CHAPTER V

THE CHANGES IN THE ECONOMIC SYSTEM OF GUJARAT DURING 19TH CENTURY (contd.)

CHANGES IN THE URBAN GUJARAT

Introduction

We have reviewed the changes that took place in the rural economy of Gujarat in the 19th century. We will now observe the changes that took place in the urban economy during the same period.

The scheme of our analysis in this chapter will be as follows:

I. Changes in the significance of old urban settlements; rise of Bombay and subsequently Ahmedabad as the two most important urban centres.

II. The decline of handicraft industry in Gujarat.

III. The rise of trade, commerce and factory production based on machine industry and accompanied by the growth of a new type of trading, banking and industrial organizations.

IV. Limitations of economic development in urban centres.

V. Analysis of the basic changes that took place in the economy as a whole and their evaluation.

I

CHANGED CHARACTER OF THE URBAN SETTLEMENTS IN THE 19TH CENTURY

Before we examine the changed character of various urban settlements in Gujarat during the 19th century, a brief reference to two different approaches which were developed by the British during the two phases of their settlement in India will be useful; for understanding nature of development.

In the initial phase of its life, the East India Company was a trading company with the typical aim of monopolist companies of Merchant capital, to make a profit by securing a monopoly of trade in the goods
and products of an overseas country and not the hunt for market for
British manufactures. They endeavoured to secure a supply of the
products of India and the East Indies (especially spices, cotton goods and
silk goods) which found a ready market in England and Europe and thus
make a rich profit on every successful expedition. During this period
which lasted from 1600 to the early 18th century, the East India Company
established various trading centres in different parts of India, more
particularly in coastal areas for trading in manufactured goods and
certain other commodities like spices, indigo, sugar and tobacco.
Calicoes began to grow into popularity at the beginning of 17th century
in England being much cheaper than the linens imported from Holland
and France. As exports from India increased, the manufacturing and
trading interests in the home country began to express their opposition.
After the advent of Industrial Revolution in Britain in the late
eighteenth century, a shift in the policy was introduced by the
British who were now interested in turning India into a colony for
supplying their own machine-made products and importing raw materials like
cotton for their own industrial needs. The decisive stage came in
1813, at the time of the renewal of the East India Company's Charter
when its monopoly of trade with India was abolished and the industrial
interests of Britain obtained a free outlet for their manufactures
into the large market of India. Thus by the middle of 19th century,
East India Company entered the second phase of her development when she
increasingly lost her trading character and was becoming more a

*In 1695 and in 1696 as many as 50,000 pieces of 'chintz' or 'bettloc of
all kinds were sent for from Surat. (The Economic History of India,
1600-1800 by R. Mukherjee, p.150)
political instrument of the British Parliament dominated by the newly emerging Manchester and Lancashire interests, and acting as an agency to create a market for their goods and a source of secure supplies for the necessary raw materials for them. A more detailed discussion of the changed policy will be done subsequently in the section of the ruination of handicrafts industries in Gujarat, but here a reference is made to point out the fact that by the time the territory of Gujarat was conquered by the British rulers, the second phase of their economic policy had already developed.

During these two phases of economic development, some of the old trading and manufacturing centres gained significance, but Bombay emerged as one of the most important trading centres. After the British rulers defeated Marathas and became the political masters of Western India, Bombay blossomed into a full-fledged political, commercial and cultural centre. By the middle of the 19th century and more particularly after the introduction of heavy steamships and shortening of the route as a result of opening up of the Suez Canal, the significance of Bombay as an ideally situated port became unique. We are referring to the growing importance of the city of Bombay because this city became the focal point of urban economic development. In fact during the 19th century, Bombay acquired importance as the 'urbs prima' of India. As a consequence of this, on the one hand, many urban centres in Gujarat were eclipsed. While on the other hand the significance of Bombay increased the mobility of Gujarati population. Surat, for example, was "formerly

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The dependence of Bombay on Surat until 17th century was so great that when a screw in some machine was out of order in Bombay, it could not be set right till the supply of timber came from Surat. (The Gazetteer of Bombay City and Island, Vol.1, p.415).
an entrepot for the whole trade of the province and of the districts immediately behind it and to which in a commercial sense the other parts with which it is now called upon to compete were tributary. It is now (1853) like them, one of the tributary ports of Bombay, more than four-fifths of the whole trade which used to converge upon it now passing it on its way to the modern capital of Western India. Similarly with regard to Broach also, direct trading with foreign ports was discontinued and all foreign trade was centred 'more and more in Surat and from Surat was transferred to Bombay.'

Further, with the growing importance of Bombay as a trading centre and because it was gaining in importance as a capital of Western India, it affected the mobility of Gujarati population. In fact, business communities of Gujarat like Bhatias, Lohanas, Kapole Baniyas, Bohras, and Parsis were attracted to Bombay from very early times. On the industrial superiority of Bombay, The Indian Industrial Commission in 1916-18 made the following reference. "If the cause be sought some indication may be found in the fact that Indians have held a

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*It has been contended that Bhimji Parekh, a Kapole Baniya who was the broker of the East India Company and incidently the first person who tried to introduce printing press in Gujarat (of course he did not succeed) was the force behind the entry of Gujaratis in Bombay from 1669. (Forbes Gujarati Sabha Quarterly, 1949, April-September, article by Prof. A.K. Priyolker, p.35). The Bombay Gazetteer refers to one Nima Parekh of Diu in 1670 as force behind the immigration of Baniyas in Bombay appears to be the same person. (The Gazetteer of Bombay City and Island, Vol.I, p.168). Rupji Dhanji (the ancestor of Sir Mangaldas Nathoobai, a leader of Hindus in the 70's and 80's of the last century) brought money of Kapole Baniyas with him about the middle of 18th century. (Mumbaina Bahar by R.F. Vachha, 1874, p.49 and A Gazetteer of Bombay City and Island, Vol.I, p.168). Parsis came to Bombay as a result of fall of Surat (Gazetteer of Bombay City and Island, p.161).
large and important share in the trade of Bombay since the city first came into English hands. The Mohammedans of the West Coast, especially traded by sea with the Persian Gulf, Arabia and East Africa from much earlier times. The Parsees and Hindus from the northern Bombay coast districts are recorded at the beginning of the British occupations as taking, with the Mahomedan sects of Khojas, Memons and Bohras a most important share in the trade of the port as contractors, merchants, financiers and shipbuilders and have throughout shown themselves little, if at all, inferior to the English in enterprise and usually in command of more capital.10 Similarly Helen Lamb refers to this phenomenon as follows: "Though there were several business communities in Bombay in the 1850's only two supplied Bombay's textile manufacturers - the Parsis and the Gujarati trading castes. These groups coming from nearby ports where they had long been navigators, shipbuilders and foreign traders, were the first to reach Bombay and by mid-nineteenth century had had two hundred years in which to establish themselves, acquire real estate, and develop with the growing port. They became the wealthiest Indian business communities controlling whatever foreign trade was in Indian hands. Both groups spoke Gujarati and on occasion embarked on joint enterprises." In short Gujarati trading community was very outstanding in Bombay.11 Not only the business community but other sections of the population as well migrated to Bombay to feed the growing demand for manual as well as

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10 The significance of Gujarati community in the commercial sphere is that "accounts are usually kept in Gujarati by native traders, and further it is mentioned in the Gazetteer that Gujarati is the "par excellence the mercantile language of Bombay." (Gazetteer of Bombay City and Island, Vol. I, pp. 205, 329.)
other types of employment which was growing in Bombay. It was mentioned by Poet Narmadashankar that when a very big fire broke out in Surat in 1837 many people migrated to Bombay. They were later on followed by people from Ahmedabad. Bombay further became the focal point which attracted intellectuals, seeking education which was then becoming a pre-condition for administrative and other types of new jobs, Bombay thus became a centre of most of the modern types of activities which were developing in Gujarat under British rule. It became the focus of educational institutions and training centres for educational activities. Bombay also became a centre when a number of voluntary associations for social, cultural, political and economic activities emerged. Beginning with Native School and School Book Society in 1820, a number of associations like Buddhivardhak Sabha, Forbes Gujarati Sabha, Bombay Association, Pratna Samaj, Arya Samaj, Theosophical Society, National Social Reform Conference, and many others were stationed at Bombay. Further the Chamber of Commerce, the Millowners' Association, Native Merchants' Association, Traders' Association and Banks of Bengal, Agra, China, Bombay Government Savings Bank, Imperial Bank of Persia and such others were also established in Bombay.

