CHAPTER V
CURRENCY REGULATIONS AND MONETARY ECONOMY

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CHAPTER V
CURRENCY REGULATIONS AND MONETARY ECONOMY

In the administration of colonial finances, the monetary policy of the Imperial power for their dependencies has tremendous impact on the colonial economy. According to Rothermund, 'this impact has not yet been studied adequately.'\(^1\) The currency reforms of the East India Company affected the contemporary society in more ways than one. In what ways and to what extent did these measures influence or got influenced by the changing economic structure of the India have been discussed in the following pages. On the basis of an understanding of monetization level that emerged during the crucial period when these currency measures were undertaken by the East India Company, it has been argued that the aim of these regulations was to facilitate the colonization of Indian economy.

1. Monetization:

A. LEVEL OF MONETIZATION

The eighteenth century saw the spread of the money use in the Indian society. 'Wages were being paid in cash. Even small cultivators in many areas paid their taxes in cash, which they acquired by selling a portion of their crop.'\(^2\) Frank Perlin interprets the incidence of 'gimcrack coinages, privatization of mints and multiplication of both mints and coin types' that characterizes not only the eighteenth but also the early decades of the nineteenth century, in relation with 'the contemporary needs of a commercializing economy.'\(^3\)

Amongst various factors that substantially induced the growth of monetization levels in the society were the revenue collection and military expenditure. In addition, transition of certain areas like Bengal and Orissa from cowries to metallic currency was encouraged and facilitated by a series of regulations passed by the East India Company.

Among the chief causes contributory to the shift 'from kind economy to cash economy', Ambedkar gives the first place to 'the British system of revenue and

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\(^1\) Rothermund 1970: 91.


\(^3\) Perlin 2003: 57.
finance.¹ First of all, the British adopted a system where not only the land revenue, but also various other taxes such as customs, salt tax, *abkari*, *sayer duties* etc. were collected in cash. As territory after territory came under the Company, ‘first step taken was to substitute in place of rural militia of the feudatories a regularly constituted and a well disciplined army located at different military stations, paid in cash.’² The civil establishment was also extended to these new acquisitions, by appointing ‘a host of revenue collectors and magistrates with their extensive staff, all paid in current coin.’³

In addition, there were other charges such as ‘Home charges’ and ‘Interest Public Debt’, which were all realized on a cash basis. Thus, a cycle was formed which gave momentum to the monetization process.

The State, having undertaken to pay in cash, was compelled to realize all its taxes in cash, and as each citizen was bound to pay in cash, he in his turn stipulated to receive nothing but cash, so that the entire structure of the society underwent a complete transformation.⁴

**B. INTRODUCTION OF COPPER COINAGE IN EASTERN INDIA**

When the English Company assumed the *Diwani*, it discovered that Bengal and Orissa had no copper currency. In Bengal, cowries were used for small transactions, generally below a rupee, while in Orissa, cowries seem to have been unlimited legal tender.⁵ Much against the general belief that cowries were necessarily and universally used only for petty transactions, there are evidences to prove that in Orissa these were used even in large transactions.⁶ In these areas of non-metallic currencies, the metallic currency was gradually introduced. In Bengal a concrete step was taken when in 1780 when John Prinsep was contracted to supply copper coins for the province. Between 1780 and 1784, Prinsep, minted a large number of copper coins at his mint at Falta. However, ‘a general reluctance on the part of the people to accept this new copper coinage in lieu of their familiar and popular cowrie shell’ posed a

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¹ Ambedkar 1947: 27.
² Ibid.: 28.
³ Ibid.
⁴ Ibid.
⁶ Ibid.: 252-3.
great hindrance. Nevertheless, in order to exhaust the large stocks of this contract copper coinage, the Government of Bengal ‘established a practice of issuing one percent (of all its payments) in copper money. By replacing cowries, the Company also expected to save ‘the quantity of specie that was annually exported to the Maldives for [purchasing] cowries.’

Following the currency reforms initiated in 1793, a regular copper coinage was established in 1795 and ‘it was declared legal tender throughout all three provinces of lower Bengal. By Regulation XXV of 1817 the circulation of Calcutta copper coins was extended ‘to all areas under the presidency of Fort William. Thus in about twenty years, large areas under the Bengal Presidency saw the replacement of cowries with copper currency.

In Orissa too, attempts were made to introduce a copper coinage. On 8 May 1804, George Harcourt, First Commissioner in Cuttack apprised the Bengal Government about the ‘considerable inconvenience... experienced in the Province of Cuttack from the want of some current coin of small value.’ The Commissioner solicited the Government’s orders to issue ‘a copper coinage for the use of the Province of Cuttack’ and even submitted a sample of the proposed coinage, showing on the obverse ‘the figure of Juggernaut and on the reverse the value of the coin... in Persian and Oriah characters, together with the year of coinage.’

By Regulation XII of 1805 the East India Company declared that the cowries would no longer be received in payment of revenue at the government treasuries. A grace period of three years was fixed (till 1808) for the receipt of cowries in official payments and then it was to be replaced by the sicca rupees. It is interesting to note that in Orissa, the cowries were not replaced by copper coins, as was the case with Bengal, but by the silver rupee. In fact, Orissa did not adopt a copper currency till it was made a legal tender throughout the Bengal Presidency by Regulation XXV of 1817.

1 Pridmore 1975: 204.
2 NAI, Public, Letters to Court, 10 December 1784, para 69.
3 Ibid.
5 Ibid.
6 NAI, Financial Department, Mint Committee, Proceedings dated 10 May 1804, No. 2
7 Ibid.: paras 2 and 3.
C. Bullion Supply and (De)monetization in Western India

The bullion influx during the seventeenth century had resulted in the growth of the monetized market economy in western India. The expansion of Surat rupee as money of account during this period facilitated ‘internal trade throughout the subcontinent.’\(^1\) This growth pattern sustained a severe blow when international supply of silver bullion, both on western and eastern coasts of India touched its lowest ebb following the Company’s assumption of political power in Bengal. It did affect the process of monetization. Citing the case of Surat, Torri observes:

... in an economy at the stage of development prevailing in the eighteenth-century Surat, bullion was the indispensable fuel for the whole economic system, without it, any kind of trading and financial activity was bound to grind to a halt, or at least, to be severely hampered.\(^2\)

It may be argued that the import of bullion did not altogether stop on the western coast and Bombay and Surat’s trade with Persian Gulf and China regularly fed the bullion coffers of the region. But the question is did it lead to an overall demonetization?

Earlier, in his antithesis of monetization theory, Perlin had argued that ‘till the mid-19\(^{th}\) century... India’s integration into a colonial empire was marked by a broad-based process of under-development of which, deindustrialisation was a merely a part, and including, a process of relative de-monetization (emphasis added).\(^3\) The evidence of large scale import of copper and cowries in India during the sixteenth and seventeenth centuries were seen by Perlin as symptomatic of ‘the need of economies growing in size.’\(^4\) On the basis of ‘remarkable involvement in monetary relationship by humble people’ of Maharashtra villages during eighteenth century, Perlin argued that:

By contrast, in the 19\(^{th}\) century, after occupation by the English East India Company, the displacement of local elites from the countryside, the more ruthless and efficient exploitation of peasant populations and the large-scale export of taxed wealth, left Maharashtra’s villages suffering a relative demonetisation of local economy.\(^5\)

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1 Barendse 2002: 228.
2 Torri 1991: 376.
3 Perlin 1983: 27.
5 Ibid.
There are many flaws in Perlin’s hypothesis. The first and the most apparent is his generalization of ‘relative demonetization’ for the entire region on the sample test of Maharashtra villages. The money economy in different parts of India was characterized by different patterns of money use. Therefore, monetization in this context would mean a shift from barter trade to money use or even a shift from a non-metallic currency to a metallic currency, as we have seen in Orissa during the early decades of the nineteenth century. The extent of monetization of a society can be best judged from the output of coins from various mints. Several scholars who have worked on the quantity theory during sixteenth and seventeenth centuries have based their findings on the output of the Mughal mints.\(^1\) Later, Perlin himself contributed an excellent study on mint productivity of several mints in India, from sixteenth to nineteenth century.\(^2\)

**D. Mint Production and Monetization**

Any increase in the mint output can directly be linked with the proportionate increase in the money use, though the entire output may not find a place in circulation. In its diagnosis of currency situation of Bengal, the Mint Committee that was set up in 1792, pointed out that the Calcutta mint with its traditional minting techniques was unable to meet the currency demands, and as a result there was an inordinate delay in coining the bullion sent to the mint.\(^3\) The Mint Committee, therefore, recommended an enlargement of the mint establishment, and improvement in minting techniques in all the mints under the Company.

By this time the Industrial Revolution of 1750s had already revolutionized the mode of coin production in England. In 1778, Matthew Boulton established a modern mint at Soho, Birmingham, with steam-powered machinery. Boulton’s partner in this enterprise was none other than James Watt (1736-1819), the Scottish inventor and engineer whose improvements to the steam engine were fundamental to the changes wrought by the Industrial Revolution. The Soho mint undertook mass production of English copper pennies during 1797 (about 4,200 tons) and also undertook minting of copper coins for Madras and Bombay. This mode of production was cheap and had

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\(^3\) NAI, Public, Letters to Court, 3 September 1792, para 122.
minimum wastage of metal. The Soho mint was commissioned to install coining machinery for the Tower Mint, London and also at the Royal mints at Russia, Spain and Denmark and also for Mexico, before they were asked to construct modern minting machines for the Calcutta and Bombay mints, whose modernization took place during 1820s.¹

If we compare the output of two mints of Bengal, viz. Murshidabad and Calcutta, we will find that as against a daily output of 48,660 coins by Murshidabad mint in 1722, the daily output of the fully mechanized Calcutta mint stood at 3,08,000 in 1833.² Thus, with the increase of minting capacity, these mints were turned into 'factories for coin production' and greatly helped in elevating the monetization of Indian society. Or if we notice that the total value of gold coins in circulation in Bengal stood at 2.45 crores when its withdrawal was contemplated in 1796.³ This figure is interesting also because of the fact that the gold coins were declared legal tender only four years ago, in 1792. The argument that the gold coins constituted the 'elite currency' also stands invalidated as a considerable abatement in the demand for Quarter Muhrs was recorded in 1795. In his letter dated 17 February 1796 Thomas Myers, the Accountant General of the Bengal Presidency informed Sir John Shore, the Governor General of Bengal, that 'the quarter mohurs are in much greater request amongst the lower order of the people to whom advances are made by the agents of the Board of Trade....'⁴ The production of copper pice in 1796 stood at 22,000 to 26,000 pieces per day.⁵ This figure too is quite significant considering the fact that copper currency had only been introduced in 1795 and was still struggling to make inroads into a non-copper Bengal economy.

Such instances can be cited from other regions as well, which go on to prove that the incidences of 'relative demonetization' of India 'till the mid-19th century' can be best be a temporary and localized phenomenon, which can not be generalized to represent an increasingly monetized money-economy under the period of our review.

¹ Stagg 1930: 18.
² Perlin 1987: Tables 4.1.2 and 4.1.4 and 352 and 355.
³ NAI, Public, Letters from Court, 25 May 1798, para 25.
⁴ NAI, Financial Department, Mint Proceedings, 19 February 1796, No.1.
⁵ James Miller, Mint Master, Calcutta to Sir John Shore, Governor General of Bengal. Ibid.: 24 June 1796, No. 1.
Perlin seems to have agreed later.\(^1\)

The overall picture of the Indian economy in the nineteenth century presented a picture of high monetization, supported by extensive money supply in the form of:

i. Copper and silver coins openly coinable at the government mints;
ii. Gold mohurs of limited tender;
iii. Bank paper currency backed by metallic reserves;
iv. Bank deposits of the western type;
v. Indian credit instruments (the \textit{hundis}); and
vi. Credit created by Indian bankers and money-lenders.\(^2\)

2. \textbf{Fiscal System:}

The initial years of Company’s direct administration of Bengal’s finances were marked by ‘the abysmal failure of the new state to effect a viable system of currency administration.’\(^3\) In a monetized revenue regime the state of the currency played a crucial role, and therefore, it immediately seized the attention of the new diwans of the Eastern India.

A. \textbf{REVENUE}

When the East India Company acquired the \textit{Diwani} rights over Bengal, Bihar and Orissa in 1765, its revenue was estimated at over 30 million rupees.\(^4\) For the first seven years the revenue was collected through a system of Dual Government instituted by Robert Clive, wherein ‘native’ collectors, Mohammad Reza Khan for Bihar and Shitab Rai for Bengal, were appointed under European supervisors. Since land revenue was collected in silver specie, there was a seasonal surge in the demand of that currency. But after an initial increase in the revenue collections, it was soon realized that due to growing scarcity in Bengal, the collection of revenue was becoming increasingly difficult. On 21 November 1768, the Government of Bengal wrote to the Court of Directors:

You may be convinced that the value of your Territorial acquisitions has not been decreasing since the Collections are now greater than they ever have been since your Dewanee. But be assured the benefits expected from them must be of short duration whilst a scarcity of

\(^{1}\) Perlin 2003: 57.

\(^{2}\) Chaudhuri 1968b: 47.

\(^{3}\) Datta 2000: 350.

\(^{4}\) FWIHC, VI 1962: xxv.
Specie prevails as at present and is daily increasing (sic) you must expect unless the evil is speedily removed to collect your revenues in the commodities produced in the Country, without having a prospect of vending them at any rate, as the Merchants will be totally deprived of the means to purchase them.¹

A year later, import of silver specie was strongly recommended ‘as a certain mode of securing the future payment of the Revenues in silver.’ The Court of Directors was informed in no uncertain terms that the scarcity of silver specie might lead to demonetization of a portion of revenue collections in future:

...the Terror of a Scarcity of silver is by no means confined to this Presidency; and now we must inform you that the Ministers [the Naib Diwans] find the utmost difficulty in Collecting the Revenues; and this difficulty does not arise from any deficiency in the Harvests but from a real Scarcity of Current Coin; so that altho’ we may be able to collect the whole of this years Revenues in Specie, yet unless the Importation of Silver is soon and that too considerably increased, we may venture to assure you, that the day is not very distant, when part of the Revenues must of necessity be received in the Produce of the lands.²

After two unsuccessful attempts to establish bimetallism in 1766 and 1769, the currency reforms were initiated by Warren Hastings in 1771, by which batta on the sicca rupees of 1770 mintage (11 Sun) onwards was abolished. However, even this measure did not show the expected results. It was soon discovered that with sicca rupees of current and old mintage (11 Sun) being equalized, people preferred to pay their revenues in sicca rupees, which passed ‘at market very little more than sunaut rupees of full weight,’³ A less number of sicca rupees now fulfilled the revenue demands, for which in normal circumstances a greater number of sanwat rupees were required.⁴ This entailed a loss in Company’s net income from the revenue. In its letter dated 30 March 1774, the Court noted:

...the loss upon the revenue is alarming. The rents are ascertained in sicca rupees but the amount of the revenues, paid specifically in that coin, will be nearly 13 lakhs per annum less than if paid in sunaut rupees.⁵

¹ NAI, Public, Letters to Court, 21 November 1768, para 14.
² Ibid.: 25 September 1769, para 32.
³ NAI, Public, Letters from Court, 30 March 1774, para 47.
⁴ 100 newly minted Murshidabad Sicca rupees were equivalent to 116 Current Rupees (a money of account); after one year’s circulation their value came down to 113; and in the third year of circulation and thereafter their value was 111. FWIHC, VI 1960: 485; See also NAI, Public, Letters from Court, 30 March 1774, para 99.
⁵ NAI, Public, Letters from Court, 30 March 1774, para 48.
The Governor-General of Bengal chose to blame ‘the natural repugnancy inherent in the subject of any country to a material innovation in its current coinage’, for the continuance of the practice of batta.¹

The twenty years period, from 1772 to 1792, has been referred to as ‘a period of currency confusion and official bungling’.² The institution of Permanent Settlement for land revenue and the commencement of a series of currency regulations in Bengal on the same date show the importance of currency in a monetized revenue regime. It is, therefore, not surprising that after a third attempt to establish bimetallism was made in 1792, it was later incorporated in the ‘Cornwallis Code’ of 1793 to give it a legal status, which the earlier attempts of introducing bimetallism lacked. As a result, in 1795, it was noted that ‘the circulation of the Gold Coin [is] daily increasing, in consequence of its being received in Payment of Revenue throughout all the Collectorships…’.³ However, this situation changed once the import of bullion was resumed in about 1784. The share of gold in the revenues of Bengal steadily declined in the subsequent years as that of silver increased. During 1796-97 the share of gold as a percentage of Bengal’s revenue stood at about 74 per cent which fell to below ten percent by 1808-09. During the same period the share of silver rose from 25 percent to above 90 per cent.⁴

In the Madras presidency too, the introduction of the Ryotwari system in 1796 entirely changed the nature of land revenue from ‘warrum (share in the crop) into teerva (money tax)’.⁵ With the contraction of money supply during the first half of the nineteenth century the prices of agricultural produce showed a downward trend and as a result the peasantry suffered not only from the low income but also due to ‘the additional loss of Government’s share into money…’.⁶ Here too, as in the case of Bengal, monetization of the land revenue made the currency reforms inevitable. For the Company the maximization of land revenue was imperative to increase their

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¹ NAI, Public, Letters to Court, 20 November 1775, para 37.
³ Ibid.: 28 August 1795, para 29.
⁴ Datta 2000: 360, App. 2, Fig. 21,
⁵ Gupta and Ramachandran 1973: 84.
⁶ Sarada Raju 1941: 240.
profits.\(^1\)

**B. INVESTMENTS OF THE COMPANY**

The purchases made by the East India Company in India were called ‘investments.’ Initially, up to mid eighteenth century, the Company followed a system of advancing money to the merchants, called *dadani.*\(^2\) Under this system, the merchants were given advances ranging from 50 to 75 per cent of the total cost of the investments, a part of which used to be in cash and the rest in bills of debt. The full and final settlement of investments was done at the time of the delivery of goods.\(^3\) In lieu of this advance the *dadani* merchants undertook to supply the Company ‘a specific quantity of export commodities by a curtain date.\(^4\) During the first half of the eighteenth century, the most prominent *dadani* merchants in Bengal were Seths and Basaks of Sutanati and also Amichand (Omichand) of Calcutta. Around 1751-52 Company’s investment through *dadani* system in Bengal was around Rs. 3.36 lakhs.\(^5\)

Apart from *dadani,* the investments were also made through ready money. Here too, the *dadani* merchants appropriated to themselves the privilege of supplying the ready money goods, through their network of agents in different production centres throughout the Province.

