurangzeb. The Factors in this case had to borrow at an interest rate as high as 3 per cent for a month.

English Factory Records pertaining to Bengal make it clear that the rate of interest fluctuated generally between 1 and 1.25 per cent per month. Though, there are very few references when the rate of interest had really risen, this was the usual rate at which the Mughal governor lent money from his own resources. In 1669 and 1676, Shaista Khan, governor of Bengal lent money to the English Factors stationed at Hughly at an interest rate of 2.50 per cent per month. In 1676, Master

114 Ibid., pp. 135-36.
117 Ibid., I, p. 391.
118 See Appendix C - Table VIII.
119 EFL, 1668-69, pp. 266, 299; Master's Diary, II, p. 80.
informs us that "... it sometimes happens that the Merchants pay 50 per 100 to the Nabab and Governors per annum, ..."120 (viz., 4.16 per cent per month). The reason for such high rates of interest charged by the governor at Hughly was that Hughly happened to be the governor's assigned jagir. Consequently the governor not only monopolized trade in most of the important commodities at Hughly121 but also tried to hamper English trade for his own benefit.122 The governor of Hughly further used to act arbitrarily with those merchants who dealt with the English,123 for Master states that, "... the Governor, whenever he hath any goods as his hands calls for them, and distributes amongst them what quantity he pleaseth, at 10 to 15 per 100 : higher than the markets for time...."124 Thus the English Factors were forced to borrow money from the governor on his own terms.

It may also be pointed out that sometimes the English factors could get money from the local sarrafa at low rates of interest provided the English Factors sold their bullion to the same sarrafa. For example, Chittarmal and Khemchand, sarrafa of

120 Master's Diary, II, p. 80.
121 Hughly was inhabited largely by weavers. Besides cotton and silk, sugar, wheat, butter were also traded at Hughly, Ibid., pp. 80-5, 89. In 1669 Thomas Bowrey had noted that, Hughly was famous for manufacturing 'Sunnas', 'gangahe' and 'runals', Bowrey, Colec., p. 230.
122 EFL, 1670-77, (NS), I, pp. 392-93.
123 Ibid., I, p. 393.
124 Master's Diary, II, p. 80.
Qasimbazar and Chintaman Shah of Calcutta made a contract with the English Factors to buy all the English bullion and to supply money for English investment in return. However, the said contract did not specify the rate of interest that the local merchants would charge the English Company.

Instructions were also given to the Factors to take care of the quality of money which was to be borrowed from the arrafa, for it was observed that the exchange value of rupee at Qasimbazar, Hugly and Calcutta varied from 1 to 2 per cent. Perhaps, this was the reason why English Factors preferred to have their dealings with the same arrafa of the city. Permanand Shah of Malda was invited to buy all the English silver bullion and was requested to provide money in sikkia rupees for investment in trade.

From Appendix C - Table VIII it appears that on the loans taken from the arrafa who were also supplying goods to the English merchants, interest was generally charged at the rate of 1.12 per cent per month. Table VIII also makes it clear that Khemchand Shah, Permanand, Hardeo Ram Tiwary, Ghanshyam Das, Hari Shah and Permodanand who were acting as brokers and moneylenders at the same time used to take interest from the English Factors at the rate of 1.12 per cent per month, whereas Chittarmal Shah, Khemchand, Kishan Das, Chera Ram, and Ramnath, who were big arrafa

126 Ibid., II, p. 337.
127 Ibid.
128 Malda Diary, p. 80.
of Haidar and Hughly, however, used to take more than 1.25 per cent per month interest. It may, however, be suggested that the rate of interest on money borrowed from the merchant cum niggar was generally low. In other words, if goods were to be procured through the same person from whom money was borrowed, English Factors had to pay a lower interest.

From Appendix C - Tables VII and VIII it is clear that the rates of interest generally fluctuated from 0.50 to 1.50 per cent per month depending on the demand of money in the markets, throughout the seventeenth century, both in Bengal and Gujarat. Irfan Habib has noted that "loans were generally advanced for a short term only." He further quotes the English Factor's statement that loans were taken "at times only for a month" as a representative case of the "short term." Though he does make it clear that in the eighteenth century "Sanaysias (medicants) and Sekariyars (infantry soldiers and "clubmen of zamindars") usually engaged in moneylending (mahajan) in the Bengal villages.... The loan was usually advanced for a period of two or three months." However such usurious practices were not directed towards commercial activity but for personal or domestic requirements. So far as our problem is concerned there is evidence that loans were given on a long term basis. On 19th April 1625, at Ahmedabad, Rs. 9,868 was