In Bombay thus became a new type of modern urban settlement where people from various communities, castes, nationalities and religious denominations participated in joint activities.

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**It has been remarked that when severe famine broke out in Kathiawar in 1839, thousands of people came to Bombay. A meeting was organized in town hall to consider the measures for helping these refugees. Dhakji Dadaji and Jamshejji Jeejibhoy were the persons behind these efforts. (Essays on Famine, (Guj)-1884, Adolji Khor.)**

**The significance of Bombay was so great that poet Dalpatram had written one poem wherein he mentions that Bombay symbolises the banishment of all superstition. (Dalpat kavya, part II, p.95).**
We will now briefly observe the fortunes of other towns of Gujarat.

Surat as we have mentioned before, in this chapter, lost much of its trade. In 1849-50, the aggregate export and import trade amounted to £7,08,467 being only 18% or less than a fifth of the whole. Though Broach also contributed about one-sixth to the whole cotton exports of Gujarat and about one-twelfth to those of all India, it has been observed that from 1815 all the foreign trade of Broach was stopped and all the goods went to Bombay and whatever trade in goods Broach did was with Kathiawad and Cutch.

Here we may mention that many of the urban centres of pre-British Gujarat acquired different significance. As we mentioned in the I Chapter, Gujarat being a commercial and trading centre from very early times, had certain important towns on its map though shifts in the dynasties or diversion of trade route might have changed the relative significance of different towns.

In Gujarat as we have observed, there were inland trade centres like Surat, Broach, Cambay, Gogha, Ahmedabad, Nadiad, Jamboosar, Godhara, and others. Along with these centres in the pre-British

* By the close of the third decade of the 18th century, Bombay's commerce was in a most flourishing condition. Among the most important articles exported from Bombay during 18th century were 'Surat goods', 'pepper' and 'cotton wool'. 'Surat Goods' were piece goods of various dimensions and qualities manufactured at Broach, Jamboosar and other Gujarat centres and exported thence to Europe, the Arabian and the Persian Gulf, the Malay Coast and the inland cities of India. (Gazetteer of Bombay City and Island, Vol.I, p.414.)
Gujarat there were a large number of urban centres which were the seats of small or big chieftains. During the 19th century some of these old towns declined in importance, some of them retained their significance though on new grounds, and some of the new settlements came up as a result of this becoming the centres of railway connections and thus becoming the clearing places of raw materials collected from villages and transported to Bombay for export to foreign countries. We will now refer to some of the new urban developments in Gujarat.

Ahmedabad, which was losing its significance as a capital as well as trade centre in the early parts of the 18th century\(^{16}\) gained a new significance by becoming the centre of railway lines from both south and north, by becoming further into a powerful trading centre\(^{17}\) and finally in the latter half of the 19th century emerging as an industrial centre. Prof. Gadgil rightly points out that the modern prosperity of Ahmedabad is "due to factory industry."\(^{18}\) Further as a result of the opening of the Bombay and Baroda Railway lines in 1864, Ahmedabad gained new supremacy as an entrepot.\(^{19}\)

Dholera as a trading centre acquired significance in the 19th century. Dholera was conquered by British in 1802 and was opened as a port thereafter. It became the terminus of a line of traffic that started as far north as Pali, the great Marwadi centre for trade and industry. This gave the first push to Viramgam in commercial importance.\(^{20}\) During the American War (1862-64) Dholera became the

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\(^{16}\)In 1850 a first sleeper of tramway was installed connecting Dholera direct with its port. The share capital of this tramway with the exception of one or two English shareholders was filled in by native capitalists of Ahmedabad. Workmen had to be procured from Ahmedabad and its neighbourhood at a higher wage. (Western India by Mackay, pp.257-258).
chief cotton exporting centre but later on with the centering of trade at Viramgam its influence declined.\textsuperscript{21}

In Ahmedabad District the growth of Viramgam was also linked up with the development of modern trade. Viramgam which is situated at the meeting of highroads from Rajputana, from Jalawad, from Ahmedabad and from the three sea ports of Dholera, Bhavnagar and Gogha, it became "a rendezvous for droves of camels laden with silks, clarified butter, raw sugar and dyes from the warehouse of Visnagar or Vadnagar and Radhampur, and for carts bringing dry goods from the fertile districts of Patan."\textsuperscript{22} But one of the chief articles of trade in the latter half of the 19th century was cotton which went to Ahmedabad and Bombay.\textsuperscript{23}

Similarly Nadiad, Surat, Kosamba, Jamboosar, Broach acquired new significance as trading centres. Broach, for instance, had been much affected as a port during the 17th and 18th centuries, comes to prominence during the 19th century more because of it being one of the chief producers of cotton. As remarked in Broach Gazetteer, "about the year 1820 began a period of depression that lasted for about twenty-five years. At its close Broach was almost without trade, its chief export nearly unsaleable, and both its cultivators and traders for the most part sunk in debt. In 1850, the value of its exports began to increase, and, for various reasons, continued to rise till 1864, comfort, wealth and extravagance had spread to almost all classes. During the past ten years, though the wealth of its people has greatly declined, Broach is still a place of active trade distinguished by the number and the success of its cotton spinning and other steam factories."\textsuperscript{24}
Thus the peculiarities of urban settlement which gained significance during British period lay in the fact that they were being linked up with modern processes of production. Further unlike the earlier urban settlement, modern urban settlement were increasingly being enmeshed with village communities. The towns were becoming centres with which rural areas were being connected by new administrative links, new economic links and further as centres where raw materials and food-grains started flowing from villages. Bombay, Ahmedabad, Surat, Broach, Viremgam, Nadiad and few of the other cities thus became centres where modern factories and gins, joint-stock companies and banking institutions, modern educational institutions and press, as well as the modern administrative organizations emerged. Even the modern intelligentsia grew up and launched their various activities in the cities.  

However it should be noted that in spite of these developments at the end of the 19th century, the percentage of people living in the villages was very large. Excepting in Ahmedabad nearly 75 per cent of the population lived in villages, and even out of the population residing in towns, the percentage staying in bigger towns with a population of 10,000 and over was very low. This feature had a very significant effect upon the development of new forces in Gujarat during the 19th century. We will refer to this point subsequently in this chapter.

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*A brief glance at the chart, in the appendix will bring out this feature.

**Refer to table No. Appendix II.
We will now attempt to study the changes that were brought about by the British Rulers in the production of goods. We will begin with an analysis of the impact of British policy upon town handicrafts of Gujarat.

II

DECLINE OF HANDICRAFTS IN URBAN SOCIETY

As observed in the I Chapter, handicrafts occupied the chief position in urban society in pre-British Gujarat. The products such as fine cotton fabrics of all sorts, embroidered silk and gold-thread work, iron, copper and Bnnu work, agate ornaments, ivory work, carved wood work, were some of the major items of trade and export. These were the products which were especially required for the luxury needs of the foreign countries, and for the needs of the royal houses of Gujarat and India, one of the chief consumers of fine handicraft articles was the group connected with religious endowments - particularly Vaishnavite religious sect. In fact, Gujarat handicrafts had established a special position in both internal and external markets for its goods.

The advent of British rule and its various economic policies affected the urban handicrafts and in turn rural artisan industries, in a number of ways.

1. A significant impact on the demand for some of the luxury articles resulted on account of the entirely different pattern of culture of the new British Rulers who unlike the Indian princes gave a very little place for artistically embedded gold, silver or copper work, or types of delicately worked armaments as well as other luxury goods, which were demanded on an extended scale by the feudal princes and their retinue. The new rulers may admire the intricacies or delicacies of craftsmanship of the products but functionally these items had very little place in their daily pattern. Thus a very significant source
of market was affected by the transfer of political power. As the saying goes, "Where the king resides lies the market (Badshah tnya bajar), in the 19th century due to the fact that the ruler was not residing in India the market orientation was also significantly altered."