In both the systems, the Company often found itself with little or no choice but to accept the price quoted by these merchants, because in most of the cases, producers and cultivators of these goods were indebted to the merchants. The Company, therefore, decided to abandon the system of indirect investment through *dadani* and ready money, and replaced it with a system in which *gomashtas* (brokers or paid agents) were appointed to make purchases under the direct supervision of the European servants of the Company.\(^6\)

The state of currency had a direct impact on Company’s investments in the

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\(^1\) Habib 1975: 26.
\(^2\) Sinha 1954: 25.
\(^3\) Chaudhury 1988: 75-6.
\(^4\) Ibid.: 75.
\(^5\) Ibid.
\(^6\) Ibid: 27. To facilitate Company’s investments in 1774, a Board of Trade was constituted at Calcutta, but soon corruption gripped the system of procuring investments through European and Indian contractors, and as a result ‘a steady decline in both the quality and quantity of homewards cargoes’ was noticed. *FWIHIC,* X 1972: 6.
new investment regime. Now the requirements of the cash were to be met directly by the Company rather than by the merchants. The effects of post-Plassey currency situation on Company’s investments in Bengal have been discussed by Mitra, who notes that ‘the acute scarcity of silver throughout the period and the consequent *batta* on gold *muhrs* adversely affected Company’s investment.’¹ This statement apparently stands in contrast with the known theories of Bengal’s ‘surplus revenue’ especially during the first three decades of Plassey which ‘not only provided for the Company’s “investment” but furnished also the sinews of the various wars which brought the greater part of India under British rule.’²

How the Company’s investments in Bengal suffered due to want of silver currency, can be judged from the following extracts from a letter that Verelst, the Governor of Bengal, wrote to the Court of Directors in 1768:

> The increasing scarcity of silver has been so fully set forth in the proceedings of the Council and Committee that nothing but the urgent Necessity of the Settlement could tempt me to remind you of it in this Letter. Gold is not current at the Aurangs and *we shall with difficulty be enabled to raise sufficient quantity of Silver for the Province of the ensuing Years investment* (emphasis added).³

By September 1769, the prospects of increased investments appeared to be dismal, and not even fifteen lacs, of rupees were available ‘in advance for the space of a Month’ in the Company’s treasury.⁴

Apart from the general scarcity of silver currency, another factor that affected the investments of the Company was the local circulation of different specie of Rupees. The fact remains that due to the prevalence of a numerous variety of silver currency in different parts of Bengal, any shortage of a particular specie in a district directly and immediately affected its investments in that district. Thus, we find the Resident at Lakhipur, where only Arcot Rupees were accepted by the artisans, writing to the Board of Trade in 1777 that the purchase of piece goods has almost come to a stop for want of a suitable currency.⁵ Such requests poured in from other quarters as well. In its letter dated 21 November 1777, the Government of Bengal informed the

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¹ Mitra 1991: 171.
² Sinha 1927: i.
³ NAI, Public, Letters to Court, 28 March 1768, para 55.
⁴ Ibid.: 25 September 1769, para 38.
Court:

We have received many Applications from the Board of Trade to make the advances for the Investment at particular Factories in Specific Coins stated in their letters and when we have not had such Coins in the Treasury they have desired us to purchase them in the Buzar for the Supply required. If we have been able to procure such Species as they are applied for without loss We have constantly supplied them but when a discount on the Exchange has been demanded which is most frequently the Case We thought it would be improper to comply with their request and have Ordered the Advances to be made them in Sicca Rupees or in such Coins as were actually in our possession leaving it to them if necessary to purchase others for their advances to the Manufacturers... 1

Thus, in spite of several currency reforms introduced in 1777, the circulation of the sicca rupee remained circumscribed and the specific silver currencies of different districts continued to dictate the investment needs of the Company. To reduce the mounting loss in the Commercial Department, the Court, on 23 December 1778, decided to book all loss on account of exchange of money in specific coin, in the Revenue Department. 2 Even this measure did not solve the problem of specific coins required for investments. Instead, it caused further inconvenience as the advances in Sicca and other available species of coin that were issued from the treasury had to be ‘transported through a country infested by dacoits’ and only through ‘a very dangerous navigation’ reached Dacca, where these were exchanged into Arcot or other desired specie. 3

None of these measures seem to have worked, for in 1784, we still find the Resident at Lakhipur demanding speedy and timely supply of ‘usable’ currency which was ‘the essential pre-requisite for requiring the full quota of the ‘investments.’ 4 The attempt of the Company to introduce the Sicca Rupee in Lakhipur and other such areas dotted with circulation of a specific currency were thwarted by stiff resistance, unwillingness and a popular prejudice against any other specie of coin. As a result, in order to finance its investments in different districts, the Company was forced to take help of the money changers, and sustained a considerable loss in the process. Thus, during 1786-87, when ‘the Court of Directors were expecting an investment of at least

1 NAI, Public, Letters to Court, 21 November 1777, para 12.
2 NAI, Public, Letters from Court, 23 December 1778, para 147.
3 Ibid.
Rs.94 lakhs, investment of only Rs.66 lakhs could be made.  

Even Cornwallis’ plan for establishing a General Bank in India was aimed at securing ‘assistance of ready money’ for investment.  

The preamble of the Regulation XXXV of 1793 sums up the prevailing currency situation in Bengal, but as we have seen that even after officially establishing the 19 Sun Sicca as the sole legal tender silver currency of Bengal in 1793, it could not supplant the regional circulation of specific currencies in Bengal. In places like Dacca and Chittagong, Arcot Rupees continued to remain a popular circulating medium till as late as in 1825.  

However, other currency reforms undertaken by the Company in Bengal since 1793 did help it in reducing the pressure on investments due to scarcity of silver specie. One such measure was the re-introduction of bimetallism in 1792, which was formally established by Regulation XXX of 1793, by which gold coin was declared legal tender for all government payments at the rate of 16 Sicca Rupees for one Gold muhr. To aid the circulation of gold coins for smaller payments, coinage of half and quarter muhrs was also authorized. In 1795 the Government declared that ‘in the Salt and Commercial Departments, all payments under four Rupees, and fractional parts of larger payments, as are too small to be made in gold, be issued in silver.’  

All other payments were to be made ‘in gold and silver indifferently, excepting in the month of April, May and June, when... payments are to be made half in silver and half in gold.’ The Collectors of districts were also empowered to buy a stock of silver to keep the commercial residents in full supply.  

All these measures were intended to extend the circulation of gold coins in the interior parts of the Bengal Presidency, where aurangs were located. However, it gave birth to a fraudulent practice, which is recorded in Bengal Government’s Letter to Court, dated 2 November 1795:  

... individuals who received large payments in it (gold coin) from the Treasury, and had occasion to employ the money in the interior parts

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2 NAI, Public, Letters to Court, 11 January 1781.  
3 Ibid.: 28 August 1795, para 29.  
4 Ibid.  
5 Ibid.
of the country, were obliged to sell the money to the Shroffs for silver, or what was the same in effect, to take bills from them for Rupees payable in the Districts... the Gold was returned to the treasury at par, by the operations of the Shroffs...

As a result, a loss 'from $2\frac{1}{2}$ to 6 or 7 per cent, varying in proportion to the demand for silver was sustained 'therefore operating as a tax upon the Company, upon individual's and upon the industry and commerce of the country.'

Apart from the monetary factors, the investments of the Company were also influenced by the political developments. For example, in 1804-05, the total allocation in investments was reduced from 105 lakh to a mere 60 lakh rupees due to the war with Holker in India and with Napoleon in Europe.

3. **Prices:**

Prices and price movements of the commodities of mass consumption have always been vital for all sections of the society. In the pre-modern economy, apart from the monetary factors, the price fluctuations were usually caused by local non-monetary factors such as the scarcity of food supply, draughts, famines and disruption in means of transport. However, the British rule entailed a close connection of the local price movement with the rest of the world and with Europe in particular. As a result, the course of prices now also came to be determined by the conditions outside India, which had a direct bearing on the quantum of money available for monetary use.

Irvin Fisher has theorized the effects of the quantum of money on its purchasing power. According to him the quantum of money ($M$) and deposits ($M'$), their velocity ($V$), the volume of trade ($Q$'s) and the price ($p$) – all these five elements of a monetary economy are related to each other. Thus, an increase in the quantity of money ($M$) tends to increase deposits ($M'$) proportionally, and the increase in these two ($M$ and $M'$), tends to increase prices proportionally. Similarly, an increase in deposits ($M'$) or velocities ($V$), compared with money tends likewise to displace coin,

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1 NAI, Public, Letters to Court, 2 November 1795, para 106.
2 NAI, Public, Letters from Court, 25 May 1798, para 25.
4 Fisher 1911: Chapter VIII - Influence of Quantity of Money and other Factors on Purchasing Power and on each other. For an interpretation of the 'Fisher equation', see Haider 1999: 318-19. See also Habib in Raychaudhuri and Habib 1982: Chapter XII - The Monetary System and Prices, 365-66.
and to raise prices. An increase in the volume of trade \((Q')s\), likewise, tends not only to decrease prices \((p)\), but also to increase velocities \((V)\), and deposits \((M)\), relatively to money and through them to neutralize partly or wholly the said decrease in prices \((p)\).1

From this basic theoretic plane we can attempt to study the impact of the currency measures on the general price structures in the presidencies of Bengal and Madras, where the East India Company was directly involved with revenue administration and thus, with the agricultural mode of production.

A. CURRENCY MEASURES AND INFLATION/ DEFLATION

We have noticed that after the Company assumed the Diwani rights in Bengal, there was a general scarcity of silver currency. According to Irfan Habib, the impact of the scarcity silver currency can also be studied from the depression of prices of the food grains - a commodity of mass consumption - 'not only in Bengal but in other parts of India as well.'2

In Bengal, the price movement of the food grains during the period 1757-92 was very volatile, the chief reason of which was recurrent famines.3 Thus, during the famine of 1769-70, the price of rice which sold at the rate of 10 to 20 sers a rupee at Murshidabad, shot up to 3 sers per rupee in July 1770.4 The failed crops in 1777 and 1779 likewise resulted in exceptional rise in the prices. In 1787-88 a serious famine followed by inundation disrupted the normal life in the whole of Eastern Bengal.5 As a result, in Rangpur, 'rice which sold at three to four maunds a rupee before famine, sold at only one maund per rupee in June, 1789 and in July, it sold at 30 seers a rupee and in September sold at 23 to 25 seers a rupee.'6

There were no major famines in Bengal from 1790s onwards till the close of our study.7 For the period between 1792-93 and 1822-23, Mitra has analysed the data about the price of rice in different districts of the Bengal presidency, which reveals

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1 Fisher 1911: Chapter VIII.
2 Habib 1987: 36.
3 For prices of certain agricultural products in Bengal during 1740-65, see Datta 1931.
5 Ibid.
6 Ibid.
that during this period the price of rice rose nearly everywhere, though this increase was not uniform in all places. According to Mitra’s analysis the prices rose despite scarcity of rupees in circulation, at least in some periods during the period under review [1792/93 – 1822/23]. This, Mitra points out, was due to the fact that during this period, the demand for rice was greater owing to rise in population and because the new lands were not brought under cultivation.

However, in our study we have seen that the currency crisis of Bengal started improving after 1792 when bimetallism was re-introduced for the third time. The gradual extension of gold currency coupled with the resumed inflow of bullion through imports had certainly eased the pressure on the currency of Bengal. Since the benefits of these currency reforms were at least initially where confined to Calcutta and its immediate neighbourhood, we may as well compare the prices of rice at Calcutta. During 1793-94 and 1798-99 the price of coarse rice at Calcutta remained fixated at 36 ser per rupee. Other documented articles such as oil, ghee and gur too, either showed a remarkable stasis or even a downward trend during the period 1793-94 to 1812-13. Thus, in the case of Calcutta a direct connection can be seen between the currency reforms and the stability of the prices. However, certain non-monetary factors such as static cultivation area vis-à-vis rise in consumption due to increase in population must have caused price rise in the districts as revealed in Mitra’s analysis.

A similar analysis of price movements of rice in different districts of the Madras Presidency during the first half of the nineteen century is available to us in a remarkable study by Sarada Raju, where he has listed four varieties of rice, viz. Paddy (1st sort), Paddy (2nd sort), Ragi and Cholam, and computed their prices in rupees per Madras Garce (= 3,200 measures). Between the period 1801-02 and 1834-35, for which prices are included in the said analysis, 1806-07, 1812-13, 1824-25, 1825-26, and 1833-34 were famine years in the Madras presidency. Taking 1801-02 to 1810-11 as the base year for the Index number, Sarada Raju has demonstrated that after the famine of 1807, the prices were persistently low and rose above the base only during

1 Mitra 1991: Table 1 – the price of rice at the several Residencies from 1792-93 to 1822-23, per maund of 80 sicca weight, 222-3.
2 Ibid. : 224
3 Ibid.
5 Sarada Raju, 1941.
the subsequent famine years. He has noted that, 'up to the close of the eighteen century and for some years later, the exports of piecegoods and spices insured a steady supply of money. Thus, large payments by way of investments directly entered into circulation and tended to keep the prices high. However, with the decline of the textile trade from the early years of the nineteenth century, these large investments were discontinued and there was a great reduction in the circulating medium. During the same period a great confusion prevailed in the currencies of the Madras presidency, which was grappling with the choice between the pagoda standard and the rupee standard and was in the transition phase from a gold standard to silver standard. The silver standard was finally adopted in Madras in 1818, but still the number of silver coins remained in short supply, and as a result general prices – if we accept the price of rice as a test sample – remained low.

Another factor responsible for the deflationary trends in the Madras presidency 'was the increasing issue of Bills by the Court of Directors for payments due to the presidency.' According to Sarada Raju, 'before 1819-20 these bills were negligible but they assumed very large proportions during the third and the fourth decade of the nineteenth century... the value of Bills drawn on Madras rose from Rs.9,427 in 1819 to Rs.2,66,412 in 1835-36.' The rates of these bills were deliberately fixed below the bullion rate of remittances, and as a result it prevented the import of bullion not only from England but also from the countries with which England has an adverse balance of trade. This arrangement caused a great diminution of bullion imports into Madras and resulted in contraction of currency in circulation.