129 Irfan Habib, "Usury in Medieval India," Comparative Studies in History and Society, VI, 1963-64, pp. 402-03.
130 Ibid., p. 403 fn. 41.
131 Ibid., p. 395.
taken on loan for twenty-one months at the rate of 1 per cent per month, and Hariprasad, a sarraf, had also lent Rs. 4,878.25 for forty-one months at the same rate. From the English Factory Records it appears that the duration for which loan was given was one of the factors for fluctuations in the rate of interest. In 1679 at Hugli, money was given out on loan for two years at the rate of 1.50 per cent per month. At Malda, however, money could be borrowed for a shorter period. Permanand had lent Rs. 1,000 for eight months and eighteen days (maximum) and Chirdas had lent money for twenty-eight days only (minimum) at the rate of interest of 1.36 and 1.12 per cent per month respectively (Appendix C - Table VIII). Pelsaert informs us that "The bankers are now beginning to make a large profit in this way, and have raised the monthly rate of interest from 1 to 1½ per cent; if loans are taken yearly, they will raise it much higher, and the amount of interest or loss, is a matter of great importance."  

II

To procure goods for export, English merchants had to depend on the local merchants, brokers and sumashten throughout the seventeenth century both in Bengal and in Gujarat. And, in the process  

132 EFI, 1622-23, p. 283.  
133 Ibid., p. 284.  
134 Master's Diary, II, pp. 264, 326.  
135 Pelsaert, op.cit., p. 42.
of procuring sufficient quantity of goods and also to compete with other foreign trading companies, English Factors started giving advances to the producers through merchant-brokers in money or raw material in each season. This system of advances was known as the dadni system.

During the first half of the seventeenth century, particularly in Gujarat, the English Factors gave advances both in money and raw materials. In 1622, it was reported that the haftas from Broach and Baroda could be procured only when money was given in advance to the weavers. During the Gujarat famine of 1631-32, English merchants used to buy cotton, wool and yarn and gave these to the weavers for making cloth of the desired quality. This had an adverse effect on the weaver's condition. Consequently, the dissatisfaction of Broach weavers manifested itself in the form of a severe protest. Weavers decided not to bring any haftas to the English Factors until the latter gave in writing not to buy any more cotton, wool and yarn.

The dadni system, in Bengal, became an accepted norm in the pattern of the English East India Company's trade during the second half of the century. At Patna, the supply of saltpetre depended


137 EII, 1622-23, p. 116.

138 EII, 1630-33, p. 22.
largely on chandī, which, at some places, was paid partly in kind and partly in cash in the early years of the establishment of the English trade in Bengal Subah. The practice of advancing raw materials to the producers and artisans, however, could not be continued after 1660 in Bengal. By an order of the English Council in India it was ordered that Rs. 200 for every bale (80 sara) of silk, Rs. 100 for every bale of mukta and Rs. 4 for every piece of fine batua was to be given out in advance to the brokers or weavers along with the order. Instructions were also given to them to deliver goods (for which they received chandī) directly to the Factories, failing which they would not be further employed in the Company's service. This way the English Factors tried to escape being cheated by the merchants, brokers — for by giving raw material in chandī they allowed the local merchants and brokers not only to get control over production but also over the prices of commodities.

It is interesting to note that the English Factors were not only borrowing money at interest from the nurrafe but were also taking interest from the weavers or brokers upon the chandī money given to the latter which becomes clear from Table 5.4. This

139 Moreland, *From Akbar to Aurangzeb*, Delhi, 1972, p. 193. Patna Saltpetre had got the prime importance in foreign trade due to its better quality and easy availability. 2,26,200 maunds raw and 1,27,258 maunds of refined saltpetre could be exported yearly from Patna, Sual Chaudhuri, *op.cit.* p. 161.

140 ESI, 1622-23, p. 22; ESI, 1624-29, p. 334.

141 Master's Diary, I, pp. 156-37.

142 Ibid., II, p. 318.

143 Ibid.
development appears to be specific to Bengal, since there is no
evidence of this phenomenon in Gujarat.

TABLE 5.4

RATE OF INTEREST ON DADNI MONEY

<table>
<thead>
<tr>
<th>Year</th>
<th>Place</th>
<th>Rate of interest in %</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>1678</td>
<td>Kughly</td>
<td>1 - 1.50</td>
<td>Master's Diary, I, pp. 113, 137.</td>
</tr>
<tr>
<td>1679</td>
<td>Kughly and Qasimbazar</td>
<td>1.25 - 2.0 and 2.50 annas per gold muhr.</td>
<td>Ibid., II, pp. 317, 336.</td>
</tr>
<tr>
<td>Nov. 20, 1680 to Oct. 9, 1682</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 1678, Streynsham Master noted that loans taken at an interest of 1.25 per cent per mensem or 15 per cent per annum, were recovered by the Company "by a rebate of 1 to 1½ per cent on all moneys paid out, whether to their parties or their own servants and employees." For the investment, particularly in silk, it was decided in 1678 to take interest at the rate of 1.50 per cent from the brokers or weavers on the dadni money which was paid in sikka, rupees. In 1679, at Qasimbazar, English Factore had taken interest at the rate of 1.25 per cent on the dadni money paid.