2. The second factor which adversely affected handicrafts was the emergence of a new intelligentsia - a product of English education and potential western culture. This group of potential buyers, partly because of the new values which they were imbibing as a result of western cultural contracts, partly because they were expected to wear a particular dress as a part of their job and partly because of the aping of the pattern of the new rulers, significantly refrained from purchasing handicrafts. We will briefly refer to these points.

It was a common belief that one of the major aims of English education was to create a group of buyers for British goods by generating western values. Whether this was the motive behind the introduction of English education or not is not relevant here, but one fact that was significantly observed was that the newly educated class was gradually changing its pattern of living thus affecting the demand for indigenous goods. Mr. Navalram, and a host of other writers have pointed out how the body of the educated intellectuals, starting from cap to shoes was decorated with foreign goods.

It was mentioned in the monograph on "gold and silver work in Bombay Presidency" that in Broach "Men are learning off wearing jewellery except in the shape of finger rings. Women's ornaments are becoming more elaborate in workmanship and less weighing and although no great change has at present occurred in the shapes the foreign articles of gold or silver and above all the presence of the ubiquitous
'trade catalogue' from Europe, will, it is feared, before long, begin to exercise a debasing effect in this direction. Some have a fascination for cloth made of imported, "colourful cotton yarn chiefly from England, Australia and Belgium. It was also mentioned in the monograph on "The cotton Fabrics of the Bombay Presidency" that "the tendency to adopt the use of sewn clothes is increasing after the British rule." Therefore the cloth for jackets coats, trousers and such other articles came from Great Britain. Many a times the necessity of conforming to the pattern of higher European officers compelled Indian administrative staff like Mamladars, Magistrates, Pleaders and others to adopt new Western dress pattern like trousers, jackets and others. In fact it has been mentioned by many observers found that the trend of wearing trousers was invariably associated with British contact. Till then, it was observed, "those only, who have to ride horse wore trousers."

It has also been pointed out by some observers that the decay of embroidered shoes and the use of patent leather boots by subordinate officers was essentially a bye-product of conventions introduced by some European officers.

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*It is interesting to note that poet Narmadashankar who has been invariably photographed in the traditional dress of Dhotar, a coat (Angarkha) and pugree, has been discovered to be wearing trousers in the period between 1850 and 1860 as a part of imitating the model of western living. (Gujarati Sahitya na Vadhu Marga Suchak Stambha by Krishnalal Zaveri, 1930, p.50).

**Here a mention of an interesting regulation No.722 of the Government of India in 1868 will be of interest. It stated, "All natives wearing boots or shoes of European Fashion may appear in them in all kucheries and before all the servants of Government and are not obliged to remove them. This applies to all official or semi-official occasions, including Durbar of all descriptions. When they wear shoes of Indian fashion, the old social practice of removing them within customary limits is to be preserved on all occasions." (Revenue Handbook by Nairne A.K., p.9, para 20.)
Thus the declining demand from the intelligentsia also affected the handicraft industry of Gujarat.

3. Of course, along with the abovementioned two forces, the third major force which affected adversely the urban handicrafts was the deliberate policy of the British rulers to stifle the foreign market of the handicraft products with a view to encourage the growth of industries in England. Some mention has already been made to this tendency in this chapter.

The cotton textiles and silk were formidable rivals to the products of Great Britain since 18th century. In 1720 an act was passed, "to preserve and encourage the woollen and silk manufactures of England by making the prohibition of the East Indian silks and calicoes more effectual. It absolutely prohibited the wear and use of Indian silks and calicoes printed, stained or dyed in India under the penalty of £5 for each offence on the wearer and £20 on the seller." Even then, the consumption continued, and it was stated in evidence in 1813 that "the cotton and silk goods of India up to the period could be sold for a profit in the British market at a price from 50 to 60 per cent lower than those fabricated in England. It consequently became necessary to protect the latter by duties of 70 and 90 per cent on their value or by positive prohibition. Had this not been the case, had not such prohibitory duties and degrees existed the mills of Paisley and Manchester would have been stopped in their outset, and could scarcely have been again set in motion, even by the power of steam. They were created by the sacrifice of Indian manufacture." 

#This measure adversely affected the cotton trade of Broach for instance in following manner. In 1820, the cotton piecegoods worth Rs.42,50,000 were exported, in 1849 the export was worth only Rs.10,000. (Bharuch no Itihasa by G.H. Desai, p. 280). (contd.)
When in 1896 the British Government removed the duty on a particular kind of cotton fabric which was likely to create adverse effect on the already restricted production of cotton piece goods, a hue and cry was raised in the Legislatures, Press and special meetings were held to protest against this measure.\textsuperscript{38}

Further as mentioned before the East India Company was deprived of its monopoly of trade with India since 1813, and this India was thrown open to the businessmen of England to dump their goods. The British goods were either duty free or charged a very nominal duty thus leading to the unequal competition of British machine manufactured goods and Indian handicrafts. As observed by Dutt, "The manufacturing power of the people was stamped out by protection against her industries and free trade was forced on her so as to prevent a revival."\textsuperscript{39} Thus discriminatory approach of the British government had a very adverse effect on the handicrafts of India and Gujarat.

There was one other sector of production where the discriminatory policy of the British had very harmful results. This was the ship-building industry of Surat. As mentioned in Chapter I, the builders of the ships were chiefly Parsis known as Wahadis.\textsuperscript{40*} Though the Parsis had established supremacy in ship-building the British policy of encouraging British ships for transporting of goods, hit hard

\textsuperscript{*The Gazetteer of Surat also refers to the declining export of cotton silk piecegoods. The cotton piece goods in 1801 were valued at Rs. 35,92,300 while in 1874 they had fallen to Rs.41,380. (Bombay Gazetteer, Vol.II, p.176.)}
these craftsmen also. In order to create market for the British goods various methods (along with the direct export and import policies) such as organizing exhibitions and undertaking surveys were adopted.

4. The fourth important factor which gave a death-knell to the handicraft industry was the invasion of cheap and more refined products of Industrial England. As Buchanan mentions, "The Europeans were able to outbid the Indian on two important scores. They could pay more for Indian grain and cotton than he could afford and they could sell manufacturers cheaper than he could make them. Thus the former sold their produce abroad and bought power-manufacturers from Manchester and Birmingham, while the craftsmen who had formerly been paid in food were left with neither occupation nor income."

All the monographs on handicrafts of Bombay Presidency, refer to the phenomenon of machine-made goods outbidding industrial handicrafts.

*It was a general belief that one of the major aims of organizing international exhibition at London in 1851 was to familiarize the producers of London with the needs and tastes of Indian people so that they can produce goods accordingly. (Hindustan na Vepar Udyog no nash, Major Basu, pp.117-118). Similarly the Exhibition of Broach in 1863 displayed innumerable foreign commodities and it was believed that stalls selling fancy cloth, shoes and stockings were most attractive. (Bharuch no Itihas, Desai Ganpatram, p.326).

**In 1866 as a result of the desire on the part of the power-loom manufacturers of textiles in England to improve the market of India, a survey was undertaken of the Indian textile manufactures to examine the products of the handlooms, of India with a view to ascertaining whether any of the Indian made goods could not profitably be supplied by the power-loom industry of Great Britain. (The Cotton Fabrics of the Bombay Presidency by R.E. Enthoven, p.2).
English hardware, English paper, English textiles, English dyes and many more were gradually replacing the local products. Many observers of Gujarat drew the attention of the people to the entry of comparatively cheap goods in the market and thus removing the rough, costly articles made by the handicraftsmen of Gujarat.

The advent of manufactured goods from foreign countries not merely ruined the handicraftsmen but by projecting a large number of small technical gadgets like sewing machines, or new chemical substances such as aniline and alizaline dyes even affected some of the artisan industries not producing luxury goods but producing for day-to-day consumption of the urban stratta.