Reporting in 1813, the Board of Revenue attributed the fall of prices to the withdrawal of currency from the Madras presidency for 'meeting public demands as well as in other parts of Asia, as in Europe, while the supplies which had been customarily derived by means of importation had not... been continued of late to any considerable extent.' Later, in another report, the Board warned the government

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1 Ibid.: Table – Prices in Rupees per Madras Garce, 228-29, Graph, 230; 232.
2 Ibid.: 223.
3 Ibid.: 234.
5 Ibid.: 235.
6 Board of Trade, General Report, Vol. 18, 163, quoted in Ibid.: 237.
about the evil effects of the contraction of money supply on the prices:

If in this way the currency of India should be diminished in quantity, the money prices of agricultural produce must in consequence be lower than they otherwise would be, and the Board see no reason to feel assured that the fall may not be in such degree and permanency as to render it a matter of very serious importance (emphasis added). \(^1\)

A third example of the prices of an agricultural product of mass consumption can be drawn from Delhi. Here we have a list of prices of wheat for 72 years (1763-1835). \(^2\) Jevons made this list the very key-stone of his theory of commercial crisis, which in the case of Delhi occurred in the years 1763, 1772-73, 1783, 1804, and, after a gap of about twenty years, in 1825-26 and again in 1836. This, according to Jevons' theory, 'fell into a regular series of decennial cycles' of price escalation. \(^3\) Now if we analyse these prices in the perspective of the monetary history of Delhi, we notice that from the time Delhi came into the hands of the Company (1803) till 1818, the local circulating medium was not disturbed by it. The Delhi (or Shahjahanabad) mint continued with the striking of silver rupees in the name of the Mughal emperor. However, in 1818, the Delhi mint was abolished and the Farrukhabad rupee was established as the currency of Delhi. \(^4\) The price of wheat, which was Rs.38 for 1,000 sers in 1818 rose to Rs.42 in 1819 and Rs.46 in 1820. Thereafter, except for the crisis years of 1825 and 1826 when the prices of wheat were recorded as Rs.39 and Rs.48 respectively, the average price up to 1835 remained around Rs.30 per 1,000 sers. Once again these deflationary trends could be partly attributed to the slow penetration of the Farrukhabad rupee into the money market of Delhi after the abolition of the Delhi mint in 1818.

Irfan Habib ascribes some credit for the stability of prices to the decline in the world production of silver, which fell from an annual peak of 28.7 million oz. in 1801-10 to 14.8 million oz. in 1821-31, and 19.2 million oz. in 1831-40. \(^5\) Thus,

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\(^1\) Ibid.: Vols. 46-49, 156, quoted in Sarada Raju 1941: 237.

\(^2\) The original work containing these prices was a paper by the Rev. Robert Everest ('On the Famines that have devastated India and the probability of their being periodical', *Journal of the Statistical Society of London*, Vol. 6 (1843), 246-48). This list of prices of wheat (ser per rupee) was reworked by the famous British economist, Professor W. Stanley Jevons, who, in 1878, calculated it per rupees per 1,000 sers. The full table and Prof. Jevon's letter has been reproduced in Roy 1972.

\(^3\) Roy 1972: 92.


\(^5\) Habib 1987: 38.
reduced production led to overall contraction of silver currencies forcing the prices down. For the agricultural classes a fall in prices occasioned great distress and hardships, since their income dwindled remarkably, while their expenses and other charges remained undiminished. This, in turn, resulted in decline of government revenue in the Madras presidency, which fell from Rs.4,16,40,810 to Rs.3,79,19,310 in 1819-20. Whereas in the Mahalwari areas in Northern India, the rural population suffered miserably because ‘the land revenue collections went on increasing while prices remained stable or even declined.’

Thus, the course of prices during the period of our review was greatly influenced by the changing currency policies of the colonial government, and due to a general deflationary tendency adversely affected the agricultural economy of the country.

B. CURRENCY CIRCULATION AND DISCOUNT

In the economy that was marked by multiplicity of coinage, the exchange rates played an important role in facilitating circulation and increasing velocity of money. Rajat Datta has discussed the problem of disappearance of bullion from Bengal market after 1765 and on the basis of the monthly rates of batta on Arcot rupees in the bazaars of Dhaka between 1769 and 1773. According to him for the 38 documented months between 1769 and 1773, the batta on sicca rupees averaged 7.06 percent and for 35 documented months for the same period it was 3.2 per cent on sanwat rupees. Contrasting these rates with those charged on sicca rupees ‘during the silver ‘crises’ of 1729’, when it was as high as 12.5 per cent, Datta questions the notions on ‘a great scarcity of silver and silver currency.’ Other historians like Om Prakash seem to agree with his analysis and ‘strongly discount the likelihood of any serious shortage of money being there in the region at this time.’ Datta utilized the data of the monthly rate of batta on Arcot rupees to prove his theorem that fluctuations in the rate of batta indicate the variation in the quantities of bullion in circulation in the

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1 Sarada Raju 1941: 340.
2 Ibid.: 341.
3 Habib 1987: 38.
5 Ibid.: 348-50.
6 Om Prakash 2002: 11.
In the absence of any specification of the specie of rupee intended by the generic use of the term ‘sicca’ by Datta, we are only left to conjecture that he has used this term denote the two varieties of the same specie of silver rupee, viz., the Arcot Sicca and Arcot sanwat. In this connection, we have another contemporary evidence which allows us to compare the rates of batta on different species of silver rupees that was prevalent in Calcutta, during 1768.

... the established Battas are as follows:

<table>
<thead>
<tr>
<th>Viz.</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9 Sun Siccas, being the coin struck in that year</td>
<td>16 per Cent.</td>
<td></td>
</tr>
<tr>
<td>8 Suns, the coin of the preceding year</td>
<td>13 per Cent</td>
<td></td>
</tr>
<tr>
<td>Sunats, being the third year in circulation, are</td>
<td>11 per Cent.</td>
<td></td>
</tr>
<tr>
<td>Arcots, are</td>
<td>8 per Cent.</td>
<td></td>
</tr>
</tbody>
</table>

Verelst quoted these rates to demonstrate ‘the extraordinary discount on the gold mohurs of 1766’, where a ‘deviation from these numbers express the rise and fall of Batta.’ However, taking these numbers as indicative of their relative value, we can test the relationship between the sicca and sanwat rupees on the one hand and 9 sun Sicca and Arcot rupee on the other. It is thus evident from the above rates that coins of the current year passed at full rate of 16 annas per rupee; one year old coins lost 3 annas (or 18.75 per cent) of their value and were good for only 13 annas (or 87.75 percent) of the sicca rate; the sanwat ruppes 5 annas (or 31.25 per cent) of their value as compared to the sicca rupees and and their value dropped to 11 anna (or 68.75 per cent). The Arcot rupee, on the other hand, equalled to only 50 percent as compared to the sicca rupee of 16 anna in Bengal.

It needs to be remembered that Arcot Rupees were the chief circulating medium in Dhaka and Chittagong region, and the Company’s mints at Chintadripet and Madras had been supplying this specie of coin for circulation in this region since 1742. Apart from the Company’s mints, the Arcot rupee was also minted by the Nawab of Arcot and by the Dutch and the French East India Companies until 1825. In fact the table included in Regulation XXXV of 1793 lists as many as many as 14 different types of Arcot Rupees circulating in the Bengal Presidency. Since the principal currency in South India consisted of gold pagoda and silver fanams, the rupees minted by the Nawab of Arcot as well as the English and French Companies,

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2 Fort William Consultations, dated 17 June 1769, quoted in Verelst 1772: 245.
3 Verelst 1772: 245.
4 Sinha 1927: 113-4, fn 8.
were pumped into Bengal trade. Looking at the popularity of the Arcot Rupees in Bengal trade in 1761 its minting was started in the Calcutta mint and ‘from 1761 until the introduction of the 19-San sicca in May 1777, the greater part of the output of the Calcutta mint consisted of the Arkat silver rupees.’ The circulation of this ‘foreign’ coin in Bengal had prompted the Court of Directors to ask the Government of Bengal to explain as to why ‘Arcot Rupees should be the only currency in several parts of the Province’ and whether they ‘cannot by degrees establish the Currency’ of the Sicca Rupees. However, the Arcot rupees continued to dominate the money market in these regions of Bengal Presidency.

So much so that the returns of the Calcutta mint for the year 1775, show that the total value of Arcot coinage coined in that mint was Rs. 47,28,253.8.9 as compared to Rs. 270.3.6 for the sicca coinage. An earlier report of 1774, mentions that the rate of coining Arcot rupees in the Calcutta mint was 25,000 a working day. Therefore, the adequacy or sufficiency of Arcot rupees which led to lowering in the rate of batta on Arcot sicca and sonaut rupees in the markets of Dhaka between 1769 and 1773 to an average of 7.06 per cent for sicca rupees and 3.2 per cent for sonaut rupees can not be used as an evidence for the type of generalization as had been made by Datta and Om Prakash that post-1765 silver crisis was due to ‘temporary disruption in Bengal’s money market’ … and do not reflect an absolute reduction or shortage of currency.

The fact remains that whether it was due to ‘the gap between financial requirements (of the Company) and the revenue surplus of Bengal’ or due to cessation of bullion imports from Europe or due to the demands of an expanding money market, there was a shortage of silver currency in Bengal at least for about twenty years between 1765 and 1784, and this contraction of currency supply adversely impacted the discount rates for various sorts of coins circulating in different regions.

2 NAI, Public, Letters from Court, 20 November 1767, para 125.
3 Ibid.: 194.
4. **Credit and Banking:**

A. **Credit System: Indian and Colonial**

The elaborate credit network that indigenously developed in India supported a monetized system of exchange 'by allowing claims to money to be used for making payments and settling obligations.'\(^1\) The most popular Indian credit instrument was the *hundi.*\(^2\) It not only facilitated transfer of money between places as distant as Calcutta and Bombay or Benares and Nasik, but also served as an 'important source of banking capital.'\(^3\) The English Company, like their many other European competitors in India, made extensive use of *hundis* for cash remittances. During the period between 1757 and 1797, during which the scarcity of silver specie remained a cause of concern for the East India Company, the inter-presidency as well as intra-presidency remittances were largely carried out through *hundis.* Thus, for remittances of funds and proceeds and profits of trade, *hundis* were the most central and characteristic instrument of Indian banking system.\(^4\)

During the period of our review, the traditional system of credit was challenged not only by the entry of European players but also by the Company's repressive action. The agency houses as well as European private merchants not only carried out trade and financed manufacturers but also made inroads into banking and credit networks. In 1790, for example, there were fifteen agency houses in Calcutta alone, which ran three banks and four insurance companies at Calcutta and speculated in public securities. As a result, though the *hundi*-based credit network of Indian merchant-bankers lost some of its turf to the new players, the credit instrument itself was able to sustain the challenge.

The Company too came in direct clash with the *sarrafs* on a number of occasions. There are numerous instances which attest to the growing discordance between the Company and the indigenous bankers during the period of our review. Lakshmi Subramanian and Michelangelo Torri list many incidents that took place in the western India especially from 1760s onwards, where questions of raising the standard of the rupee, exchange rate between Surat Rupee and rupees of other

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\(^1\) Haider 2002: 58.


\(^3\) Haider 2002: 67.

\(^4\) Cooke 1863: 82-3.
mintage, rate of *batta* on old coins etc. widened the chasm between the two.\(^1\) However, in spite of Company’s efforts to bring these indigenous *sarrafs* and bankers under their control, ‘their control over credit remained unimpaired.\(^2\)

In their bid to extend their control over the financial and credit transactions, in Bengal, the Company imposed heavy restrictions in 1814, when elaborate Stamp Duty rules were passed (Regulation I of 1814). This Regulation prescribed that after 1 May 1814, ‘every bond, promissory note, bill of exchange, letter of credit, or other obligation for payment of money, every receipt or acquaintance... every deed of gift, sale, devise, or other transfer of property, real or personal, every lease, deed of mortgage, or other limited assignment of land; every deed of contract, partnership agreement, security, or engagement... shall be written on paper... impressed with the government stamp.’ (Sec. XI).

However, *hundis* then, as they are till this date, operated not on any legal obligation but on trust. The *hundis* did not bear any seal of signatures, or even has an envelope, and yet they enjoyed universal acceptance throughout the country. Dishonouring of *hundis* was rare and was seen as a sign of loss of credit of its drawer. Thus, *hundis* continued to play a major role in Indian money market not only in the private but also in official transactions. So much so that during the twentieth century, a number of Indian princely states, the British Government and the Government of independent India adopted *hundis* as an ‘official’ credit instrument (see Fig. below), though these are still not covered in the Negotiable Instruments Act, 1881.

Speaking at the Institute of Bankers, London in May 1881, Sir Richard Temple had this to say about the popularity and extensive circulation enjoyed by the *hundis*:

> These *hundys*, I assure you, circulate from one end of India to the other, that is, from the Himalayas down to Ceylon, and some Native merchants can give you a draft upon any place in the world, upon Constantinople, upon the Levant, upon London, and now, I almost regret to say, upon New York, and they have long been able to do so upon San Francisco. Of course, the total amount of these *hundys* depends upon the internal trade, the value of which... cannot be exactly estimated; but if I were to say that an amount of from fifty to an hundred million sterling worth of these *hundys* must be in


circulation in India at one time, I should hardly be guilty of any exaggeration.¹

The hundis thus served as a vital organ of the money market and played a crucial role in increasing the velocity of money and also in expansion of money supply, both being the lifeline of a growing economy.

The growing pressure on Company’s revenues due to increased exports, military expenses, remittances to the Madras and Bombay Presidencies, and to China and Manila, as well as to England on account of ‘Home Charges’ on one hand and scarcity of silver currency in Bengal during the decade following the grant of Diwani on the other forced the Company to adopt an elaborate network of European credit instruments and to introduce a public debt system in India.

Thus we find extensive use of Bills of Exchange – the colonial cousin of the indigenous hundi, which were issued to Indian as well as English traders against receipts in specie. This system soon became a convenient mode of raising capital at the presidencies to which the surplus revenue of Bengal was otherwise pledged. For example, to obviate the need for remittances in specie or bullion, the Bombay and

¹ Temple 1883: 301.
Madras presidencies were authorized to ‘enter into engagements with Native shroffs or British Agency Houses, who would pay regular monthly sums at the treasury and receive bills at a favourable rate of exchange on Benares or Calcutta, i.e. wherever they liked to transfer their money.'\(^1\) Similarly, if the merchants of Bengal ‘desired to get back returns of trade or military contract from Bombay and Madras safely, they would pay the returns at the Bombay and Madras treasuries for bills on Benares or Calcutta.'\(^2\)

These bills of exchange were also issued to English and other European private traders against cash receipts in Indian currencies, and were payable in London and other European capitals. By this measure substantial quantities of rupee receipts were obtained locally by the Company. It has been estimated that between 1757 and 1784, the value of the bills of exchange issued by the East India Company on its headquarters in London, including those drawn at Canton, amounted to nearly £11.8 million.\(^3\)

The drawing of the bill of exchange on London was regulated by the Court of Directors in 1774 and the rates of exchange of various currencies were fixed as follows\(^4\):

<table>
<thead>
<tr>
<th>Presidencies</th>
<th>Denominations</th>
<th>Exchange Rate in 1774</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengal</td>
<td>Current Rupee</td>
<td>2s 1d.</td>
</tr>
<tr>
<td>Madras</td>
<td>Star Pagoda</td>
<td>7s 4d.</td>
</tr>
<tr>
<td>Bombay</td>
<td>Bombay Rupee</td>
<td>2s. 3d.</td>
</tr>
</tbody>
</table>

By this rate the internal exchange rates of the three currencies were fixed as 100 star pagoda = 350 Bengal CR and 108 Bengal CR = 100 Bombay Rupees.\(^5\)

The bills of exchange gradually became a most popular and trusted means of intra-presidency remittances of Company’s financial resources. In 1788, for example, we find the Governor-General of Bengal informing the Court that they have ‘engaged a Remittances of Bills to Bombay for three lacs of Sicca Rupees, and advertised for

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\(^1\) *FWIH*, XI 1974: 18.