144 Master's Diary, I, p. 137.
145 Ibid., p. 113.
in chalani rupees. 146 Apparently the rate of interest on sikkak rupee was higher than the interest taken on chalani rupee. Sometimes the interest rate upon sikkak rupee was 2 per cent. 147 From 1680-82, interest on dadni money in sikkak rupee was taken at a constant rate of 1.25 per cent. 148

From the above instances we get two points. First, the English Factors were taking interest on dadni money in order to compensate for the interest they had to pay to the sarraf. The interest charged by the Factors on dadni money was not taken for a fixed period of time but it was just a percentage of the amount advanced. Secondly, while fixing up the rate of interest on dadni money in percentage, the quality of money (i.e., sikkak, chalani, khazana etc.) was taken into consideration.

The Malda Diary further suggests that sometimes English Factors could borrow money for investment at low rates but they used to take interest on dadni money at higher rates from the brokers or the weavers. This can be better understood from the following Table 5.5.

On 1st February 1680, the English Factor had borrowed Rs. 6,000 at the rate of 1.12 per cent per month interest from Kanchan Shah but on 19th February 1680 the Factor gave Rs. 11,025 to one merchant on dadni and charged interest at the rate of 1.25 per cent. 149

146 Ibid., p. 317.
147 Ibid., i, p. 336.
148 See Table 5.4.
149 Malda Diary, p. 95.
### TABLE 5.5

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount borrowed from sarrafa in Rs.</th>
<th>Name of sarrafa</th>
<th>Rate of interest on borrowed money in %</th>
<th>Rate of interest on dashi money in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1, 1680</td>
<td>6,200</td>
<td>Kanchan Shah</td>
<td>1.12</td>
<td>1.25</td>
</tr>
<tr>
<td>May 16, 1680</td>
<td>3,000</td>
<td>Peramanad</td>
<td>1.12</td>
<td>1.25</td>
</tr>
<tr>
<td>August 7, 1682</td>
<td>4,000</td>
<td>Hardeo Ram Tiwary</td>
<td>1.25</td>
<td>1.25</td>
</tr>
<tr>
<td></td>
<td>1,800</td>
<td>Kishan Das</td>
<td>1.25</td>
<td>1.25</td>
</tr>
<tr>
<td>September 1, 1682</td>
<td>3,000</td>
<td>Jasodaman and Sudanand Ramnath</td>
<td>1.22</td>
<td>1.25</td>
</tr>
<tr>
<td>August 9, 1682</td>
<td>4,700</td>
<td>Ganeesh</td>
<td>1.00</td>
<td>1.25</td>
</tr>
<tr>
<td>October 1, 1682</td>
<td></td>
<td>Ramnath</td>
<td>1.00</td>
<td>1.48</td>
</tr>
</tbody>
</table>

Source: Malda Diary, pp. 95, 114, 190, 193, 199, 205.

In such cases, it seems that the English Factors charged interest on dashi-money only to compensate for the loss they had to incur while paying interest for the extra months to the sarrafa upon the money borrowed during the off season.

The over-all impact of the dashi system and the fluctuating rate of interest on the developing English trade and commerce during the seventeenth century may, thus, be studied in two ways. First, the increasing demand for Indian goods among the foreign merchants, and secondly the monopolistic control of the local merchants, sarrafa.
and brokers towards the circulation of money in the markets. English merchants were forced to borrow money at any rate of interest in order to facilitate their trade in India. Consequently, the English Factors not only found themselves in the grip of big merchants, brokers and agents but also felt themselves to be unable to effectively prevent them from manipulating the financial system to the advantage of the merchants.

Secondly, in order to get more profits the tendency of bringing down the prices of commodities had become the usual practice of merchants. From *Master's Diary* it is evident that local merchants, due to their close control over the market mechanism, paid low prices to producers while enhanced them considerably while delivering the goods to the English Factors. Such manipulation enabled them to maximize profits. This directly affected the primary producers who had to bear all the burden on their own.

In the *dandia* system, it was possible for the merchants and brokers to keep the needy and poor weavers, artisans and indigo growers marginally financed. By and large, the mercantile communities' monopolistic control prevented the producers from raising the prices of their commodities.

In the seventeenth century the fierce competition among the European Companies and the great demand for Indian goods made it an ideal sellers market. However, the primary producers were not to be the chief beneficiary owing to the complete stranglehold of

150 *Master's Diary*, I, p. 139.
the Indian middleman on the entire system of commerce and its allied institutions such as banking, money changing, brokerage etc. In this situation the middleman, through an effective monopoly over the internal market and their sound bargaining position vis-a-vis the European Companies, were able to effectively amass large amount of capital, both by handling the supply of goods and also by their efficient manipulation of the credit and currency exchange system.