Thus import of cheap machine made goods, led to the decline of intricate but costly handicrafts of Gujarat. The works such as knot-wooven saris (Bandhnis), Muslin cloth, Patolas of Patan, printed calicos, silk, and jari thread work, experienced decline as a result of influx of fine printed textiles from Manchester.

*Poet Dalpatram in his famous composition called, "Invasion of Industrialization" (Humnaat, khan ni Chadai) points out its in minute details how the machine-made products imported from Europe have turned some of the products and instruments of certain producers such as weavers, black-smiths, carpenters, painters, potters and even scribes and calligraphers redundant thereby making these handicraftsmen idle. (Dalpatkavya, Pt.II, Dalpatram, p.30).

**The introduction of cheap chemicals had another effect on the dyeing industry of Gujarat. It threw open the industry to almost all who chose to take it up, as dyeing does not now require the special study and knowledge such as was necessary when the native ingredients were combined. (A monograph on Dyes and Dyeing in the Bombay Presidency by C.M.H.Fawcett, 1896, p.5).

©In Pethapur, a place, in North Gujarat, for instance, in the beginning of the 19th century there were 50 houses for weaving cloth of this type of sari. In 1877 there were only 7 houses doing that work. In those 7 families also, females were pursuing the craft while male members had switched on to some other work. (Kantawalla Hargovindas Deshi, Kavigiri ne Uttejan, 1877, pp.101-2).

The Ahmedabad Gazetteer also mentions, "the changes of the last twenty years (from 1859-1879) have on the whole been against craftsmen, whose skill lies in special hereditary processes; and in favour of those whose callings are more varied and general. Dyers, weavers and paper-makers are often worse off, while carpenters and blacksmiths are better off than before. (Bombay Gazetteer, Ahmedabad Dist, Vol.II p.140).
5. The fifth factor which affected adversely the handicrafts was the development of factory production in India more particularly in the cotton textiles. Along with foreign textiles the textiles produced from local factories considerably captured the market which was till then fed by the handicraft industries. The power-looms introduced new descriptions of cloth and threatened the extinction by means of a swifter and cheaper method of production, the hand-weaving of certain kinds formerly prospering in many parts of the Bombay Presidency. Further between the textile factories of Gujarat which were producing coarser cloth at cheaper rate and the finer cloth which was coming from the looms of Great Britain, the handloom industry were fighting a losing battle. The consumption of all these forces was that everywhere the weavers were hard hit.

Dyeing industry was converted with textiles. An observation of Mr. Fawcett may be quoted: "Nearly all cotton spinning mills now have dye houses fitted upon European principles where they dye their own yarns... In Ahmedabad and elsewhere in Gujarat there are also some dyeing factories, one of which is said to turn 'about 500 lbs. of Turkey-red yarn per day.' The native yarn-dyers necessarily suffer from this severe and unequal competition between themselves and powerful factories."[8]

Similarly whatever little production was made by paper-factories or foundries, affected the handicraft adversely.[9]

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[8] Here we may make a note of one very tiny competitor to the traditional handicraftsmen. The British rulers employed the convicts of Ahmedabad and Rajkot Jails to produce cloth varying from 'coarse dungari to Turkish Towels of considerable finish (The Cotton Fabrics of Bombay Presidency by R.E.Enthoven, 1897, p.30).

[9] About the Broach weavers it was remarked that they had to supplement their earnings 'by begging and by performing on the kettle drummers and native pipes' (The Cotton fabrics of the Bombay Presidency by R.E.Enthoven, 1897, p.23).

[9] Here it would not be out of place to note that most of the European observers easily locate the unequal competition between the Indian factory production and handloom but do not see the unequal competition between the imported goods and local products.
Here it may be mentioned that the production of both foreign and indigenous large scale cotton textiles not merely hit the urban handicrafts but considerably encroached upon the weaving and other crafts of the rural areas. This point deserves to be noted because the machine-based textiles deprived the biggest of the craft and artisan industry of Gujarat which dealt with a product which was next to food the most universally demanded. We make note of this fact to indicate how the development of spinners' or weavers' associations to provide employment to a large number of persons became a major plank of political as well as socio-economic reconstruction of Gujarati society.‡ It also reveals how a conflict developed in the economic and political ideology of Indian nationalism with regard to either use of cottage industries and khaddar or machine and mill-made cloth.¶

Thus after the British conquered Gujarat and adopted economic policies to suit their own needs of industrial development, a severe blow was felt by the existing handicraftsmen. With the ruination of handicrafts certain towns like Patan, Pethapur, Shirohi and such others, which were associated with particular kinds of products declined economically.

‡Social thinkers like Hargovindas Kantawalla, Navalram, Ambalal Sakarlal Desai and others on the one hand suggested the establishment of associations like Udyamvardhak Sabha or Karigirivardhak Sabha (Association to encourage crafts) and on the other propagated for establishing joint-stock companies to produce machine made goods. (Deshi Karigiri ne Uttejam, by Kantawalla, H., pp.19-20).

¶It has been observed that the commercial aspect of Swadeshi was seen and understood by men like Ambalal Sakarlal, Premabhai Himabhai, Manibhai Jashbhai of Cutch, Ranchodlal Chotalal and others who formed the Swadeshi Udyam Vardhak Mandal, (1876) at Ahmedabad. (Source Material for a History of the Freedom Movement in India collected from the Bombay Government Records, p.605).

It is interesting to note that Parsee ladies of priestly class decided in 1874 not to use kasti (sacred cord) made in machine; and insisted on use of hand-made kastis (Gujarat ak Parichaya, p.629).
It should be noted here that as handicraft was a traditional hereditary occupation, naturally, the effect of the decline was also felt by particular castes which were working on these crafts.

Having surveyed the impact of foreign rule on handicraft industry, we will now observe how trade, commerce, banking and some of the industries grew in Gujarat during the 19th century.

III

EMERGENCE OF NEW PATTERNS OF TRADE, COMMERCE AND FACTORY PRODUCTION IN GUJARAT DURING THE 19TH CENTURY

The British rulers, as we have mentioned in the previous chapter, introduced the use of money in various aspects of economic, political and educational life. Further by introducing the principle of payment of revenue in cash, they opened the village economy to the operations of wider monetary transactions. This phenomenon generated a trend towards commercialization of production in the rural sector. We have already referred to the growing importance of cotton as a commercial crop in Gujarat during the 19th century. The decline of textile handicrafts and the requirements of the newly emerging textile factories in Britain created a large-scale demand for raw cotton. However, the cotton required by the factories of Manchester and Birmingham needed to be of standardized purity and of specific variety. Further a large scale transfer of raw cotton from the rural areas to certain local urban centres from where it would be again shifted to Bombay and then to England required a number of modern institutions which could deal with purifying cotton, pressing them into bales, protecting and insuring these bales from risks and then shifting them in proper order to the United Kingdom.*

*Mr. Mackay describes in detail the process of transportation of cotton from the field, to the Bombay merchant in Gujarat territory during this period, in his addresses to the Chamber of Commerce of Manchester, Liverpool, Blackburn and Glasgow in 1853. (Refer to Western India, ed. by James Robertson).
During this period, in the place of Charkha and hand-worked presses for cleansing and organizing cotton in bales, saw gin, and power run presses were introduced. After the introduction of railways the number of gins and presses increased to a considerable extent. All the cotton in the Broach district for instance was cleansed in steam ginning factories by gins known as the Platt Macarthy roller gins. A new category of organization of production employing labourers on wage basis was introduced in the 19th century in Gujarat round the cotton trade. Of course as Prof. Gadgil remarks: "This industry (cotton, gin and press) though it employed considerable numbers and gave a very much needed occupation to one class of agricultural labourers in the country was not one of very great importance in industrial development of India. For firstly the industry was only a seasonal one, and secondly it did not convert raw produce into a manufactured article, but only helped towards the easy export of the raw produce."

During the 19th century Britain's need of raw cotton was increasing by leaps and bounds. The chief suppliers of raw cotton being America and India, England had to devise ways and means to see that Indian cotton is suitable for its industries. Supply of Indian cotton was a sort of second line of defence, in case supplies from America failed to come or were insufficient. Various measures for promoting the growth of foreign

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*In three districts of Gujarat viz. Broach, Ahmedabad and Surat there were in all nearly 70 cotton ginning and pressing mills. (Financial and Commercial Statistics for British India compiled in the Statistical Bureau of the Govt. of India, 1896, pp.425-427).