\(^2\) Ibid.

\(^3\) Om Prakash 2000: 11.

\(^4\) NAI, Public, Letters from Court, 23 December 1774, para 30.

\(^5\) NAI, Public, Letters to Court, 3 July 1786, para 11.
proposals to remit a further sum to that Presidency.\textsuperscript{1}

The bills of exchange drawn by the Presidencies of Madras and Bombay on Bengal Presidency, thereby securing locally the supply of the circulating medium was not always advantageous to the Company, for the rates of interests for such bills were usually high. In their letter to the Bengal Government in 1790, the Court expressed its concern over ‘the loss arising from money being taken up there [Madras] for Bills on your Presidency at a disadvantageous rate of exchange.’\textsuperscript{2}

In 1827 certain Banks started issuing Post Bills. These were Inland Promissory notes issued by the bank on a distant place, the holder of which would be paid on acceptance after a specified number of days (seven days’ sight or thirty days’ sight) and were similar to \textit{muddati hundis}. These bills had a much smaller currency limit than bank notes, mainly because the government refused to authorise their receipt in payment of public dues. They were mainly used by European businessmen for purposes of internal remittances.

A question may be asked as to what extent the bills of exchange displaced the indigenous credit instrument, \textit{viz.} the \textit{hundi}, for long distance remittances within India. A direct answer to this question is elusive considering the fact that no quantification of monetary transactions through credit instrument is available for this period. However, through some evidences, trends can be ascertained. The fact remains that despite extensive usage of the bills of exchange by the Company during the last quarter of the eighteenth century the role of indigenous banking houses in large value remittances could not be wished away by the Company. In 1790s the remittances from Bengal to Bombay, amounting to Rs.3 lakh per month, was affected through the House of Bhawani Das Manohar Das of Benares.\textsuperscript{3} In 1795 Khushal Chand, a \textit{gumashta} of another banker family of Benares – Gopal Das Harkishan Das – proposed to the Bengal government to advance Rs.36 lakh rupees at Bombay by instalments of Rs.3 lakhs per month on the condition that for every 96 rupees paid at Bombay, the firm should receive 100 sicca rupees at Benares after 51 days.\textsuperscript{4} The loss through this mode of remittance was a cause of concern to the Company and we find the Court’s instructions to the Bengal Government to explore some alternative mode

\textsuperscript{1} Ibid.: 22 December 1788.
\textsuperscript{2} NAI, Public, Letters from Court, 15 December 1790, para 51.
\textsuperscript{3} Ibid.: 4 August 1791, para 76.
\textsuperscript{4} NAI, Foreign Department, Persian Branch, OR No. 228, dated July 1795.
of remittance to Bombay. In their letter dated 8 February 1792, the Directors wrote:

The Company are liable to considerable loss by remittances made through Benares, we direct that you endeavour to devise some more eligible mode of effecting these remittances from the next season.¹

The Bengal Government also remitted funds to Bombay by drawing bills on prominent sarrafs. Those who redeemed these bills despatched by the Fort William Council were Surat-based ‘Arjunji Nathji Tarvady, Atmaram Jagjeevandas, Tapidas Laldas, Goculdas Brandavandas, Maya Shankar and Atmaram Bhucandas.² These sarrafs accepted the Bengal bills at Surat and then conveyed the amount pledged therein to Bombay through ‘hundis drawn on their agents in the island city.³ Thus, in spite of prevalence of bills of exchange for transfer of government money, the hundis were integrated into the new credit network.

With the increase in the expenditure, the Company, in 1783, decided to seek additional resource by raising money on loan from the public. Under this scheme the Company issued Promissory Notes (bonds or certificates) bearing fixed rates of annual interest. These Notes were to mature after a specified period but were tradable at discount, even before their maturity, something sort of a modern day debenture. Another type of credit instrument was the Remittance bond, primarily meant for the Company's servants who wanted to transfer their incomes home. These Remittance bonds bore interest at half the rate of a common loan and were repayable in a term of no less than five years. These Remittance bonds are precursors to the modern day traveller's cheques. About the two loans floated by the Government of Bengal, the Court of Directors were informed;

The first loan received upon common interest notes at 8 per cent per annum was certainly the most simple, but the others were intended to be more beneficial to the Company at the same time that they tended to accommodate particular individuals who otherwise would not have subscribed to them. The 4 per cent remittance loan produced on immediate supply repayable in a term of no less than five years, with an interest of only half the rate of the common loan, and in fact was not to be an additional burthen [sic.] upon your treasury in England.⁴

The scheme of Promissory Notes was quite successful and in 1793,

¹ NAI, Public, Letters from Court, 8 February 1792, para 10.
² Subramanian 1987: 490.
³ Ibid.
⁴ NAI, Public, Letters to Court, 5 April 1783, para 38.
encouraged by a steady rise in the sale of these notes, the Company decided to slash the interest by two per cent and offer the new notes to public at 6 per cent interest.¹

B. BANKING: INDIGENOUS AND EUROPEAN

a. Indigenous Banking:

The terms indigenous banking, indigenous bankers or indigenous banks are generally used to denote 'all kinds of private bankers, moneylenders, banking or money lending firms, with the distinction that of the "banker", individual or private firm, in addition to making loans, received deposits and dealt in hundis... while the "moneylender", also an individual or private firm, made only loans, and did not usually receive deposits or deal in hundis.'²

Ever since the commencement of their commercial activities in India, all of the European trading Companies, depended on the highly developed indigenous money and credit network of India, for their requirements of cash, money-transfer, short-term loans and conversion of bullion into coins. All these functions were performed by the sarrafs, who served not only as money changers, but also as full­fledged bankers by discounting hundis, accepting deposits and lending money.³ After establishing themselves as revenue collectors, first in Bengal and later in other parts of India, the East India Company utilized the services of these indigenous bankers for their multifarious financial requirements, the chief of which being the transfer of revenue from the moffusil towns to their headquarters, and also for intra-presidency remittances.

But slowly the power wielded by the Indian bankers began to wane and they went through a complex and gradual process of redeployment.⁴ By 1820s a treasury system was established by the East India Company and as a result 'Indian merchants were not needed as guarantors, and district treasury bills had begun to replace the hundi as the basic instrument of official transaction.'⁵

This change was fast and sudden in some places as in Bengal Presidency as well as slow and gradual as in various pockets of western India and in the Madras

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¹ Ibid.: 12 August 1793, para 118.
² Tandon 1989: 50; see also Haider 2002: 59.
³ Moosvi 1999: 75.
⁵ Bayly 1983: 299.
Presidency. In both the cases a direct connection can be seen between the monetary integration, stabilization and standardization of the currency established by the East India Company on the one hand and the decline of Indian merchant-bankers on the other.

(i) The Company, Sarrafs and Minting: Bengal

The formulators of the colonial currency policy were always sceptical about the enormous powers wielded by the sarrafs of India. James Steuart considered them as ‘parasites whose activities in weighing, measuring and assaying slowed the velocity of circulation’ and his remedy for ailing currency of Bengal was aimed at saving the wealth of the country from being ‘swallowed up’ by these sarrafs.\(^1\) The relations of the sarrafs of Bengal with the East India Company have been studied by Mitra, who argues that the tension started between the two, ‘mainly over batta on Madras coin.\(^2\) It may be noted that as the English did not have minting rights in Bengal until 1717, they had to finance their investments by importing silver coins from Madras and Surat.\(^3\) Even though the Company was able to obtain a Farman from the Mughal emperor Farrukhsiyar permitting them to use the Murshidabad mint to coin their bullion on payment of customary charges, they were unable to implement this arrangement due to strong opposition by Murshid Quli Khan.\(^4\) Mitra observes that the English Company could not use the mint (at Murshidabad) primarily because of the influence of Jagat Seth Fateh Chand\(^5\), whom Robert Orme described as ‘the greatest shroff and banker in the known world.\(^6\) The Jagat Seths enjoyed a very cordial relationship with the Nawab of Murshidabad, which, according to K.N. Chaudhuri, ‘stemmed from the mutual advantage they gained from the maintenance of a quasi-monopoly of currency... (emphasis added)\(^7\). The House of Jagat Seths commanded the bullion market to the extent that no purchaser could dare to offer a price higher than that offered by them. They fixed the rates of exchange of various

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\(^1\) Steuart 1772: 73.  
\(^2\) Mitra 1991: 100.  
\(^3\) Garg 1990: 383.  
\(^4\) Ibid.: 384  
\(^7\) Chaudhuri 1978: 188.
species of coins, which were accepted by all concerned.\footnote{Chaudhury 1988: 93.}

About Fateh Chand’s monopolistic control over the bullion market and the mint at Murshidabad around 1721, we have the following statement from the Company’s officials at Cassimbazar: ‘... he [Fateh Chand] alone having the sole use of the mint, nor dare any shroff or merchant buy or coin a rupee’s worth of silver.’\footnote{Little 1967: 43.} In spite of his commanding role in the money market, Fateh Chand did not take ‘an unscrupulous advantage of the monopoly he possessed, and on many occasions offered a better price for Company’s treasure, than what they would have willingly accepted.’\footnote{Little 1967: 43-4.}

Fateh Chand died in 1744, but his house continued to flourish. Captain Fenwick, who wrote about the affairs of Bengal c. 1747-48, describes Fateh Chand’s grandson Mehtab Rai as ‘a great Banker than all in Lombard Street joined together.’\footnote{IOL, Orme Mss., Vol. VI, f. 1525, quoted by Sushil Chaudhury 1988: 91.} Mehtab Rai further consolidated his hold over the bullion market when, in 1750, he obtained from the Nawab of Murshidabad the exclusive rights to purchase bullion. In their letter dated 9 January 1750 the Company’s servants at Cassimbazar informed the Governor at Fort William that ‘the Seats [sic Seths = Jagat Seths] have lately obtained from the Nawab [an order] which forbids all persons besides themselves from purchasing any silver or taking any Arcot rupees.’\footnote{Bengal Consultations, dated 11 January 1750, quoted in Little 1967: 150.}

The relations of the Company with the Jagat Seth underwent a change, once the Company was able to establish its own mint at Calcutta in 1757.\footnote{Garg 1990.} According to an estimate prepared in 1757 the house minted Rs.50 lakh annually, on which their profit at 7 per cent amounted Rs.3.50 lakhs. This, however, was only a small portion of their total income, which stood close to Rs.50 lakhs per annum.\footnote{Luke Scrafton, Political Resident at Murshidabad, to Clive, dated 17 December 1757. IOL, Orme Mss., Vol. XVIII, f. 5043: quoted by Sushil Chaudhury 1988: 93 and 96.} Their main source of profit was through the receipt of revenue of Bengal and other payments made to the Nawab. It is estimated that their commission stood at ten per cent, which, according to
the Resident at Murshidabad, gave the Jagat Seths an annual income of Rs.40 lakhs.\footnote{Little 1967: 151.}

Even that source of profit was insignificant in comparison to their earnings by way of discount charged on the exchange of specie. Since the Nawab received his revenues only in the \textit{siccas} of the current years, the Jagat Seths made a huge profit by way of 'shroffing the revenues – examining, sorting, and weighing of various kinds of rupees and settling the batta upon all in terms of sicca rupees.'\footnote{N.K. Sinha in Little 1967: Introduction, xv.}

However, after the establishment of the Calcutta mint, the Company was no longer dependent on Jagat Seth to get their bullion converted into coins. It has been noted by Mitra that 'the prosperity of the House of Jagat Seth began to decline from 1750s and the decline became more rapid after 1757 (emphasis added).\footnote{Mitra 1991: 104.} Many other factors would certainly have contributed to the decline of the Jagat Seths, but the fact remains that a chink in their monopoly over the bullion market and more specifically their control over the mint at Murshidabad was caused by the establishment of the Calcutta mint in 1757. Though 'the establishment of a mint at Calcutta did not, for some years, do them [Jagat Seths] any harm, owing to their command of the specie of the province and the operation of the practice of batta,'\footnote{Little 1967: 203.} the subsequent extension of East India Company's minting activities in other mint towns of the Bengal Presidency, viz. Murshidabad and Patna after the grant of Diwani rights in 1765, made the downfall of the House imminent. In fact, in 1789 the Jagat Seth sought permission of the Company to establish his own mint at Murshidabad, but his request was turned down by the Company.\footnote{NAI, Public Department, OC, 1 May 1789, No. 9.} Now the Company was able to meet their requirements of the coined money by sending their bullion directly to their own mints.

Thus, once the Company was able to get a foothold in Bengal politics, it gradually worked to wrest the control of the money market from the hands of the Jagat Seths. By establishing its own mint at Calcutta and extension of its minting activities in other mints, the Company was able to break Jagat Seths' monopoly over the bullion market. The new revenue regime of the Company after 1765, and especially after the establishment of the treasury system for transfer of revenue from...
districts to Calcutta, resulted in a huge loss of profit that was previously earned by the Jagat Seths. Various currency reforms of the Company, especially the two early attempts (in 1766 and 1769) to introduce bimetallism and thus reduce the dependence on silver currency, which was the sole source for exacting batta, also depleted the income of the Jagat Seths. Finally, the business of the House, as the provider of commercial credit to the European merchants also suffered a setback after 1757. In the post-Plassey scenario, while the servants of the Company were able to finance their private trade out of their earnings from presents and other perquisites, 'the Dutch, the French (after 1763) and the Danes [too] no longer depended on the financial support of the Seths.'\(^1\) They now met their credit and investment requirements largely by receiving liquid cash from the Company's servants in exchange of bills of exchange drawn on Europe. The joint-stock banking on European pattern that emerged in Bengal from 1770s onwards, also eroded the firm base that the Jagat Seths had in the money market. As a result of these developments, the control over the money market of Bengal passed into the hands of the Company and their protégés.

In her analysis of the relationship between the sarrafs of Bengal and the East India Company, Shubra Chakrabarti has emphasized 'the crucial centrality of the shroffs in the prevailing currency system and the Company's attempts to dispense with them through repeated though unsuccessful, currency reforms.'\(^2\) Kumkum Chatterjee stresses upon the duality of this relationship marked by both collaborations and conflicts.\(^3\) The period selected by Chakrabarti (1757-1800), and Chatterjee (1757-1813) is the one in which the role of Bengal sarrafs was becoming increasingly marginalized only so far as the financial management of Company’s funds was concerned. However, they still held a considerable sway in the currency-market due to 'continuation of traditional business practices, methods of revenue collection, and the persistence of indigenous institutions.'\(^4\)

With the growth of European banking, establishment of treasury system, increase in Company’s minting capacity, establishment of 19 sun Sicca and the Farrukhabad Rupee as the sole legal tender currencies in Bengal, extensions of Bills

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of Exchange system, adoption of new modes of public finance (viz. Government Bonds and Promissory Notes), and finally the establishment of a uniform currency in 1833 and that of a universal coinage in 1835, ‘created an unprecedented division of the economic space between \textit{la blanc et le noir}.’

Thus in the final conflict to re-draw the economic space, the indigenous business of banking, money-lending, exchange and transfer of funds suffered a fatal blow at the hands of the Company-led European banking and currency management.

(ii) The Company, \textit{Sarraf}s and Banking: South India

In South India, the prevalence of bi-metallic currency system consisting of gold and silver provided a fertile ground for the \textit{sarraf}s and bankers to alter the exchange value of the currencies to whet their caprice. Different relative values of gold and silver prevailed in the Northern Circars and Madras, which in turn established a nefarious link between the \textit{zamindars} and the \textit{sarraf}s. As Raman Rao notes, ‘The system of differential ratio established between gold and silver coins was responsible for all the chaotic fluctuations, the shroffs, the zamindars and merchants trying to take advantage of the situation.’

About 1740, the largest banking house of the south was that of a Gujarati family, Bukanji Kasidas, referred frequently as ‘Sarkar’s \textit{Sowkar} and the chief shroff of the Province.’ Besides, there were local Chettis (or Chettiars) who carried on banking activities mostly in small town and cities.

