INTRODUCTION

Currency has always played a key role in the economic development of human society. In India, the monetary system built up by the Mughals was marked by its prime feature viz., a centrally directed system of coinage which formed the core of the Mughal economy. The imperial coinage was unprecedented both in quantity and quality.1 Besides, the Mughal rulers also considered the right to strike sikka (or the coin) as the exclusive prerogative of the sovereign. Both these factors played a deterrent role in the growth of economic activities of the European trading companies in India, which had to depend on mints of the realm for their supply of cash. Further, due to the factors such as favourable balance of trade situation, absence of a market for European goods in India and the metal price disparity between India and Europe, these companies were obliged to finance their investments in India by importing precious metals. In doing so, either they sold the imported bullion to the Indian dealers, or took it to the imperial mints and got it converted into current coins for their own use.

By the beginning of the eighteenth century the process of rapid decentralization of the sovereign authority in India had started. The century is described as 'a period of transition in which India had to pass through the strain and agony with rapid decline in her economic condition.'2 The decline of the central authority of the Mughals is, by some historians, equated with the sharp downward trend in the Indian economy which, they hold, had reached its 'lowest ebb' by the mid-eighteen century.3 Others counter this 'empire-centric' view with a 'region-centric' approach and cite the development of the regional economies during the pre-colonial period as an evidence of the vibrancy of the Indian economy.4 Thus, the eighteenth century Indian economy has been described variously as symptomatic of decline, development and stasis. This work enters into this debate through an analysis of the prevailing monetary conditions in India. According to Frank Perlin, 'the history of money [in India] from about the last quarter of the seventeenth century, especially

1 Richards 1987: 1.
2 Datta 1978: 12-3.
3 Raychaudhuri, in Kumar 1983: 5.
4 Datta 2004.
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of the later eighteenth century much less is known, assumptions legion and there is little discussion or research.1

Amidst the decline of the Mughal empire and process of regionalization, the English East India Company emerged as a ‘Dominant firm’.2 In the process of colonization of India by the British, currency proved to be a vital weapon as it directly affected almost every aspect of economic life of the society.

As a result of the weakness of the later Mughal rulers during the eighteenth century, a number of regional powers grew up all over India, each with its own distinct coinage. Thus, by the mid of the century Indian money market presented a very confusing picture with a large variety of coins in circulation, which were of different kinds, of different denominations, minted at different places, on different dates and had no uniform standards of weight and fineness whatsoever. This situation posed a very serious problem before the East India Company for its trade transactions in India. According to K.N. Chaudhuri, ‘For a trading organisation that was constantly trans-shipping money and goods from one part of India to another, and was in the position of having to make very large disbursements in local currencies, the multiplicity of rupees and other coins had very serious implications.’3

The situation was further aggravated by the sharp decline in the money supply for the East India Company due to ‘the cessation of the import of bullion, chiefly silver, from England after 1757.’4

The political ascendancy of the East India Company which started with their earliest establishments in Madras (1639) had also seen its watermark with the grant of Diwani of Bengal, Bihar and Orissa (1765). Thus, during the latter half of the eighteenth century, the ever-growing demand for money by the East India Company, for investments, trade as well as other civil and military expenses, coupled with the shortage of money supply, forced it to adopt various currency reforms to cope with the situation. These measures included introduction of bimetallism, curbing of the menace of batta, (agio or discount charged by the money changers) etc. on the one

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2 Kutty 1985: Ch. III - East India Company as a Dominant Firm, 61-175.
3 Chaudhuri 1978: 183.
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hand and obtaining the minting rights from the Mughal ruler and/or the local authority, procuring charters authorizing the circulation of coins struck by its own mints etc. on the other. It had by now became crystal clear to the East India Company administrators that 'unless a procedure for standardisation [of currency] was found, its accounts and trade were likely to be in a permanent state of confusion.'

Thus, passing through the phases of 'Prohibition', 'Concession' and 'Administration' of minting activities, the undercurrent of the currency policy of the East India Company was the introduction of a 'uniform currency' in the areas of their domination.

By the close of the seventeenth century the East India Company was able to consolidate its Indian possessions into three distinct presidencies – Madras, Bombay and Bengal, each under the charge of a Governor or the President. After passing of the Regulating Act of 1773, the Governor of Bengal was made the Governor-General of Bengal with certain supervisory powers over the other two presidencies. Ever since this period, the Bengal presidency took a leading role in striving for a uniform currency for its dominions, and its model was followed by Madras and Bombay presidencies.

Starting from the year 1793, the Supreme Government of the Presidency of Fort William in Bengal passed a series of regulations for the currency reform, which finally culminated into the Acts XVII and XXI of 1835 by which a uniform and universal coinage was adopted for the territories of the East India Company.

The study of the process of currency reforms enacted by the East India Company through its various Regulations/Acts etc. is, therefore, one of the most important aspects for a better understanding of the impact of the changing monetary system on various aspects of Indian economy during the period under review.