**This fact was very clearly brought out during the phase of American Civil War in 1861-1864."
varieties of cotton to improve the mode of growing and picking of the Gujarat cotton, were adopted in the 19th century. Further, to reduce adulteration during the process of packing measures such as police supervision for examining and stamping cotton bales, were adopted.

In 1862 Government appointed a cotton commission to visit the different cotton producing districts of the presidency and make inquiries into the alleged frauds on the packing of cotton. At the instance of this Commission, Act No. IX of 1863 was passed by which the presses were to be licensed and a system of inspectors licensed, was introduced.

Thus the efforts on the part of the Government to improve the quantity and quality of a commercial crop and further to prevent frauds in the process of trade of that commodity which was required by the factories of Manchester and Birmingham situated some 5000 miles away from Gujarat reveal how, the new type of trading was gaining significance. It also revealed how a complex chain of institutions to process and transfer the raw cotton from its place of production to its ultimate destination was also emerging.*

To trade in cotton, important traders used to send their agents and brokers to the villages and even advance loans to the farmers to secure the crop. The growing importance of cotton trade is revealed in the following observation made in the Broach Gazetteers: "Cotton is now

*It is interesting to refer to one of the greatest speculation which occurred in Bombay involving a crore of rupees in connection with an effort to minimise the time and costs involved in shifting raw cotton coming from different parts of Gujarat particularly Broach and Surat at the railway terminus of Grant Road in Bombay. The place where cotton was pressed was a few miles away. With a view to join these two centres in order to cut down the costs of transport in the hey day of cotton speculation a company called, "Back Bay Reclamation Company" was floated with a capital of Rupees one crore and 25 lakhs out of which shares worth rupees 91 lakhs were already paid up, reveal how trade in cotton and the efforts to economise time and cost in transport had acquired tremendous significance. It is sad to note that when the crash came in 1864, every pie was lost. (Nana Shanker Sheth Yanch e Charitra Kal Va Kamgiri by P.B. Kulkarni, 1959, pp.271-272.)
bought in one of two ways, either by the local agents of Bombay firms, or by the owners of the ginning factories in Broach. The local agents when ordered to buy, sometimes send their own broker to the villages to purchase direct from the grower. But they generally do business through the dealer, who, as in former times, gets the cotton into his hands by making advances to cultivators... The nature of the dealings between the cultivator and the Wakharia would seem to have somewhat changed since 1850. The advance is now said to be earnest-money, to bind the cultivator to his bargain rather than the mortgage of his crop by the cultivator to tide over the hard months on to harvest. The extent to which the dealer is inclined in any season to make advances will depend on the view he takes of the future prices of cotton."56 Thus the cultivator got engulfed in the market economy.

Another development which took place round the cotton trade was the emergence of cotton factories in Gujarat from those varieties of cotton which were not suitable for the British industries. A section of the wealthy merchants and intellectuals realizing that there was sufficient cotton as well as finance to launch such factories, initiated this new type of economic activity in Gujarat. The name of Sjt. Ranchodlal Chhotalal - a Sathodara Nager Brahmin residing in Ahmedabad and the first native president of Ahmedabad Municipality - is enshrined in the history of the rise of textile industry in Gujarat as well as Bombay Presidency, a pioneer. A brief note on the efforts of this pioneer industrialist will not be out of place. Ranchodlal visualizing the possibilities of factory production, contemplated the putting up of a small cotton spinning factory in Ahmedabad in 1847. 57 Major Fulljames, a commandant of Gujarat irregular horse, ventured

*For details refer to Chart No. in Appendix III.
to get all information from England with regard to the proposed factory. The Government while permitting him to start a factory insisted on having an European Superintendent to supervise the running of the factory.\textsuperscript{58} These efforts did not bring him any result and Ranchodlal lost the chance of being the first organizer of textile factory in Bombay Presidency.\textsuperscript{4} Ranchodlal made another effort in 1859. He again called for the machinery from England (incidentally Mr. Dadabhai Naoroji was agent in England). Unfortunately the first consignment of machinery was lost in the sea while the first European manager died as a result of an attack of cholera.\textsuperscript{59} In spite of these vicissitudes, his efforts continued and in 1861 the first textile mill in Gujarat under Indian ownership was started. The mill was known as Shahpur Mill.

At the end of the 19th century, in Gujarat there were twenty textile factories out of which 12 were in Ahmedabad, 3 in Surat, 3 in Broach and one each in Viramgam and Nadiad respectively.\textsuperscript{60} The remarks of Prof. Gadgil with regard to the nature of the development of textile industry are pertinent. He says, "The industry was chiefly centred in Bombay Presidency and within the Presidency in the two cities of Bombay and Ahmedabad. There was quite a large growth of mills in India, but outside Bombay and Ahmedabad they were all scattered over the face of the country and as yet there was no big cotton industry centre outside these two cities. Of the 144 mills in India in 1894-95, 100 were in Bombay Presidency, out of these again 67 were in Bombay City and Island."\textsuperscript{61} In 1895, 23 factories were in Gujarat, Ahmedabad "claimed 16 mills with 2,93,000 spindles and 4900 looms."\textsuperscript{62}
Thus from the middle of the 19th century a new step was taken in the direction of industrial development. This development had far-reaching consequences on the economic life of Gujarat.

1. The new mode of production generated a group of institutions to run and finance the factories which required a large amount of capital which could not be provided by one single entrepreneur.

2. The new development also created a system of new relationships based on contract between the owners of the factories and the wage workers; and also creating problems with regard to wages of the workers, minimum age for employment and employment of women, in factories.

3. This new mode of production further gave a momentum for creating more and more industrialization in those branches of production which were needed as subsidiary or feeder products, for the factories. In the textile industry, for example, many a times dyeing factories were also working adjacent.

4. Further the indigenous industrial development generated problems with regard to the relationship between these industries and British interests. If we look at the chart showing the number of textile industries in Gujarat, we can locate the fact that most of them were producing yarn and coarse cloth. In fact production of finer cloth was the monopoly of preexisting British factories.

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*Here a reference may be made to the growth of certain other industries which also grew in Gujarat area. Ice factory(1), 2 paper mills at Ahmedabad and Surat each, 2 Iron and Metal factories, 2 Dyeing companies in Ahmedabad were started. All these units though operating with steam power were very small units and therefore were relatively insignificant compared to the textile factory. (Financial and Commercial Statistics for British India compiled in Statistical Bureau of the Government of India, 1896, pp.412,438,440).*

**Here it may be noted that Mr. Ranchodlal was also involved in these new pattern of relationships. When he started paying the workers on fortnightly or monthly basis instead of weekly basis workers resented this step of his. (The life of R.B. Ranchodlal Chotalal by Bhagwanlal Badshah, pp.276-277).**
As referred to before in the section on Handloom Industries, the arrival of indigenous factory production created newer economic demand such as 'Swadeshi', protection for Indian industries, boycott of foreign goods and such others.

5. The social significance of industrialization lay in the fact that a new class of wealthy industrial owners started acquiring significance in the community. Unlike the Mahajans of pre-British Gujarat, who regulated almost the entire life of the people, including apprentices and workmen, the factory system started a qualitatively new set of relationships between employer and employee and the state. The introduction of the principle of contract between employer and employee based on the recognition of the individuality of the employee was altogether novel in the economic life of Gujarat. This was the principle which was to have a far-reaching consequence in the subsequent development of economic and social relationship of Gujarat. This feature resulted into a new phenomenon called labour legislations, and further generated numerous currents of industrial tensions round hours of work, condition of work, discrimination in employment and others.

Having noted the growth of factory system and its characteristic features, we will now study the growth of various institutions like Joint-stock Companies for carrying on production, banking, trade, insurance and other activities attached to the new economy.