The indigenous bankers of the south India were combined in their opposition to any attempt to establish an ‘organized’ banking. Even Tipu Sultan’s attempt to establish \textit{Mullicutyal Coties} – a network of state-sponsored banking house all over the south – backed and funded by a central bank at Srirangapattanam, was thwarted by these indigenous bankers, ‘who preferred to operate without any restrictions from an external authority.’ Even three private banks, viz. the Carnatic Bank (established 1788), the Madras Bank (established 1795) and the Asiatic Bank (established 1806), could not enjoy full benefits of their resources due to ‘collusion of interests,

\begin{itemize}
  \item Ray 2002: 118.
  \item Raman Rao 1958: 97.
  \item Tandon 1989: 53.
  \item Ibid.: 59
\end{itemize}
competition and mutual rivalries.¹

The process of currency reforms in the Madras Presidency, as we have seen in Chapter III, did not actually begin till almost the close of the eighteenth century, even though the government was facing tremendous financial stringency due to frequent wars, political disorder and chaotic currency situation, for the last several decades. The First (1798-1800) and the Second (1805-08) Finance Committees set up by the Madras Government to examine the state of Government finance, were unanimous in their opinion that "the scarcity of the medium of exchange or the current coin could, at best be overcome by the establishment of a general bank on a large scale and the issue of bank notes."²

With the slow pace of currency reform and refusal of the Court of Directors to approve the plan of a Government Bank in the Madras Presidency, the indigenous bankers survived for a longer period even after the establishment of joint-stock banks like the Bank of Madras (established 1843). While some of them shifted to Burma, a majority of them continued to play their traditional role in the south Indian economy.

(iii) The Company and Sarrafs: Western India

The western India was dominated by a horde of Gujarati merchant-bankers during this time, who "operated as traders, brokers, shroffs or currency dealers, bankers, insurance agents and shop-owners."³ Surat, which was the principal mint town on the western coast until its closure in 1815, was the seat of one of the very important houses of merchants of Gujarat, viz. Virji Vora (c. 1590-1670) and later also of the Travadis. Besides, Parsis, Jews and the Armenians were other players in the field.⁴ There were Muslims as well, "even if their role as bankers or money changers was extremely limited and in no way comparable to the one they played as merchants."⁵ Ahmedabad, another mint town was likewise dominated by the house of Shantidas Zaveri (1587-1659). There were other mint towns at Broach and Cambay, which became clusters of banking activities of numerous indigenous merchants,

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¹ Ramachandran and Gupta 1971: 34.
² Ibid.
⁵ Ibid.
traders and bankers. While the big merchant-princes like Virji Vora and Shantidas Zaveri engaged themselves in trade and financing, or occasionally competing ‘with the sarrafs by offering a higher price for bullion,’ there were numerous others – Parekhs, Nanawatis and Shroffs – who were closely connected with the business of bullion and the mint.

Lakshmi Subramanian has discussed as to how the Surat sarrafs formed themselves into a ‘pressure group’ during the 1760s and 1770s and thwarted all attempts of the Bombay Government to raise the standard of the Surat Rupee or to regulate the batta.

About the dominant role of the sarrafs, in the money market, at the turn of the eighteenth century a very interesting evidence in available in a Report dated 7 December 1806, submitted by Dr. H. Scott, the Assay Master of the Bombay Mint, where he writes:

No man without considerable experience in this country can form an opinion of the influence and the arts of shroffs. They hold in their hands almost the whole specie of the country; their houses are connected in every part of India; their whole life is spent in the trade of gaining money by exchange and by every other means connected with this art. They follow the same trade from generation to generation, they are subtle and acute from long and early habit and are divided from the rest of the people, not more by their cast [sic caste], than by their means of living in which they are allow none to participate. Their influence is great and extensive nor is it even in the power of Government on many occasions to protect itself against their combinations.

Scott cautioned the Government that the exchange rate between silver and gold currencies should be officially fixed as in a bimetallic economy, rather than adopting silver monometallism, as suggested by the Court of Directors in its despatch of 1806. The reasons cited by Scott for advocating the bimetallism, further establishes the leading role of the sarrafs in the money market:

If any denomination of the coin were left here to find its value in the market instead of being fixed by Government, it is certain that this

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1 For a discussion on the role of sarrafs in minting activities during the Mughal rule, see Haider 1996: 326-35.
3 Subramanian 1991: 337.
4 NAI, Home, Public Proceedings, 29 January 1807, No. 16 (encl).
would be done by the shroffs, as their own interest might dictate. No other part of his community would have any influence in fixing the rates, for the shroffs hold in their hands almost all the specie and would be the entire masters of the exchange.1

Scott’s assertions about the ability of the *sarrafs* in fixing the exchange rates and relative value of the coins of two different metals ‘as their own interest dictate,’ may not be entirely true, for the *sarrafs* too were guided by the principle of demand and supply and the floating exchange rates, especially in a bimetallic regime, were a problem in all pre-modern economies, yet it nevertheless attests to their enormous influence in the money market.

The establishment of silver monometallism in the Bombay Presidency, Scott’s objections notwithstanding, and the extension of the minting activities of the Company through the acquisition of several silver mints of the region, such as: Broach (1772)2 and nearby Jambusar (1775)3, Surat (1800), Ahmedabad (1817), Bagalkot, Belgaum-Shahpur, Nasik, Chandor and Poona (all in 1818) largely reduced Company’s dependence on the *sarrafs* to meet their requirements of the coined money. Subsequently, the Company adopted a policy of closing down all *moffusil* mints and of centralizing their minting activities at the Presidency mint at Bombay.4 The large scale extension of the Bombay Mint in the 1820s was also an attempt to break the monopolistic role of the Indian money-merchants in bullion market and currency circulation in western India.

Right from the beginning, the administrators of the Company were well aware that any attempt to regulate the Indian currency market would be fiercely opposed by the local players. The main task was that of abolishing the agio (discount) charged by the *sarrafs* on the coins of an older and/ or of a different mintage. This, the Government noted, was ‘a very intricate subject’, about which the Governor of Bengal informed the Court in September 1769 that ‘very mature deliberations, particularly the Measures to be pursued for breaking through the combination that will doubtless be formed against abolishing a custom that hath been so long established by

1 Ibid.

2 Under the Treaty of Salbai (1782), Broach was made over to the Sindhis by the East India Company. It once again came under the control of the Company by virtue of the Treaty of Bassein (1803). See Stevens 2004d: 27.

3 The British occupied Jambusir from 1775 to 1783. Ibid.

which Number of Persons are supported.'

Several years later, in its letter dated 28 April 1790 to the Governor General of Bengal, the Court of Directors had noted:

We are aware that the measures [of establishing ‘only one single coin throughout the country’] will meet the great obstruction from the shroffs and others who have hitherto reaped considerable advantage in exchanging the various specie of Rupees that have hitherto passed current in the several district.

The Court, therefore, directed the Government of Bengal that once they decide to implement their plan ‘most vigorous measures must be adopted in order to render it effectual. The Government, as we have seen in Chapter III, adopted all out measures to push its agenda of regulating the currency. The ‘pressing preoccupation of the British administration… [was] to clip the wings of the malicious Indian shroffs.’

b. European Banking:

The emergence of European banking in India (called ‘Anglo-Indian’ banking by Bagchi) during the second half of the eighteenth century has been discussed in Chapter II. This phase was marked by the dominance of joint-stock banks established by English Agency Houses. However, ‘mixing trading with banking took its toll, for all of them failed with the collapse of their parent agency house.’ By the turn of the century, Indian money market had become quite extensive and it was repeatedly felt that in order to support the administration of enlarging territories of the Company as well as its trade and commercial enterprise, banks founded on European lines were indispensable. It was also realized that the banking business cannot be left entirely in the private domain. The advantages of the state-support of the banking institutions were obvious but this idea was initially not appreciated by the Court of Directors. In their letter dated 10 January 1787, they ordered the local authorities in India not to have any dealings with private banks, nor encourage them in any way. They held that the agency houses and the indigenous banking were better fitted to meet the banking

1 NAI, Public, Letters to Court, 25 September 1769, para 96.
2 NAI, Public, Letters from Court, 28 April 1790.
3 Ibid.
4 Subramanian 1987: 473.
needs of the community than the European banks.  

With particular reference to a proposal of the Government of Bengal to support setting up a bank 'under the denomination of the General Bank of India' the Court of Directors once again repeated its sentiments in its letter dated 27 March 1787. They wrote:

We have very great doubts upon our minds respecting the utility of such an Establishment in India. You are therefore to give no countenance or encouragement to any plan or plans that have been or may hereafter be laid before you by individuals for any such establishment and you are not to admit or receive any notes or other engagements from the private Banks as a payment in the collection of our Revenues or in any other department of our publick (sic) or commercial concern (emphasis added).  

The Government of Bengal had, in anticipation of Court of Directors' approval, had lent its support to the proposal (see Chapter II). However, in view of the Court of Directors’ instructions, the Government support was withdrawn after 1788, and in another six months all Government accounts with the banks were closed.

However, as the incidence of failure of early joint-stock banks, especially in Bengal increased, the idea of setting up a government supported bank strengthened.

The Finance Committees set up by the Government of Madras in 1798 and 1805 respectively, were unanimous in their recommendation for establishment of government bank and extensive issue of bank notes as the most effective means for overcoming the scarcity of circulating medium in the Madras Presidency. Even as the Government contemplated to implement the recommendations of the First Finance Committee, another joint-stock bank was established in Madras.

The Asiatic Bank was established in 1804 at Madras with a capital of 2.50 lakh pagodas. Like other joint-stock banks of the Madras Presidency, the Asiatic Bank also issued notes. Four denominations of these notes have been reported, viz. 5, 10, 100 and 500 star pagodas. These notes also bear the equivalent amount expressed in Arcot Rupees, at the rate of 3½ Arcot rupees for one Star Pagoda. What was the volume of issue of these notes is not known, but it is certain that their issue continued

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1 Quoted by Rau 1929: 18-9.  
2 NAI, Public, Letters from Court, 27 March 1787, para 314.  
3 Bagchi 1987: 36.
CHAPTER V

at least till 1820.\(^1\) However, unlike the notes of other banks of Madras, the notes of Asiatic Bank were not accepted by the Company.

Meanwhile, in June 1805, the Second Finance Committee was constituted by Lord William Bentinck, the Governor of Madras. The terms of reference of this Committee included the question of establishing a government bank in Madras.\(^2\)

The Committee, in its report (October 1805) recommended the establishment of a bank with power to issue paper currency ‘with authority derived from the government.’\(^3\) A Government Bank was thus established at Madras with a capital of 8 lakh pagodas. This bank, which started its operations from 1 February 1806, was also authorized to issue notes thrice the amount of its coin holdings.\(^4\) Even though the plan of this bank was not approved either by the Supreme Government at Bengal or by the Court of Directors and this action of the Government of Madras drew severe censure from both these authorities, the Madras Government bank continued to operate till 1843 when it was superseded by the Presidency bank called the Bank of Madras.

By establishing the Madras Government Bank, Bentinck was able to ease the financial stringency of the Madras Government to a considerable extent by reducing govt borrowings, which during the period 1801-05 amounted to 63.32 lakh pagodas at the interest of eight to ten per cent.\(^5\)

P.L. Gupta has observed that the notes issued by the Madras Government Bank ‘were more like treasury bills by which the Government raised funds.’\(^6\) This statement gets corroborated if we notice that at the end of the first year the bank had issued bank notes worth 57.67 lakh pagodas against a net holding of specie worth 11.67 lakh pagodas.\(^7\) It also indicates that the denominations of the bank notes must be very high. However, the surviving specimens of bank notes issued by the Madras Government Bank stand in sharp contrast of this premise. Only two denominations of

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\(^1\) Gupta 2000: 21-46.
\(^2\) Bagchi 1987: 36.
\(^3\) Ibid.
\(^4\) Ibid.: 37.
\(^5\) Bagchi 1987: Table 3.1, 34-5.
\(^6\) Gupta 2000: 22.
\(^7\) Bagchi 1987: 37.
notes issued by this bank are known viz. 2 Star Pagodas/ 7 Rupees and 5 Rupees.¹

The idea of establishing a joint-stock bank with tacit support of government was also germinating in Bombay about the same time. In 1807, Robert Rickards, a member of the Governor’s Council who was also involved in large scale private trade, submitted a plan for setting up an all-India bank, with head-offices in the three presidencies and subordinate banks around the country.² However, his plan was rejected both by the Supreme Government at Bengal and also by the Court of Directors.

No further measures were taken in Bombay to establish a joint-stock bank on European lines, much less one with government support, till about 1836, when the idea of establishing a government-sponsored bank was mooted, which ultimately led to the establishment of Bank of Bombay in 1840.³

In Bengal, the idea of a government-supported bank with power to issue notes was conceived by Henry St. George Tucker, the Accountant General of the Supreme Government. During the opening years of the nineteenth century, the financial situation of the Company was quite precarious, due to constant wars ‘unleashed by Wellesley’ and the increased demands for ‘investments’.⁴ The Government’s ‘12 per cent’ treasury notes sold at a discount of 3 to 4 per cent in 1801. The collection of revenue suffered because of scarcity of silver coins, and when collected in gold coins, an additional loss of six to seven per cent was sustained.⁵ In this backdrop, Tucker forwarded his scheme of establishing a government-supported bank to the Governor General, on 17 October 1801.

The capital of the proposed bank was to be 50 lakh rupees, divided into 500 shares of Rs.10,000 each. Pending the approval of the Court of Directors, a provisional bank named Bank of Calcutta, was set up in May 1805, and after obtaining the Government sanction on 27 February 1806, the bank opened on 27 March 1806.⁶ Henry St. George Tucker, Richard Becher, a member of the Board of

¹ Gupta 2000: 47.
² Bagchi 1987: 47.
⁵ Ibid.
Trade and Richard Waite Cox, a member of the Board of Revenue, were appointed government directors of the bank.\(^1\)

This bank was empowered to issue bank notes of the value of not less than ten rupees and not exceeding ten thousand. The bank consequently issued notes in the denominations of Sicca Rupees 10, 50, 100, 250, 500, 1,000, 5,000, and 10,000. The Notes under Rs.250 were payable ‘at all times at the Bank in specie.’\(^2\)

In May 1807, the Government of Bengal decided to replace the Bank of Calcutta with a full-fledged Bank of Bengal. This scheme was later approved by the Court of Directors and from 1 January 1809, Bank of Bengal was established. During its existence of about 33 months, the Bank of Calcutta had issued notes of the value of Rs.9,13,7,500.\(^3\)

The Bank of Bengal was the first Charter bank of India. It was constituted under the authority given to the Indian Governments by an Act of Parliament (47 Geo. III, c. 68).\(^4\) Henry St. George Tucker, R.W. Cox and W. Egerton were appointed as the Government nominees in the nine-member Board of Directors. The offices of the Secretary and the Treasurer were held by a covenanted civilian.\(^5\) The East India Company, in turn, contributed one fifth of its total capital of 50 lakh Sicca rupees.

The Charter of the Bank of Bengal authorized it issue ‘Promissory Notes for not less than 10 or more than 10,000 Sicca Rupees payable on demand.’\(^6\) The bank accordingly issued notes in the denominations of 10, 15, 20, 25, 50, 100, 250, 500, 1,000 and 10,000 Sicca Rupees. Later, on 8 August 1816, a new denomination of 16 Sicca Rupees was added ‘to facilitate the exchange of gold mohurs.’\(^7\) During the first six years (1809-15) the bank issued notes worth Rs.1,25,95,000.\(^8\) The limit of issuing

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\(^1\) Bagchi 1987: 66.
\(^2\) Ibid.: 67.
\(^3\) Gupta 2000: 14.
\(^4\) An Act for the better Government of the Settlements of Fort St. George and Bombay, for the Regulation of Public Banks, and for amending so much of an Act passed in the Thirty-third of His Present Majesty, as relates to the periods at which the Civil Servants of the East India Company may be employed in their Services abroad.
\(^6\) Bagchi 1989: 89.
\(^7\) Gupta 2000: 14.
\(^8\) Bagchi 1989: 103.
notes was raised to Rs. 2 crores in August 1822.

Apart from the government-supported Bank of Bengal, a few other joint-stock banks were privately established in Bengal during the first half of the nineteenth century. These included Commercial Bank (1819-31), Calcutta Bank (1824-29), Bank of India (1828) and Union Bank (1828-48). Besides, Bank of Hindustan which was established by Alexander and Company in 1770 continues its operations till 1831. All these banks issued their own notes.

It may thus be seen that in the nineteenth century a new phase of government-supported banks dominated the economic scene, especially in Madras and Bengal. In the new arrangement the indigenous banking failed to meet the challenge of organized banking and suffered greatly as a consequence. The notes issued by the government-supported as well as other joint-stock banks provided ‘a medium of circulation which was acceptable to the government.’ The success of these bank notes had a far reaching impact on the Indian economy as it prepared the ground for introduction of a full-fledged government paper currency in India in 1861.

5. Trade: Internal and External:

Trade is recognized as an important apparatus of a society without which distribution of the specialized products of labour would be difficult. In this distribution of products, money always played a crucial role not only by obviating the difficulties of barter but also by facilitating sustained production.

The state of currency on the eve of reforms initiated by the Company was no better than a ‘barter economy’ due to lack of a common medium of exchange. The multiplicity of coinage, almost always necessitated the elusive ‘double coincidence’ which characterizes the barter economy. This obviously had a telling impact on trade, which was compelled to divert a portion of its trading capital in the payment of discounts or premium (batta) while dealing with different species of coins within its areas of operation. As one Chinese adage suggests, ten exchanges eats up one’s capital, the constant need for exchanging one specie of coins with other throughout the trading circle proved to be a major impediment in the extension of trade.

The Company soon realized that on the one hand ‘diseased money is worse

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1 Ibid.: 108.
than want of money\(^1\), while on the other their trade would suffer permanently if they were to deal with diseased money or the absence of money. Thus, the trade interests of the East India Company played a major role in forcing it to introduce various measures to evolve good money out of the bad money.

A. INTERNAL TRADE AND THE PROBLEM OF WEIGHTS AND MEASURES

During the second half of the eighteenth century, the internal trade of Bengal had steadily declined.\(^2\) However, during 1790s, especially after the process of currency reforms was initiated in 1792, with the ‘alleviation of financial and currency distress, the inland trade showed signs of revival.\(^3\) Bengal had a well established internal trade, both local – between towns and rural areas and also inter-regional, within and outside the Bengal Presidency. Rice was the chief agricultural produce of the eastern and southern India. It was exported in large quantities ‘from the districts of South Bihar to Benares, Murshidabad and Calcutta.\(^4\) The South Bihar and Patna regularly received large quantities of wheat and tobacco from North Bihar. Dacca, Calcutta and Murshidabad supplied betel nut and salt to different parts of Bengal, Bihar, Benares and Upper Provinces. Besides, there were ‘pasari goods’ or spices, herbs and drugs, and a vast variety of mineral products including copper, zinc, lead, tin and certain other items.\(^5\) Overall, the increasing monetization of the economy facilitated a ‘cash-nexus’ between the market centres linked by trade routes and the countryside, and as a result the internal trade flourished.\(^6\)

If we leave aside other articles of trade, such as textile fabrics and raw silk, we notice that one of the defects from which the internal trade in these commodities constantly suffered was ‘the bewildering variety of weights and measures prevalent in the country.\(^7\) Since these weights were based upon the principal coin of that region, a difference in the coin-weights resulted in difference of weighing measures of various commodities. Thus, a \textit{ser} (or \textit{seer}) in Malwa comprised of 80 Bhopal rupees; in Baroda of 42 Babashahi rupees; in Belgaum of 24 Shahpuri rupees; in Calicut of 20 rupees.

\(^1\) Ambedkar 1947: 8.
\(^2\) Ghosal 1950: 179.
\(^3\) Ibid.: 180.
\(^4\) Ibid.: 180.
\(^5\) Ibid.: 180-1.
\(^6\) Wink 1986: 332.
\(^7\) Ibid.: 185.
Surat rupees; in Indore 82 Ujjaini rupees and so on.¹

Similarly, there was a difference in the ratio between *ser* and *man* (or maund), viz. in Malwa a *man* comprised of 40 *sers*; in Baroda of 42 *sers*; in Belgaum of 44 *sers*; in Calicut, of 68 *sers*; while in Indore there were two sets of mans – one of 20 *sers* for grains and the other of 40 *sers* for opium etc.² Around 1825, a great number of commodities were sold in Bombay ‘by Surat maund, which notwithstanding it is said to contain only 40 seers, is sometimes 41, 42, 43, through all the intermediate gradation up to 46 [sers]’.³

In South and Western India the principal weight for large quantities was expressed in candy.⁴ It weighed 20 *man*, and, therefore, varied according to the weight of the *man* in different localities. Around 1760, the candy weights of different regions on the Western Coast and in the Coromandel were as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Mans per Candy</th>
<th>Weight of Each Man</th>
<th>Total Candy Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>lbs. troy</td>
<td>kg.</td>
</tr>
<tr>
<td>Bombay</td>
<td>20</td>
<td>20</td>
<td>7.465</td>
</tr>
<tr>
<td>Surat</td>
<td>20</td>
<td>37.33</td>
<td>13.93</td>
</tr>
<tr>
<td>Anjengo</td>
<td>20</td>
<td>25</td>
<td>9.33</td>
</tr>
<tr>
<td>Carwar</td>
<td>20</td>
<td>28.75</td>
<td>10.73</td>
</tr>
<tr>
<td>Coromandel</td>
<td>20</td>
<td>25</td>
<td>9.33</td>
</tr>
</tbody>
</table>

Source: Grose, *A Voyage to the East Indies...*, 2 vols. quoted in Yule and Burnell 1886: 155

In South India, the candy weight was also equalised with another weight called *bahar*.⁶ However, different kinds of *bahar* were in use for different articles of merchandise; or, rather each article had a special surplus allowance in weighing,

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¹ See ‘Table of the Commercial weights of India, and of other trading places in Asia, compared with the British-Indian Unit of weight, and with the Avoirdupois system of England’ in Prinsep 1858: 115-21.
² Ibid.
³ Milburn 1825: 143.
⁵ The number of *man* per candy also varied – ‘... nor is candy [weight in Bombay] uniformly confined to 20 maunds’ See Milburn 1825: 143.
which practically made a different bahar.\(^1\) Besides, bahar had different values in different locations, thus:

Honawar: 201.96 kg.; Bhatkal: 212.058 kg. (usually), 192.78 kg. (for sugar); Cannanore: 205.63 kg.; Calicut 208.15 kg.; Cochin and Kollam: 166.27 kg. (here the khandi, used to measure rice, was distinct from bahar and weighed 214.267 kg.); Kayal: 211.14 kg.; Nagapattinam and Pulicat: ... 229 kg. ...; Masulipatnam: 238 kg.; Bimilipatnam 247 kg.\(^2\)

In fact, as early as 1775, Philip Francis described ‘the Regulation of Weights and Measures... as an object of the utmost Importance to society’ and had stressed upon the ‘necessity of an early Reformation [of weights and measure]’ in India.\(^3\) He advocated the adoption of the same weight and measures throughout the country.

Therefore, reducing various denominations of coins to a uniform weight was a matter of crucial importance to facilitate the internal trade. Similarly, the prevalence of numerous currencies in the country with no standard or fixed rate of conversion also hampered the trade. Therefore, the establishment of uniformity in weights and measures and that of the principal coin current in the territories of the Company was one of the main objectives of the currency reforms that were launched in Bengal in 1793 and later emulated in other presidencies.

In spite of severe handicap of differing weights and measures prevalent throughout the country, the internal trade was carried out with remarkable ease, and soon the market centres throughout the countryside, developed a cash nexus.\(^4\)

Various regulations that were passed by the Company to impose taxes on the movement of different commodities, including customs, town duties, transit tax of gunje (market), purportedly kept the movement of bullion and coins out of the tax net so as to ensure free flow of capital from surplus to deficient markets.

B. EXTERNAL TRADE

India’s external trade, during the period of our review, was one of the ‘abiding concerns’ of the East India Company.\(^5\) The years between 1757 and 1813, marked

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\(^1\) Yule and Burnell 1886: 48.


\(^3\) Philip Francis’ Minute on Weights and Measures, dated 13 March 1775. NAI, Public Department, OC, 13 March 1775, No. 19.

\(^4\) Wink 1986: 332.

both the high points of Company’s monopoly and well as the beginning of the end of that monopoly.\textsuperscript{1} Until 1813 the foreign trade of India ‘retained its pre-modern character.’\textsuperscript{2} According to K.N. Chaudhuri:

\ldots the far more important characteristic of the half a century following the revolution of 1757 was the fact that Indian trade still continued to flow along the traditional channels and its composition was based on an exchange of fine textiles, foodstuffs, and other raw materials for precious metals and certain manufactured products.\textsuperscript{3}

The Charter Act of 1813, which threw open the East India trade, gave a great impetus to the private trade between India and England. As a result, several structural changes took place in the Company’s trade pattern in the subsequent years. With the passing of the Charter Act of 1833, the Company lost its monopoly of tea trade in India and of trade with China. K.N. Chaudhuri ascribes ‘the imposition of British rule in the greater part of the sub-continent and... the increasing dominance by Britain of the international money market’ as the main factors in bringing about these structural changes.\textsuperscript{4} Thus, from the mid-1790s, the commodity exports from India included almost all the indigo that Britain either used herself or re-exported.\textsuperscript{5} Similarly, ‘more than half of the raw silk in 1772-1820, a bewildering variety of cotton goods for re-export or domestic manufacture, and the superior grade of saltpetre that gave British canon an edge’, comprised other export commodities.\textsuperscript{6} In return, India, which had traditionally been receiving bullion, saw the pattern of its imports undergoing a change. Since bullion played a crucial role in ‘international monetary transactions, both directly as a medium of payment and a measure of value,’\textsuperscript{7} the subsequent discussion centres round this particular article of India’s external trade.

a. Bullion Trade and Currency Regulations:

During the first half of the eighteenth century the external trade of India was dominated by the bullion imports and as this commodity is directly linked with the coinage and currency, any change in its trading pattern almost instantaneously

\textsuperscript{1} Ibid.: 4.
\textsuperscript{2} K.N. Chaudhuri in Kumar 1983: 813.
\textsuperscript{3} Ibid.: 806.
\textsuperscript{4} Chaudhuri 1966: 345.
\textsuperscript{5} Esteban 2001: 65.
\textsuperscript{6} Ibid.
\textsuperscript{7} Siddiqi 1995: 18.
affected the money market. Barendse counters this view by holding that the trade in precious metals was ‘trade in just another kind of merchandize’ and that ‘an increase in the imports of silver did not have an immediate impact upon the amount of money in circulation and thus on price of commodities.’ While it is true that the entire quantity of precious metals imported into a country are seldom converted into coins – some of it always goes to non-currency usage like jewellery, household wares, luxury items etc. – the increasing monetization of Indian economy during this period subsumed an ever increasing proportion of bullion for coinage purpose.

The efforts of the East India Company ‘to integrate its import of treasure into the India’s monetary system went through several distinct historical stages. The establishment and expansion of mints in the three presidencies was one such effort by the Company to maximize the bullion use for coinage purpose. This situation changed after Plassey. One of the features of India’s foreign trade from this time onwards was its near total dependence on the local revenues. In the words of the Parliamentary Select Committee of 1783:

> In all other countries, the Revenue following the natural course and order of things, arises out of their commerce. Here [in Bengal], by a mischievous inversion of that order, the whole Foreign, Maritime Trade, whether English, French, Dutch or Danish arises from the Revenues; and these are carried out of the Country, without producing any thing to compensate so heavy a loss.

Thus, a shift from the centuries old ‘bullion for goods’ character of the Indo-European trade to ‘revenues for trade’ created currency panic everywhere. Another dimension of foreign trade after 1757 was that now India ‘begun to part with her food-stuffs and raw materials and receive in return manufactured goods of various kinds.’ The secession of bullion import by the Company, chiefly silver, in turn, led to a ‘silver famine’ and contraction of money supply. The Company was forced to introduce various currency reforms that we have discussed in Chapter III. The initial currency reforms – from 1760s to 1790s in Bengal and till a little later in Madras and Bombay presidencies, resulted in resounding failures (such as the introduction

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1 Barendse 2001: 214.
2 Chaudhuri 1978: 189.
3 Ninth Report from Select Committee Appointed to Take into Consideration the State of Administration and Justice in Bengal, Bahar and Orissa. 25 June 1783. OIOC, L/Parl/2/15.
4 Sastri 1935: 511.
bimetallism in Bengal, Madras and Bombay).\textsuperscript{1} This bullion crisis was further aggravated due to Company’s trade with China. From 1760s to 1790s, annual bullion remittances from Bengal to China ranged between 20 and 24 lakh rupees.\textsuperscript{2}

The scarcity of silver continued to dominate not only Bengal but also Bombay presidency, where minting of silver rupees at the Bombay mint had to be abandoned in about 1778. By 1793, a proposal to purchase dollars to be coined into siccas was being considered as the Accountant General of Bengal suggested that ‘the consequent loss would be less than by yielding batta on gold.’\textsuperscript{3} It is, therefore, not surprising that that the establishment of 19 sun sicca as the sole legal tender in Bengal under the provisions of Regulation XXXV of 1793, had to be postponed twice, till 1795.

Therefore, the stream of bullion flow to India that had almost dried up since 1757 was revived by the East India Company in 1784 and from 1795-96, regular consignments of bullion started arriving in India. Between 1795-96 and 1805-06 the Company imported into Bengal a total treasure worth Rs.8.60 crores at an annual average of Rs.78.16 lakhs.\textsuperscript{4} The private traders too replenished the bullion coffers of Bengal by importing bullion worth Rs.4.58 crores at an annual average of Rs.45.78 lakhs between 1796-97 and 1805-06.\textsuperscript{5} One of the reasons that compelled the Company to resume the export of bullion to India was that in Bengal even the third attempt to introduce bimetallism in by Regulation 1793 was not successful. After postponing the implementation of this regulation twice, first in 1774 and then in 1795, the Company noticed that there was still not sufficient quantity of silver rupee in circulation. Later, after the Charter Act of 1813 ended Company’s trade monopoly over India, bullion cargoes regularly arrived in India both on account of Company as well as private merchants.

Between 1813/14 and 1833/34, while Calcutta and Bombay exported had a negligible quantity of net bullion export, Madras on the other hand a net bullion export of 24.16 per cent as against a net import of 75.84 per cent. (See Fig. below).

\begin{itemize}
\item \textsuperscript{1} Sinha 1938: 8-9.
\item \textsuperscript{2} FWIH, XII 1978: 6-7.
\item \textsuperscript{3} NAI, Public Letters to Court, 12 August 1793, paras 126-7.
\item \textsuperscript{4} K.N. Chaudhuri in Kumar 1983: 823.
\item \textsuperscript{5} Datta 2000: Table 66, 346.
\end{itemize}
Thus, during these twenty years (1813/14 to 1833/34) the net import of treasure into India by the East India Company as well as on private account amounted to a staggering 99 per cent as against a total net export of 1 per cent on Company’s and private account during the same period.¹ (See Fig. below and the Table on p. 252).