Share Mania

Before we observe this new development, it is necessary to refer to one of the most important events that occurred in Gujarat which not only shaped the fortunes of these new economic activities including organizations but had a far-reaching impact on the life of a large stratum of urban community. This event is known in Gujarat as "Share Mania".
As referred to earlier, due to the declaration of civil war in America in 1862, the mills of Lancashire and Manchester were heavily affected by the short supply of cotton. The Britishers immediately directed their attention to India for this supply, and the sudden spurt in demand for cotton increased its price. The price of cotton which was 3 to 5 pennies per one pound rose to 20 to 24 pennies per pound. It was calculated that during those years nearly Rs.9 crores must have come to Bombay.

This led to a great spurt in the rise of joint stock companies based on capital contributed by shareholders. As Sir Dinshaw informs us Rupees 37 crores were given as premium on shares of the nominal value of Rupees 30 crores. Similarly companies carrying on banking and insurance activities rapidly multiplied during this phase. The author of "Sher ane Sattabaji" gives an exhaustive list of various banks, insurance companies and joint-stock companies that emerged during this phase. There were nearly 65 such companies with deposit money amounting to Rupees 42 crores out of which Rupees 15 crores were collected on the first and the second calls.

2. Another incidence of this development lay in the fact that it led to the shift in the pattern of crop production. Due to rise in the price of cotton a number of cultivators switched their agricultural activities from production of grain to production of cotton, leading to the rise in price of grains also.

3. The third incidence as a result of this new spurt in the demand for cotton lay in the fact that not merely the trading communities took interest in the purchasing of the shares but a considerable section of even other groups including those engaged in services or other vocations also invested their savings to get quick money from this activity. Not only businessmen, but literateurs and social reformers such as poet Dalpatram, Karsandas Mulji, Karsandas Madhavdas, Mohanlal Zaveri, Bhogilal Pram—vallabhdas and many others also could not resist the temptation of easy money making. Poet Narmad somehow escaped the temptation and through his periodical 'Dandiyo' continued to propagate against the share craze. It was also reported that some of the government servants left their jobs, went to Bombay and indulged in speculative activity of those days. It was further reported that this sudden prosperity arising out of the cotton trade relieved a section of Talookdars who were connected with cotton growing tracts, from the clutches of the money-lenders by enabling them to pay off their debts. It has also been mentioned that at times when shares could be purchased at a sum of Rs.10 or so, even many members of the lower castes like oilpressers, cobblers, washermen, rice pounders and others invested their money. Women, particularly widows, also did not remain out of it. They also invested whatever they had.

This rush for money revealed how profit motive was spreading rapidly among the various strata of Gujarati population, creating a new type of psychological incentive which was in contrast to traditional value systems determining the life of the individuals.

*It was remarked by Prichard, that, "The agricultural population of the cotton producing districts amassed so much wealth that the Zamindars, it was said, not knowing how to employ their surplus silver used it for their cart-wheels." (Administration of India, Vol.I, Prichard, p.90).
However, this demand for Indian cotton lasted only for two years. By 1865, the Civil War in America ended and hence, there was a sudden fall in the demand for cotton from India resulting in a crash unprecedented in the life of the people. Not only ordinary shareholders, but 'king of cotton' - Premchand Roychand and many other suffered heavily. Many of the limited companies which had developed during this boom period also collapsed. As pointed out by the author of "Sher ne Sattabaji" that out of 65 companies which were started during this boom period only 7 to 10 companies survived. A number of banking institutions with large deposits became insolvent. This had far reaching effect on various aspects of the life of Gujarati people.

The real importance of this event "lay not so much in raising the price of cotton and thus bringing about a temporary period of prosperity, but rather in bringing home to the cultivator the fact that causes other than local needs were beginning to govern the nature and extent of the crops he sowed. Briefly, it was the event that most clearly and dramatically revealed a break in the economic isolation of India."75

Having referred to this incident in a bit elaborate manner, we will now refer to the emergence of business and financial organizations in Gujarat during the 19th century.

New forms of Business Organizations

Factory production, trade enveloping the international market, and the growing specialization of interests created the need for a type of business and financial organizations.

*The growing complexity of economic life is further revealed from the fact that the Government of India has been called upon to sanction a general increase in pay of the public establishments of the Bombay Presidency, with the certainty that if the same causes continue, a similar necessity must soon arise for a further augmentation. (Prichard, T.H., The Administration of India, Vol.I, p.96).
organization which could collect a large amount of money, distribute
risks and cater to the special needs of the businessmen and industrialists.
This new type of business organisation called joint-stock company with
limited liability was different from the old method of conducting trade
and business through individual or through joint family ventures. Virji
Vora, Atmaram Bhukan, Mohandas Parekh of Surat, Shantidas Zaveri,
Vakhthankar Khusal of Ahmedabad, Shamal Becher and Haribhakti of Baroda,
were some of the very important names associated with trading and banking
activities in pre-British Gujarat. In the 19th century, though individuals
or family business organizations like 'Pedhis' did continue to dominate
trade, business or industry, gradually organizations like joint-stock
companies based on capital contributed by numerous individuals and working
on limited liability started emerging.

*Though it is very difficult to get separate figures for joint-stock
companies in Gujarat territory some idea of the development of this new
form of organization could be gathered from the figures of joint-stock
companies in Bombay Presidency in 1894-95. The figures excluded textile
and other factories as well as ginns and presses.

1. Banks and Loan Associations - 6 dealing in money-lending, immovable
   property, banking business.
2. Insurance Companies - 5 dealing in business guarantee, life
   insurance, making a suitable money
   provision among the members at times
   of their children's marriages.
3. Railways and Tramways - 2
4. Cooperative Trading Society - 6
5. Steam Navigation - 2
6. Companies for forming bazars - 1
7. Other companies - 40 (these included Ahmedabad glass
   Manufacturing Co., Rajnagar Trading
   Co., Ahmedabad Metal Factory, Bevila
   Vyapar Uttejak Co., Chhikoji Desh
   Hittechu Vyapari Company and others).

(Financial and Commercial Statistics for British India, compiled in
the Statistical Bureau of the Government of India, 1896)
On the one hand, the unequal competition which a Gujarati trader or industrialist might have to face, and on the other the profitability of joint ventures as revealed in the business organizations of the foreigners might have created a background in favour of joint-stock companies. The intellectuals of the 19th century Gujarat were clamouring for such organizations since 1851, when poet Narmad wrote an article on 'the advantages of Voluntary Associations', which included business organization also. Poet Dalpatram describing the wealth of Gujarat says "there might be two to four persons having a lakh of rupees each in big cities of Gujarat; in Ahmedabad town, might be some 50 persons having a lakh of rupees each, while millionaires might be numbering five to seven in Ahmedabad, and there is hardly any multi-millionaire in Gujarat." Thus in this situation only joint ventures could meet the need of large capital to run modern economic institutions. Dalpatram in his works, advocates the formation of companies to carry on business. At one place he even compares a joint-stock company with a 'lion'.

After the crash at the end of the American Civil War there was a sort of revulsion towards such companies, but reading the business needs of modern conditions it was thought that "no trade could be carried without such organization... The new companies will be formed after careful thinking and on sound basis." The emergence of the joint-stock companies introduced a new feature in the economic life of the Gujarati people in the sense that till the 19th century there was very little difference between the character and functioning of the large and small scale business. Big traders would also trade in all the different varieties of commodities and a small trader would also do the same; the only
difference being in the scale of operations. With the coming of joint-stock companies a sort of distinction arose between large traders requiring vast amount of capital and retail traders carrying on small trading activity with their limited finances.

Similarly, though the banking system had developed to a considerable extent in pre-British Gujarat its main feature lay in the fact that it was not a separate undertaking. The traders and financiers were combined in one unit. Further the unit of establishment was invariably family. As Prof. Gadgil observes, "No forms like that of a continuous joint-stock venture appear to have emerged, though ad hoc or short-period partnerships for business purposes was common," During the 19th century banking institutions began to emerge in Gujarat. The Bank of Bombay which was started in Bombay in 1842 had branches in some of the district towns like Ahmedabad, Broach, Surat, Wadhwan, Dholera and others. In Ahmedabad during the period of share craze, two more banks viz. The Royal and Central Banks were started but could not continue due to the crash. In 1870 a new Bank was started at Ahmedabad. This bank had power to receive charge of balance of the collector's treasury and also to operate on bills drawn against cotton.

The intelligentsia was also persuading the saving classes to make use of the banks and not to spend money on conspicuous consumption or not to bury gold or silver in their cellars.

Thus new forms for pursuing economic activities were emerging in 19th century Gujarat. The main feature of these forms was the specialization of functions and gradual elimination of omnibus functioning of certain individuals.
Before we close this section we will make a brief reference to the emergence of a uniform currency introduced by the British Rulers. In 1835 the coinage of India was made uniform. This meant that one of the important functions of the indigenous bankers with regard to exchange of currencies was affected considerably. Though in the villages, excepting for the payment of land revenue till very late in the 19th century, other currencies prevailed.

As we have observed in pre-British Gujarat, many of the transactions were through barta. In the 19th century, gradually monetary transactions in the revenue payment, in the payment of salaries and wages and in other business deals entered. This trend required more circulation of currency notes. Though it is very difficult to get the number of notes in circulation in Gujarat, we can get some idea of the capital circulation from the figures of Bombay Presidency. In Bombay Presidency in 1862 there were Rs. 1,140,000 worth notes in circulation while in 1895 the figure rose to Rs. 9,878,911.

Thus along with new forms of economic organisations the growth of currency also point out to the growing complexity of economic life of Gujarat in the 19th century.

IV

LIMITATIONS OF ECONOMIC DEVELOPMENT IN URBAN CENTRES

Having referred to the major changes that occurred in the urban economic sub-systems of Gujarat in the 19th century, we will briefly point out some of the major limitations of these changes.

1. Though the urban economy in the form of production and trade undergoes change, and evolves new patterns of organizations, it should be noted that this development was extremely limited. While the old forms of textile production through handicrafts experienced a decline, the
replacement of this production by alternative factory production was extremely limited, and only in specific field as pointed out before. The factory production in Gujarat was predominantly linked up with cotton textiles only, which gave employment to some thirteen thousand people.

Further new forms of business organizations were also restricted in number as well as in variety. The number of joint-stock companies of banks or of insurance companies was very small. These institutions, moreover, were not of varied character. Specialization in services by these institutions though started, it had hardly differentiated itself into various sub-categories as in other western countries and which were to develop during 20th century in India and Gujarat also.

As a result of this phenomenon, we find that old traditional institutions still persist as powerful forces shaping economic activities. Though banks had emerged, the influence of indigenous shroffs had not waned. The general populace, more particularly the cultivators still sought the help of the moneylender for borrowing money.87

Further as these organizations were peculiarity of urban settlements, in the rural sector the old methods of providing finance persisted to a large extent. Even in urban sectors only few urban towns like Ahmedabad, Surat, Broach, Nadiad, Kaira and Viramgam were having the benefits of modern institutions. In other towns the predominance of old mode of business transactions persisted.

As we have observed before, certain individuals or their 'Fedhas' were so powerful that they used to give loans to the Government. Persons like Virji Vora or Shantidas Zaveri were able to help the Government in its difficulties. Till the banking business was established in Bombay
Government also relied on the assistance of such individual financiers.

Similarly the institution of Mahajan persisted to function. The Mahajans continued to govern the life of their members. A person marrying a widow, or a person following Swaminarayan (sect among the Hindus) were punished by a Mahajan in the 19th century. The authority of the Mahajan still held its sway. This was well illustrated during the period of American Civil War. The Potters' guild at Dhandhuka (a place in Ahmedabad district) resolved to make up for high food prices by raising the price of their wares. This was resisted by the customers. The 'Shawkars' Guild forbade any one from buying earthen wares, and they sanctioned to the use of metal basins in marriage ceremonies. After some time the potters had to reduce their prices. Tilemakers' Mahajan still continued to determine the quantity of the tiles each member can make, or bricklayers' Mahajan will determine the hours of work a bricklayer should work. Further it was the Nagarsheth, the head of all the Mahajans in Surat, who gave a call for protesting against the invidious licence tax imposed in 1878. There is no need to remark that all the craftsmen responded to this call. The Government also took the help of Mahajans in the initial stages when they had to fix the wages of certain types of workers, or to levy taxes known as 'Kasab Vero' (trade cess).

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*The name of the firm of Atamaram Bhukhan is very well-known in this field. The place of their business in Bombay was known as 'Kaka Parekh's Pedhi'. They assisted, big kings, Peshwa as well as the East India Company. It is said that they had given money to the organizers of Bombay Baroda and Central India Railway Company. (Surat Sonani Murat, p.196. Surati Tavarika, by Patel Ardejar, pp.254-55).

**This incidentally reveals the inferior position of artisans' guild, in comparison with traders' guilds.
In short the Mahajans functioned on the basis of customary rules which did not recognize the freedom of individual to follow any religion he preferred or to marry any person he liked or to sell the article he produced at any price he chose, still continued to persist in the 19th century.

In short during the nineteenth century new economic forms emerged as parallel competing units, but were not powerful enough to replace the old ones thus creating a peculiar phenomenon of two juxtaposed systems trying to outbid one another during this period.

2. The second limitation of this development lay in the fact that though modern economic current created a new category of trading, industrial and financial class, operating on a new basis, due to the peculiar caste matrix, within which it emerged, it was mainly recruited from the traditional trading castes. Thus most of the traders, industrialists and businessmen in new fields also belonged to the Baniya caste amongst the Hindus. Sir Mangaldas Nathoobhai, Premchand Roychand, Premabhai Hemabhai, Maganlal Karamchand and a host of others belonged to the different categories of trading castes.

Further due to the coexistence of both the forms of economic organizations, the new class of bankers, industrialists and traders was intricately interwoven with the class carrying on old modes of trade and financial activities. Even in this field also the trading castes such as Kapols, Bhatias, Lohanas or a section of Jain Baniyas who were linked up with the modern economic processes situated in Bombay and Ahmedabad

*Instances of Brahmin, Patidar or Kshatriya industrialists such as Ranchodlal Chotalal, Bechardas Ambaidas or Ambalal Sakarlal are few and far between.
gained new significance and importance compared to other castes of the trading division.

Another limitation arising out of the restricted growth of industries lie in the fact that unlike in western countries, among the various capitalist groups, the trading and the financier group became more powerful than the industrial group.96

3. The third limitation lay in the fact that the development in urban sector was basically controlled and directed in those channels which were suited to the needs of the British Rulers. The over-emphasis on export trade of cotton, ruination of the artisan industries, the production of only certain type of cloth in the textile factories or putting obstacles in starting heavier industries*, were the measures adopted to keep India a colonial raw material appendage of Britain. This policy of restricted development had one pernicious effect viz. that it prevented the growth of technical education in the 19th century on the ground that such technical training was not required at that time, because there was no scope for it.97 As industrial development was very limited, the Government satisfied itself by opening a few drawing and rudimentary science classes in elementary schools.

Further the restrictive policy of the British Government slowly generated discontent among the various groups of people and was responsible for the rise of new protest movements demanding encouragement to Indian

*It is pertinent to note that when R.B. Ranchodlal Chotalal with the help of others started The Gujarat Coal and Iron Company Limited in 1884 to make an inventory of the iron ores in Panch Mahals, wanted a monopoly for the company for 15 years, the Government refused to comply the demand, and after one year's lengthy correspondence the project was abandoned. (The Life of R.B. Ranchodlal Chotalal by Bhagwanlal Badjishah, pp. 21, 22-35.)
industries and propagating the use of Swadeshi goods and culminating in the boycott of foreign goods and the movement for protectionism against the free trade policy of Britain. We will not elaborate these points as we have dealt with them in the relevant section in this chapter.

4. Though the new economic developments led to a number of voluntary associations in the economic field like various joint-stock companies, Millowners' Association of Bombay, and Ahmedabad, Bombay Piecegoods Merchants Mahajan, Panchkuva Cloth Merchants' Association at Ahmedabad, Hindustani Merchants and Commission Agents' Association, Chamber of Commerce, Udyanvardak Mandal, and such others, it should be noted that their number was very small; and they affected the bigger traders and merchants. While for the craftsmen traditional Mahajan had immense significance.