¹ NAI, Financial Department, Letters from Court, No. 8, dated 15 April 1835, paras 8-15; and No. 10, dated 5 July 1837, para 6.
Table: Net Import or Export of Treasure into or from the 3 Ports of Calcutta, Fort St. George and Bombay 1813/14 to 1833/34

<table>
<thead>
<tr>
<th>Year</th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
<th>Total</th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
<th>Total</th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
<th>Total</th>
<th>Bengal</th>
<th>Madras</th>
<th>Bombay</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>Sicca</td>
<td>Sicca</td>
<td>Sicca</td>
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<tr>
<td>1813/14</td>
<td>22,97,880</td>
<td>22,97,880</td>
<td>22,97,880</td>
<td>45,95,760</td>
<td>51,83,769</td>
<td>54,41,288</td>
<td>20,69,763</td>
<td>4,85,636</td>
<td>28,55,386</td>
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<tr>
<td>1814/15</td>
<td>4,69,243</td>
<td>39,216</td>
<td>4,30,027</td>
<td>95,31,819</td>
<td>4,28,891</td>
<td>1,13,87,715</td>
<td>40,352</td>
<td>20,69,763</td>
<td>4,85,636</td>
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<tr>
<td>1815/16</td>
<td>161</td>
<td>1,36,486</td>
<td>1,36,325</td>
<td>62,82,891</td>
<td>3,16,10,131</td>
<td>3,93,82,539</td>
<td>8,73,059</td>
<td>55,53,943</td>
<td>1,07,88,088</td>
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<tr>
<td>1816/17</td>
<td>9,51,130</td>
<td>88</td>
<td>80,034</td>
<td>80,11,898</td>
<td>9,31,124</td>
<td>89,41,538</td>
<td>4,25,33,483</td>
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<tr>
<td>1817/18</td>
<td>76,99,554</td>
<td>144</td>
<td>67,670</td>
<td>1,41,97,899</td>
<td>2,03,74,551</td>
<td>16,20,825</td>
<td>32,51,809</td>
<td>1,17,71,980</td>
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<tr>
<td>1818/19</td>
<td>19,76,657</td>
<td>1,081</td>
<td>19,75,576</td>
<td>1,70,52,507</td>
<td>41,62,614</td>
<td>1,58,77,952</td>
<td>54,29,592</td>
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<tr>
<td>1819/20</td>
<td>61,86,415</td>
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<td>59,56,898</td>
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<td>1,02,71,267</td>
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<tr>
<td>1820/21</td>
<td>12,17,282</td>
<td>2,366</td>
<td>9,97,218</td>
<td>2,12,60,596</td>
<td>16,83,310</td>
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<tr>
<td>1821/22</td>
<td>1,13,16,410</td>
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<td>1,41,97,899</td>
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<tr>
<td>1822/23</td>
<td>62,94,526</td>
<td>51,38,476</td>
<td>58,14,557</td>
<td>1,22,96,147</td>
<td>1,17,24,118</td>
<td>87,19,973</td>
<td>96,49,071</td>
<td>1,17,71,980</td>
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<tr>
<td>1823/24</td>
<td>9,27,221</td>
<td>17,82,029</td>
<td>47,10,912</td>
<td>87,19,973</td>
<td>96,49,071</td>
<td>1,17,24,118</td>
<td>87,19,973</td>
<td>96,49,071</td>
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<tr>
<td>1824/25</td>
<td>1,57,968</td>
<td>45,69,399</td>
<td>44,11,431</td>
<td>90,91,431</td>
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<tr>
<td>1825/26</td>
<td>4,26,197</td>
<td>10,51,084</td>
<td>53,13,060</td>
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<td>90,91,431</td>
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<td>1826/27</td>
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<td>17,82,029</td>
<td>47,10,912</td>
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<tr>
<td>1827/28</td>
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<td>33,61,349</td>
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<td>33,61,349</td>
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<td>1828/29</td>
<td>7,92,747</td>
<td>40,50,834</td>
<td>32,58,087</td>
<td>73,77,185</td>
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<tr>
<td>1829/30</td>
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<tr>
<td>1831/32</td>
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<td>2,81,373</td>
<td>11,52,611</td>
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<tr>
<td>1832/33</td>
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<tr>
<td>1833/34</td>
<td>50,000</td>
<td>50,000</td>
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</table>

Note: In this account Madras and Bombay are converted into Sicca Rupees at the Bullion rate of 106.62 to 100.

Source: NAI, Financial Department, Letters from Court, No. 8, dated 15 April 1835, paras 8-15; and No. 10, dated 5 July 1837, para 6.
b. Bullion Trade and Balance of Payment:

India's currency regulations can also be studied with reference to bullion trade and balance of payment that India had with Britain. India's external trade with Britain underwent a complete transformation owing to the 'military conquest of India by the East India Company, and to the fact that Britain was fast becoming the world's leading industrial nation, and her capital city the dominant centre of international trade and finance.'

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Years</th>
<th>Minimum India Transfers</th>
<th>Annual Average</th>
<th>Bullion Export to India</th>
<th>Annual Average</th>
<th>Bullion Export to India as % of India Transfer</th>
<th>Nett India Transfers (C-E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1772-75</td>
<td>3</td>
<td>420</td>
<td>140</td>
<td>18</td>
<td>6</td>
<td>4%</td>
<td>403</td>
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<tr>
<td>1776-83</td>
<td>7</td>
<td>507</td>
<td>72.42</td>
<td>8</td>
<td>1.14</td>
<td>1.57%</td>
<td>499</td>
</tr>
<tr>
<td>1784-92</td>
<td>8</td>
<td>1,112</td>
<td>139</td>
<td>98</td>
<td>12.25</td>
<td>8.8%</td>
<td>1,014</td>
</tr>
<tr>
<td>1793-1802</td>
<td>9</td>
<td>587</td>
<td>65.22</td>
<td>326</td>
<td>36.22</td>
<td>55.53%</td>
<td>261</td>
</tr>
<tr>
<td>1803-07</td>
<td>4</td>
<td>587</td>
<td>146.75</td>
<td>645</td>
<td>161.25</td>
<td>109.88%</td>
<td>-58</td>
</tr>
<tr>
<td>1808-15</td>
<td>7</td>
<td>480</td>
<td>68.57</td>
<td>3</td>
<td>0.42</td>
<td>0.62%</td>
<td>477</td>
</tr>
<tr>
<td>1816-20</td>
<td>4</td>
<td>300</td>
<td>75</td>
<td>377</td>
<td>94.25</td>
<td>125.66%</td>
<td>-77</td>
</tr>
</tbody>
</table>

Sources: Figures up to 1811: 'An Account of Bullion and Merchandise exported...', Parliamentary Papers (PP), 1812-13, VIII, MS, p. 416.


Quoted in: Esteban 2001: Table 1, 60-61.

As is clear from the above table, the bullion exports to India stood at 4 per cent of the total India transfers to Britain during 1772-75. This was the period when, armed with the expert recommendations of Sir James Steuart, the Bengal Government was grappling with the scarcity of silver and alternative measures such as accelerating the circulation of money by various public finance measures, and establishing of a paper currency so as to reduce dependence on metallic currency, were being explored. One definite result of Steuart's recommendation – 'all sources of further drain [from Bengal] should be stopped' – seems to be reflected in the minimum India transfer figures for the next seven

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1 Chaudhuri 1971: 1.
years (1776-83) when the annual average dropped from £140,000 for 1772-75 to £72,420 during 1776-83. During the same set of years, the bullion exports to India too dropped from an annual average of £6,000 to £1,140, which aggravated the currency crises in Bengal. By 1780 plans to introduce a paper currency on the basis of a proportional cash reserve and to introduce a copper currency were already afoot in Bengal.

Between 1784 and 1792, the India transfers to Britain rose to an annual average of £1,39,000 and we see the revival of the almost dried up stream of bullion inflow into India, with annual average rising from £1,140 during 1776-83 to £12,250 during 1784-92.

The figures for 1793-1802 and 1803-1807 show a quantum jump in Britain's bullion exports to India. The terminal years in the above two sets are important landmarks in the history of currency regulations in India. In 1793 the process of currency legislations was started in Bengal by which bimetallic currency regime that was introduced in 1792 was legally established in British India's most prosperous province. The intervening period saw the consolidation and spread of the 19 sun sicca rupee and the Farrukhabad rupee in the Bengal presidency and that of the Company's Surat rupee in the Bombay presidency. In fact, between 1803-07 India's net transfers to Britain recorded a negative figures, with the total bullion exports to India (£6,45,000) exceeding the total India transfers (£5,87,000). Both these developments subsumed and were supported by the increased bullion inflow into India. Meanwhile, in 1806, the Court of Directors had laid down the roadmap for all future currency regulations in India by declaring silver monometallism as the ultimate goal for India's currency.

Between 1808 and 1815, the bullion export to India dropped to all time low, recording an annual average of £420!! The reason for this drastic reduction could be found in the decisive phase of the Napoleonic War (1803-15) being fought in Europe, the expense for which stood at a staggering aggregate of £1,01,62,000.\(^1\) England's total war expense during this period (1808-15) reached £1,62,37,000.\(^2\) Once the war was over, the bullion exports to India were resumed with a greater vigour and we find that during 1816-20 once again the total bullion exports to India (£3,77,000) exceeding the total India transfers (£3,00,000). However, this increased figure might actually have brought less amount of bullion to India. This, as we will see, was due to the establishment of a gold

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\(^1\) Esteban 2001: Table 1, 60.

\(^2\) Ibid.
standard in Britain. By the Coinage Act of 1816, gold coin became the sole standard measure of value in Britain. The silver content of the shilling was reduced. One pound troy of standard silver was henceforth to be coined into 66 shillings instead of 62.¹ According to Asiya Siddiqi, ‘this altered ratio... affected the value of remittances from India to England... [and] helped to keep up the value of bullion in Britain and provided support to the English money market.’² Since silver was fast replacing gold in India, it seems logical that the bullion imported into India after 1816 largely consisted of this metal.

Bullion continued to dominate the balance of payment accounts between India, Britain and China. Between 1828-29 and 1836-37, we notice a fluctuating movement in the inflow and outflow of bullion into India. (Table)

Table: Net Export/Import of Bullion, 1828/29 to 1836/37
(in million Rs.)

<table>
<thead>
<tr>
<th>Years</th>
<th>Net Export (–) / Import (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Britain</td>
</tr>
<tr>
<td>1828-29</td>
<td>–3.1</td>
</tr>
<tr>
<td>1829-30</td>
<td>–8.1</td>
</tr>
<tr>
<td>1830-31</td>
<td>–5.3</td>
</tr>
<tr>
<td>1831-32</td>
<td>–16.9</td>
</tr>
<tr>
<td>1832-33</td>
<td>–11.6</td>
</tr>
<tr>
<td>1833-34</td>
<td>–4.7</td>
</tr>
<tr>
<td>1834-35</td>
<td>–0.5</td>
</tr>
<tr>
<td>1835-36</td>
<td>–0.1</td>
</tr>
<tr>
<td>1836-37</td>
<td>–0.0</td>
</tr>
</tbody>
</table>

Source: OIOC, Reports on the External Commerce of Bengal, Madras and Bombay, 1828-29 to 1839-40.
Quoted in Chaudhuri 1966: Table 4, 358.

It is clear from the above table that India largely enjoyed an advantageous position in bullion trade. Except for two consecutive years – 1831-32 and 1832-33, the bullion trade was in India’s favour. It is interesting to note that after the establishment of the universal coinage in 1835, India’s export of bullion to Britain was greatly reduced and it recorded a nil account in 1836-37, while bullion imports from China continued, which helped in large scale minting of the 1835 rupee.

Thus, a direct link can be seen in the bullion trade and currency measures

² Ibid.
undertaken by the East India Company in India, which, during a period of forty years – between 1793 and 1833 – switched from bimetallism to silver monometallism and which was largely facilitated by the resumed bullion imports from 1784 onwards.

Barendse suggests that the ‘impact of the import of bullion on Indian economy should be viewed in political context rather than one of price history or the growth in output.’

Though Barendse made this suggestion with reference to the seventeenth century India, and more specifically to the bullion imported by the Dutch East India Company (VOC), the generalization made by him does provide a point of view. In arranging the finances required for various battles that resulted in the territorial expansion as well as the political ascendancy of the East India Company, their capacity to support a large army on cash salaries and to move cash expeditiously from a surplus zone to the war zone proved to be one of the decisive factors. There are other interlinked issues as well. Asiya Siddiqi cites the ‘fruits of conquest and dominion: war indemnity and forced loans’ as one of the sources of Company’s bullion supply. In 1792, Tipu alone is said to have paid 1.30 crore rupees worth of coins and bullion; in 1826 Bharatpur silver and in the same year Pegu gold ‘flowed into the treasury following the annexation of the Jat state... and the war with Burma.’ The Company’s policy of arm-twisting the Indian Princely States to secure loans continued and in 1826-27 they procured one crore rupees from the Sindhia of Gwalior and twenty lakh rupees from the ruler of Patiala. Other measures such as reduction of the allowance of the Nawab of Bengal from 32 to 16 lakhs; withholding of annual tribute of 36 lakhs due to the Mughal king; and sale of Corah and Allahabad to the Nawab of Awadh for 50 lakh rupees, definitely resulted from the currency crises faced by the Company. Yet it would be difficult to agree with Barendse’s preposition in its entirety as availability or scarcity of currency did affect the price of commodities and the interest rates and resulted in inflationary or deflationary trends in the market.

Finally, an idea about the international trade of India with other countries around the turn of the eighteenth century can also be formed from the following table of the Calcutta Customs, wherein rates of exchange of coins of different countries vis-à-vis the

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1 Barendse 2002: 228.
3 Ibid.: 19-20.
4 NAI, Territorial Finance Department, Letters to Court, 19 July 1827, para 20.
sicca rupee was fixed.

Table: Rates of Exchange for Foreign Currencies for Calcutta Customs

<table>
<thead>
<tr>
<th>Countries</th>
<th>Coins</th>
<th>1796</th>
<th>1810</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>Pound Sterling</td>
<td>10 Sicca Rupees</td>
<td>10 Sicca Rupees</td>
</tr>
<tr>
<td>Germany</td>
<td>Crown</td>
<td>--</td>
<td>2 Sicca Rupees</td>
</tr>
<tr>
<td>Denmark</td>
<td>Rix Dollar</td>
<td>2\textsuperscript{\textfrac{1}{4}} Sicca Rupees</td>
<td>at Sicca Rupees 1-10</td>
</tr>
<tr>
<td>Ceylon</td>
<td>Ditto ditto.</td>
<td>--</td>
<td>14 annas</td>
</tr>
<tr>
<td>France</td>
<td>Livre Tournois</td>
<td>24 for 10 Sicca Rupees</td>
<td>at 24 for 10 Sicca Rupees</td>
</tr>
<tr>
<td>... Ditto...</td>
<td>Mauritius Livre</td>
<td>48 for 10 Sicca Rupees</td>
<td>48 for 10 Sicca Rupees</td>
</tr>
<tr>
<td>Spain</td>
<td>Spanish Dollar</td>
<td>2\textsuperscript{\textfrac{1}{4}} Sicca Rupees</td>
<td>2\textsuperscript{\textfrac{1}{4}} Sicca Rupees</td>
</tr>
<tr>
<td>Portugal and Madeira</td>
<td>Milereia</td>
<td>2\textsuperscript{\textfrac{1}{2}} Sicca Rupees</td>
<td>2\textsuperscript{\textfrac{1}{2}} Sicca Rupees</td>
</tr>
<tr>
<td>Bussroh</td>
<td>Raize Peastre</td>
<td>--</td>
<td>12 annas</td>
</tr>
<tr>
<td>China</td>
<td>Tale</td>
<td>2\textsuperscript{\textfrac{1}{2}} Sicca Rupees</td>
<td>3\textsuperscript{\textfrac{1}{2}} Sicca Rupees</td>
</tr>
<tr>
<td>Madras</td>
<td>Star Pagoda</td>
<td>3\textsuperscript{\textfrac{1}{4}} Sicca Rupees</td>
<td>3\textsuperscript{\textfrac{1}{4}} Sicca Rupees</td>
</tr>
<tr>
<td>... Ditto...</td>
<td>Swamy... Ditto</td>
<td>4 Sicca Rupees</td>
<td>4 Sicca Rupees</td>
</tr>
<tr>
<td>America</td>
<td>Currency to be converted into Pound Sterling as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New England</td>
<td>By multiplying by 3 and divided by 4	extsuperscript{1}</td>
<td>By multiplying by 9 and divided by 16	extsuperscript{2}</td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>... Ditto...</td>
<td>... Ditto...</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>By multiplying by 9 and divided by 16</td>
<td>By multiplying by 9 and divided by 16</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>... Ditto by 3 and do. by 5</td>
<td>... Ditto by 3 and do. by 5</td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>By deducting (\frac{1}{27}) part</td>
<td>By deducting (\frac{1}{27}) part</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>... Ditto...</td>
<td>... Ditto...</td>
<td></td>
</tr>
</tbody>
</table>

Sources: For rates of 1796: NAI, Separate Revenue Department, Letters to Court, 9 January 1797, para 26.
For rates of 1810: Regulation IX of 1810, Section LX.

Amales Tripathi cites 1793 and 1833 as the polar years during which period Bengal’s foreign trade, mainly with Britain greatly improved.\textsuperscript{3} Incidentally, both these years are also landmarks in the history of currency reforms in India – in the former year the legislative process for currency reforms commenced in Bengal, while in the latter uniformity of the circulating media was established throughout the British India.