5. The new open class system based on wealth and contract which was emerging in Gujarat as a result of the new development in the economy does not replace old status system based on castes but only operate as a rival system juxtaposed to the old system. As we observed before the upper rung of the older caste system due to peculiar historical developments somehow dovetailed into a new class system. This peculiar development introduced new element of competition which is a characteristic of modern economic system distinct from the non-competitive traditional caste system. We find therefore a caste competing with other castes for striving to reach higher ladders in the new mobile social system, when the criterion of status is based on achievement either of wealth or of political,
administrative position or education. Thus in Gujarat, the operation of the new forces developed not so much competition amongst the individuals as amongst the castes. Of course this competition was restricted only to the upper castes and sub-castes in the 19th century.

These in brief were the main characteristic features and limitations of the changes that took place in urban economy of Gujarat. The issues which attract attention in the 20th century are the problems which emerged in the 19th century Gujarat.

V

CONCLUDING REMARKS ABOUT THE NEW ELEMENTS INTRODUCED IN THE ECONOMIC SYSTEM OF 19TH CENTURY GUJARAT

We have in these two chapters, indicated the nature of transformation along with their limitations that occurred in the rural as well as urban economic system of Gujarat in 19th century.

We will now conclude our observations about this change by pointing out the new elements which were introduced in the economy of Gujarat as a whole and which were trying to compete and oust the old traditional elements of the economy which persisted in the 19th century Gujarat.

Our object here is not now to emphasise the limitations of the operation of these new elements nor to point out how the new elements were still operating within the framework of powerful traditional setting. These aspects have been emphasised throughout the two chapters. Our object here is to indicate the newness of the elements and how the introduction of these elements generating a rival system of economic relationships which though weak in the 19th century, strives in the 20th century to overpower or replace the old traditional relations. With these preliminary remarks we will now begin to enumerate the novel features that were introduced in the economic relationships of Gujarat as a whole.
1. Change in the Property Relations in the 19th Century: During the 19th century we find that there is a fundamental change in the concept of property. In rural areas land which was hitherto not regarded as private property became so in the 19th century; this being so a sort of flexibility was introduced in the property relations. As observed by Johnson whereas in the former times, the property holder was "severely restricted by the rights of all the others", in the modern society "all the rights in particular objects were held by the same person." This transformation of land as a property which could be sold or purchased or mortgaged in the background of the operations of other forces affected the entire property structure in rural areas. The emergence of absentee landlords, the money-lending cultivating owners, groups, tenants and the landless labourers were the bye-products of this new change in property structure introduced during the 19th century.

Similarly the concept of joint ownership and limited liability leading to the rise of joint-stock companies was also a novel form of organization which started a new pattern of class relationships in urban areas.

2. The second element of change which was introduced in Gujarat during the 19th century was the rise of modern types of occupations with the following characteristics.

i) Occupations slowly tend to become more and more diversified and specialized, e.g., in the rural areas, cultivating owner, tenant, landless labourer; in urban areas, retail trader, wholesale trader, banker, insurance agent, industrialist, artisans, wage worker and so on.

ii) The occupations tend not to be ascribed by birth but to those who perform them. Individuals and groups have to achieve them by special training or education. This is in contrast to the intricate and subtle divisions of occupations in the
The occupation for the individual was basically ascribed to him by birth. Individuals could not change their occupations and in this sense there was hardly any mobility in pre-British Society. In the 19th century many of the public appointments had to be achieved and not to be occupied by birth.

iii) The relationship between the employer and employee is not based on the basis of formal contract. In the newly established factories, gins, presses, e.g., the worker was supposed to work for limited hours and was given a definite amount of payment. Even the factory legislations which were introduced in 1881 and 1891 suggest the formal contractual and impersonal relations which was not for specific trade but for all those who worked on the basis of wages. Further with the money-payment and on time-basis, the contractual, formal basis of relations became more and more significant.

iv) As modern occupations are carried on by specialized organizations, the work premises separate themselves from the private homes. Thus economic activities carried on in factory, business organization, or the offices of insurance company or bank were located away from the residential premises. In fact even with respects of other types of specialized occupations like educational, medical or journalistic, the place of work is separated from home.

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*In the crafts of copper, the coppersmiths (Kansaras) are divided into the sub-castes, on the basis of working in particular metal. Copper workers are called Tamba ghada - brass-workers, Pittal ghada - gold workers, Sonara - coppersmith. The important point to note is that the division of work is rigid. One group of workers are unable to change their occupation to the other occupation.

**It may be noted here that this separation of place of work from home, in the context of new contractual relations between employer and employee had far reaching consequences for women who sought employment.
Another feature of this modern mode of occupation lay in the tools do not belong to the operation. The looms, the printing machines or gin are owned by the employer and not by the employee.

Thus in occupations we notice the above-mentioned new elements entering into economic relations and more particularly in urban areas.

3. The third element of change which is gaining importance in the nineteenth century, is the shift in the motif of production. The self-sufficient character gives place to production for market and for profit.

This was reflected in the growing volume of trade which was further facilitated by transport and communication systems.

4. The fourth element of change which is observable in the economic relationship during the nineteenth century is the shift in the mode of exchange. As observed earlier, till 19th century most of the exchange was in barter, and payment was also mostly made in kind. This is slowly altered into payment in cash which indicated that new exchange relations were added, production was increasingly coming within the orbit of wider market and increased importance of money economy and uniform currency.

Gujarat economy was linked up with international market. This was very well revealed during the period of American civil war which resulted in factor craze in Gujarat. With the growth of money payments we find that customary relations were slowly giving place to legal relationships. Even the stubborn rural sector was brought under the orbit of this legal relationship. Thus the relationship between the cultivator and the village artisan, the talukdar and the money-lender were considerably affected by this new element.

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5. Another important element of change which emerged in the economic relationship was the birth of new economic values. The measure of a person is gradually determined not by his birth but by his ability to achieve wealth either through enterprise or through work in society. This new concept of status resulted into a change in the concept of expenditure, pattern of living and modes of investment in society. Gradually finer variety of clothes which were only worn during special occasions were becoming common for urban people. It was estimated that formerly a middle class person would need clothes worth Rs.5 now (1884) they are purchasing clothes worth Rs.25. It was also contended that due to the imitation of the English pattern, people were beginning to use vessels of glass. Similarly, the use of modern furniture instead of indigenous mode of using mattresses, complex food patterns in place of simple rice and vegetable or wheat and dal, were all signs of changing consumption patterns. It was believed that one of the major events which led to this change was the quick money secured during the time of American Civil War.

Another aspect of the change in value is with regard to gradations of the occupation. At one time, the gradation was agriculture, commerce and service. In the 19th century though people were forced by circumstances to fall upon agriculture, were preferring service to agriculture.

*The conspicuous consumption increased to such an extent that a proverb was becoming common that "till now the wealth was inside the house, now it has come to the doorstep (Ordani lakshmi umbare avi)."

**It was observed that upper castes, cultivators, artisans, all aspire for service. Even the Brahmin for whom the service is a taboo, he also wishes longingly for service. (H.Kanthwalla, Sansar Sudharo, p.97).
It was also observed that due to the emergence of railways, textile factories, post and telegraph offices, public works, many of the landless labourers run away from their fields and the hands of the money-lenders and worked as wage labourers.105

Achievement of profit, achievement of higher grade and such other aspirations which were dependent on one's own efforts, investment, qualification or education were becoming important. All these trends generate a sense of individualism. Thus along with new economic values a new sense of recognising individual as a distinct entity emerges.

6. The last element of change in the economy was the slow release of the economic system from other subsystems. In the pre-British period all occupations were considered as part of the supernaturally sanctioned and customarily operated functions of a social group called caste. During the 19th century, occupations are not treated as supernaturally clean or unclean, nor are they considered as a mere element embedded in the hereditarily functioning caste. The relationships between various economic activities were also not treated as a part of wider inter-caste relationships. Economy like polity, education and other activities also differentiates itself and acquires its own autonomy.
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