6. Closure of Mints and its impact on the Society:

\textsuperscript{1} ‘The Pound Sterling to be rated as above, at 10 Sicca Rupees. Where the invoices are in Dollars, the Dollars to be rated at 2\textsuperscript{\textfrac{1}{4}} Sicca Rupees.’

\textsuperscript{2} Same as fn above.

\textsuperscript{3} Tripathi 1979: 208.
With the territorial expansion of the East India Company during the eighteenth and nineteenth centuries, many mints that were operating in these areas came under the control of the Company. In a sustained policy of centralizing their minting activities, the Company shut down majority of these mints ‘before the introduction of the uniform currency system in 1835.’

The closure of these mints affected the lives of people belonging to different strata of the society – from merchants and traders to labourers and artisans. Thus, when closure of Surat Mint was contemplated in the wake of Court of Directors’ despatch of 1806, Dr. H. Scott, the Assay Master of the Bombay Mint, was quick to point out the fallouts of this measure. In his report to F. Warden, Secretary to the Government of Bombay, dated 7 December 1806, Scott writes:

One of the most material objections to the plan of a general mint is the inconveniency that will arise to many classes of men on this side of India, from the want of mints in their neighbourhood. The natives from time immemorial have been accustomed with their princes of every cast [sic caste] to the conveniency of mint in which they could convert their silver or gold into the ordinary coin of the country.... holders of bullion on the side of India, would have very real cause of complaint from the suppression of all our mints. The fair trader and even the cultivator would find his trade injured and his profits diminished. Suppose for instance (as is the case in a thousand situations) that they sell their goods or their crops for silver or gold brought from the interior of India, from China or the Red Sea or Persian Gulph. This silver and gold is in ingots or dollars or in the form of foreign coins. To render those metals as much as possible productive to them they frequently turn them into the coin of the country. If they can no longer do this a part of their value is instantly lost. The metals can no longer answer the whole of the purposes on which their value depends. Loss and disappointment to a certain and even to a considerable extent must arise and a diminished degree of the general prosperity of the community must be the consequence.

The native mints in the Bombay Presidency, majority of which such as Poona, Bagalkot, Nasik and Shahpur, acquired by the Company after the Third Anglo-Maratha War (1817-18), were continued to operate under the Company’s administration but by 1833 practically all of them were shut down leaving only the Presidency Mint at Bombay to meet the demands of coined money in western India.

In Bengal Presidency, the Company acquired a large number of mints by virtue of

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2 NAI, Home, Public Proceedings, 29 January 1807, No. 16 (encl).
the *Diwani* grant in 1765. The imperial Mughal mints such as Agra (Akbarabad) and Delhi (Shahjahanabad); provincial mints such as Dacca (Jahangirnagar), Patna (Azimabad), Murshidabad as well as local mints such as Allahabad, Bareilly, Hathras, Saharanpur, etc. were all successively shut down by the Company.\(^1\) There were few other native mints such as Farrukhabad and Benaras, which were reorganized by the East India Company by mechanizing the minting process and authorizing an establishment, usually headed by Company’s officials. However, mints of the later categories were also subsequently abolished\(^2\) and by 1833, when uniformity of the principle silver rupees of all the three Presidencies was established by Regulation VII of 1833, the only mints operating in the Bengal Presidency were at Calcutta and at Saugor (established in 1825). Later, before the introduction of the universal silver rupee in 1835, the Saugor mint was also shut down in June 1835, thus leaving only Calcutta mint in operation.

The closure of mints affected the merchant class directly and other classes, mostly poor people, indirectly. Thus, when the mint at Dacca was closed down in 1796, the prominent bankers and merchants of Dacca petitioned the government for the re-establishment of the mint.\(^3\) In their petition entitled, ‘*Derkhast* [petition] of all the Bankers, Merchants, Fotadars, and Shroffs inhabitants of and residing in the City of Dacca’, they wrote:

> Lately, there was a Mint for the coinage of money established in the said city which is now stopped….
> xx xxx xx
> By stopping the coinage our Trade and Business in money, by which we supported and maintained ourselves, will be greatly injured….
> xx xxx xx
> Poor people in distress for Bread sold their gold and silver jewels to us to the amount of two or four Rupees and we immediately paid them in Sicca coin and these jewels when collected to a hundred or two hundred Rupees weight in twenty days or a month we delivered to the Mint and immediately received the amount in Sicca coin. By stopping the coinage the subsistence of us and of those poor people is stopped.\(^4\)

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\(^2\) Stevens 2006b: 37-43.

\(^3\) NAI, Financial Department, Mint Proceedings, 28 April 1797, No. 4.

\(^4\) Ibid.
The Government, however, stuck to its decision and the petition was rejected.¹

There were another class of people – the artisans and other workers of the mints – who were rendered jobless by the closure of the mints. When closure of the Delhi mint was announced in 1818, many of its workers desperately sought relief both from the titular Mughal ruler and the British Resident at Delhi. In their Urzee (petition) to the Mughal king Akbar Shah II, Baqar Ali, Noor Muhammad and Dhaukal Singh of the Delhi mint wrote:

From the time of His Majesty Ameer Tymoor, we have been generation after generation, nurtured the Office of the Mint, and from the same source, have celebrated the Acts of Festivity and of Grief and the mint of Shahgehanabad never ceased.

Our ancestors taught us no other Business besides the mint, to earn our livelihood.... Should the Business of the Mint be [re]established thro’ Your Royal Favour, it will be well; it not, vouchsafe to order some provision for us from the presence.²

In a separate petition addressed to Sir David Ochterlony, the Resident at Delhi, the workers of the Delhi mint narrated their plight:

It is now 5 months since the Mint has been stopped, and we have sold our property for Food – we are now arrived at the verge of starvation, our women and children are dying and reduced to the want of a Nightly Meal.... if nothing is to be done, premature Death is inevitable.³

In the case of Delhi mint, the Government finally agreed to grant ‘small pensions to such persons as having served for a long period, and having no other means of support, may now be prevented, by extreme old age and infirmity, from acquiring a maintenance by their own industry’,⁴ but mint workers in other parts of the country were not as fortunate.

In the Madras Presidency, apart from the Madras Mint, the only mints that were operating towards the close of the eighteenth century were at Masulipatam and Vaizagapatnam. Both these mints were closed in 1808 and 1809 respectively.

¹ 'Ordered that the Judge [W. Camac, Judge and Magistrate of the City of Dacca] be informed that the Vice President in Council does not think proper to comply with the application of the Bankers respecting the re-establishment of the Mint.' Ibid.
² NAI, Foreign Department, Political Branch, OC, 13 March 1819, No. 37.
³ Ibid.
⁴ C.T. Metcalfe, Secretary to the Government, to Sir David Ochterlony, Resident at Delhi, dated 13 March 1819. Ibid.: No. 38.
In his analysis of the effect of closure of mints on the agricultural economy, Bayly has noted that the closure of mints also resulted in the fall of grain prices in North India:

... between 1827 and 1832 grain prices had fallen in the Aligarh region compared with silver by not less than 30 per cent, while in Rohilkhand, the stoppage of the bullion trade a result of the abolition of the Farrukhabad mint had dealt a revenue blow to the once thriving grain trade. Boulderson, the Collector of Bareilly, estimated that at least 8 per cent of the price fall had resulted from the abolition of the mints.¹

In normal circumstances the fall in the prices of grain, a commodity of mass consumption, should have burnt a hole in the pockets of big land holders and the grain merchants by slashing their profit margins, and acted as a welcome reprieve for the labouring masses. The feedback received from the district officers also affirms that as a result of 'the abolition of western mints' a '... great fall in money price of produce and commodities' had generally occurred.² But the fact remains that the zamindars increased their revenue collection from the small cultivators 'as high as 8½ per cent for the premium on the Government Coin.³ The price of silver appreciated up to 22 per cent and the combined effect of the premium on Government Coin and high price of silver was passed on 'with most severity on those whose condition least qualified them to endure the burthen (sic burden).''

During this period a general scarcity of the legal coinage was felt in the Western Provinces. This exchange value of the Government coinage against 'foreign coin or bullion' was 5 per cent above its bullion value in Agra and Farrukhabad, 6¼ per cent in Saharanpur; between 5 and 7 per cent in Moradabad; 8½ per cent in Bareilly and the highest, 10 per cent in Aligarh.⁵ But then, as the Sudder Board of Revenue at Allahabad reported that 'the foreign currency had superseded the use of the Government coin except in transactions with Government, and that at the time when the Government coin was in demand for the payment of land revenue there was a general scarcity throughout these provinces.'⁶

Bayly has also argued that the closure of the Farrukhabad mint (1824) and the

¹ Bayly 1983: 271. See also NAI, Finance Department, Letters to Court, 27 January 1834, para 64.
² NAI, Finance Department, Letters to Court, 27 January 1834, paras 59 and 60.1.
³ Ibid.: para 78.
⁴ Ibid.: para 68.
⁵ Ibid.: para 60.2.
⁶ Ibid.: para 76.
Benares mint (1829) contributed to the ‘lack of money’ which precipitated the depression. The supposed ‘lack of money’ in the first instance (abolition of Farrukhabad mint) stands in contrast with the fact that though the mint at Farrukhabad was abolished, the minting of 45-Sun Farrukhabad rupee which under Regulation XI of 1819 became the standard coin of all the territories under the Government of Bengal (except in the Provinces of Bengal, Behar and Orissa), was not stopped. Rather it was augmented with both Calcutta and Benares mints undertaking its coinage. A year after the abolition of the Farrukhabad mint, a mint was opened in Saugor in 1825 to meet the demand for the Farrukhabad rupee. During its existence of nearly a decade (1825-35) the Saugor mint, had a coinage of the value Sicca Rupees 99,04,436.

Table: Coinage at Saugor Mint (in Sicca Rupees)

<table>
<thead>
<tr>
<th>Years</th>
<th>Company’s Coinage</th>
<th>Individual’s Coinage</th>
<th>Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825/26</td>
<td>1,14,089</td>
<td>11,450</td>
<td>1 per cent</td>
</tr>
<tr>
<td>1826/27</td>
<td>4,38,419</td>
<td>41,477</td>
<td></td>
</tr>
<tr>
<td>1827/28</td>
<td>72,403</td>
<td>7,56,959</td>
<td>2 per cent</td>
</tr>
<tr>
<td>1828/29</td>
<td>13,966</td>
<td>5,35,538</td>
<td></td>
</tr>
<tr>
<td>1829/30</td>
<td>1,02,097</td>
<td>5,75,679</td>
<td></td>
</tr>
<tr>
<td>1830/31</td>
<td>4,85,069</td>
<td>4,43,859</td>
<td></td>
</tr>
<tr>
<td>1831/32</td>
<td>2,95,923</td>
<td>5,06,948</td>
<td></td>
</tr>
<tr>
<td>1832/33</td>
<td>1,51,960</td>
<td>10,46,784</td>
<td></td>
</tr>
<tr>
<td>1833/34</td>
<td>91,716</td>
<td>20,36,610</td>
<td></td>
</tr>
<tr>
<td>1834/35</td>
<td>36,548</td>
<td>21,46,982</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18,02,180</td>
<td>81,02,256</td>
<td></td>
</tr>
<tr>
<td>Company’s Coinage</td>
<td>18,02,180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>99,04,436</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The fact that out of the total output of the Saugor mint, the coinage on account of the Company was only 18.19 per cent while the rest was on account of the individuals shows that the new mint was productively used and that adequate supply of the specie was maintained. In the second instance (abolition of Benares mint), it may be seen that by August 1829 the construction of new mint at Calcutta was completed. Its installed capacity was to ‘enable it to supply two-thirds of the coin required for the circulation of India’ and it was the intention of the Court of Directors that ‘the new Calcutta mint would

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1 Bayly 1983: 274.
2 Apart from the coinage of silver rupee (45 sun Sicca), the Saugor mint also undertook minting of the *trisuli* pice (45 sun Pice) between 1826 and 1835.
immediately or eventually have to perform the work of the Calcutta mint, and of the mints of Benares, Farrukhabad, and Sagar.¹ Thus, when the abolition of the Benares mint was finally effected (February 1830), all out measures were taken to ensure a continuous and unrestrained supply of the silver currency – the 45-Sun Farrukhabad Rupee – from the Calcutta mint, where it was being minted since 1818. Another factor which proved the futility of having a mint establishment at Benares was the induction of high speed iron steamers in the river-link between Calcutta, Benares and Allahabad which ‘could make the voyage in any reasonable time say a month or five weeks to Allahabad or Farrukhabad.’² Therefore, a ‘decided advantage’ was in favour of ‘the whole coinage being made at Calcutta.’³

The question, therefore, at this point is whether the ‘lack of money’ was the lack of government coin, which resulted from the abolition of the government mints, or it was a lack of species in general. The evidence of a general fall in prices especially of food grains would induce us to presume that despite an extensive coinage in the Company’s mints as noted above, there was a lack of circulating medium, which, coupled with a seasonal demand in payment to the Government would have had appreciated the premium on government or the ‘legal’ coin in these provinces. This evidence also attests to the growth of the monetized economy and an increasing use of money in transactions.

**Summing up**

The currency measures of the East India Company emanated primarily from its commercial interests. Initially, in order to finance its investments, the Company sought to monetize its bullion imports. Later, as the revenue administrators in different parts of the country, the Company used the currency as a tool for maximizing its profits. For example, the continuance of the Sicca rupee even after 1833, when all other silver currencies were assimilated to a uniform weight and fineness, can not be explained without a reference to the Permanent Settlement of land revenues in Bengal, where the government demands were fixed in this specie. Monetized revenues and cash salaries for a large and increasing civil and military establishment of the Company were the twin forces that propelled the growth of monetization of economy during the period of our study.

The extraction of money by way of revenues and its redeployment through

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¹ Thurston 1893: 78.

² Ibid.: para 94.

³ Ibid.
investments and remittances, served the best economic interests of the Company. However, as this arrangement severely contracted the working capital in the Indian economy, there was a general depression in the prices. As a result, a large mass of Indian population that depended on agriculture suffered miserably under the Company’s rule.

The pre-colonial economy of India was also supported by a thriving system of credit and banking, which augmented the capital, without necessarily increasing the quantum of money. This area too was penetrated by the Company and, in a conflict of interests that ensued between Indian and the European systems of credit and banking management, while the Indian credit system survived, the Indian banking system almost lost to its European rival.

The currency measures of the Company also resulted in bringing about a uniformity of weights, which, as we have seen, were based on the principal coin of the region. This, in turn, should have facilitated the internal trade of a large number of trade articles, especially the agricultural products. However, a general scarcity or erratic supply of the trading capital, together with an overall deflationary trend in prices acted as recalcitrant foes and spelled doom both for Indian agriculture and the rural markets.

India’s external trade in bullion played a very vital role during this entire period and even before the legislative process of the currency reforms was set in motion, the once-dried-up channel of bullion inflow into India had already been revived, not because of the East India Company, but in spite of it. Here, as we have noted, the private traders, both in India and in Europe, played an important role in replenishing the bullion coffers of India.

Finally, the Company’s policy to abolish a large number of mints throughout India was aimed at monopolizing the currency supply – the life blood of a monetized economy. With this measure, it consolidated its hold over variegated economic activities.

It is said that the currency of a country not merely reflects but also influences the economic life of its people.1 The currency regulations of the East India Company influenced almost every aspect of India’s colonial economy. On the basis of our discussion it may be argued that the impact of the currency reforms on various aspects of the economic life of the Indian society was both, short term and permanent. Disruption or decline of trade due to want of trading capital or dislocation of rural industries due to

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1 Ghoshal 1950: 271.
erratic supply of money could be viewed as direct impact, whereas rise of European banking and decline of indigenous banking houses; establishment of a new public debt system and acceleration of drain of India's capital resources; or extension of monetization level in the society especially when the limits of induction of a metallic currency were realized and introduction of a fiduciary currency was planned, can be seen as factors which had a more permanent and lasting impact.

Besides, these impacts also varied in intensity – from negligible to moderate and from extreme to devastating. Thus, the whole picture during this period presents a 'patchwork quilt' of regional money economies in various stages of transition rather than a 'wall-to-wall carpet' of a uniform and standard pattern for whole of India. The turning point was the universalization of the Company's coinage in 1835 which laid the foundation of the future currency administration in India.