In spite of immense importance attached to the subject, the present state of research in this field is less than adequate. Though, there had been some excellent studies on the currency system, financial institutions, money market and credit networks during the sixteenth and seventeenth centuries, similar studies for the crucial period of expansion and consolidation of British rule in India – which had tremendous overall impact on Indian economy – have rarely been made. As early as in 1858,

\[\text{Chaudhuri 1978: 183.}\]
while publishing the edited and annotated version of James Prinsep’s *Useful Tables*, Edward Thomas had appended a ‘Note on the History of the Gold and Silver Currencies of India.’¹ While describing the period of British influence on the currencies of India, he realized that this was ‘a subject with which much misunderstanding and some misrepresentation have taken place.’² Later in 1890, while preparing a catalogue of the coins in Madras Museum, Edgar Thurston tried to present a ‘History of the Coinage of the Territories of the East India Company in the Indian Peninsula’, by dwelling heavily on the records of the Madras mint.³ In 1893, he contributed a ‘Note on the History of the East India Company Coinage from 1753-1835.’⁴

The economic historians have shown a keen interest in unravelling the true picture of the currency situation under the British rule. J.C. Sinha wrote an article on ‘Some Currency Reforms of Hastings.’⁵ The results of many such interesting studies have successively been published in various research journals and sometimes also included in the books dealing with various aspects of economic history viz., trade, commerce, banking, exchange, prices, agriculture, industries, etc.

An overview of the published economic literature reveals that the study of the currency under the British rule have been made either from the numismatic point of view, where the study is primarily aimed at detailed description of coins, including the inscriptions, weight, fineness, assay, process of minting, varieties, denominations etc. or from the point of view where role of currency has been analyzed as an essential input for the trade, commerce and revenue. Rarely the two approaches intersect. Besides, it is also felt that in the available works, while the ‘system’ is invariably analyzed, the study of the ‘process’ is generally neglected.


¹ Prinsep 1858: 72-94.
² Ibid.: 72.
³ Thurston 1890.
⁴ Thurston 1893: 54-56.
⁵ Sinha 1924: 74-78.
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Chaudhuri, Irfan Habib, Asiya Siddiqi, Aziza Hasan, Om Prakash, P.J. Marshal, C.A. Bayly, John Deyell etc. may be noted as a record. In the second group, names of two works may be specifically mentioned. B.S. Mallick has published his study on the role of currency system and indigenous fiscal practices in the English trade in Gujarat and Bengal during the seventeenth century. D.B. Mitra’s work on the monetary system in the Bengal Presidency during the 1757-1835 is based upon some untapped archival sources though it is limited in its scope.

Though there can be no second thought about the imperative need for either of the two historical approaches, it is felt that the currency history of the India during the British rule needs to be researched singly and independently on the basis of original sources. The present study thus aims at integrating the available numismatic data into the over all monetary structure that emerged under the rule of the East India Company. The study of various internal and external forces which were at work in shaping the monetary structure during the period of our review has also been undertaken with a view to understanding the role of currency in the colonization process of India.

The scheme of chapters adopted for the present research work is detailed below:

Chapter I: The Currency Situation during mid-Eighteenth Century
Chapter II: Post-1765 India and the Diagnosis of its Monetary Problems
Chapter III: The Currency Regulations of the East India Company (1793-1833)
Chapter IV: From Uniform Currency to a Universal Coinage (1833-35).
Chapter V: Currency Regulations and Monetary Economy.

Chapter I deals with the general background about the currency situation prevailing in India in about the mid-eighteenth century. While discussing the basic features of this period, such as the collapse of Mughal monetary system, multiplicity of coins in circulation, debasement in currency, menace of batta (rate of discount) etc., the Chapter also discusses the post-Plassey scenario in India and the effects of the changed political situation on the financial policies of India.

1 For a detailed discussion on the secondary sources, please see ‘Secondary Sources: Select Annotated Bibliography’, under Sources.
2 Mallick 1991.
Chapter II discusses the monetary problems that followed the East India Company’s assumption of the Diwani of Bengal, Bihar and Orissa in 1765. It focuses on the currency situation arising out of the cessation of bullion imports into Bengal after 1757; increased demand for money by the East India Company for investments in trade, military expenditure, tribute to England, funding of the China trade and other Presidencies – all leading to the contraction in money supply. The Chapter also studies some of the early measures adopted by the East India Company to improve the currency situation. These include: introduction of bimetallism in 1766 and again in 1769, establishment of the first European bank – the Bank of Hindustan (1770) and changes in the coinages (1771).

The second part of this Chapter, namely the diagnosis of the monetary problems of India, begins with the year 1772, when, for the first time, the results of an official inquiry into the monetary problems of Bengal were made public. Sensing the seriousness of the problem, the Directors of the East India Company decided to seek the expert guidance of the well known political economist Sir James Steuart (1712-80). Steuart studied the state of monetary derangement in Bengal which ‘threatened the vitality of the entire system’, and reported his findings to the East India Company in 1772. Steuart’s Report made an inquiry into the methods to be adopted for correcting the defects of the currency, for blocking the drains which carried off the coins, and for extending circulation by the means of the ‘Paper-Credit.’ Thus, it offered ‘an agenda for economic policies in Bengal.’ His recommendations were sent to the Government of Bengal in 1774, which after the passing of the Regulating Act, 1773, had been instituted as the Supreme Government of the East India Company in India. Ever since this period, the Government of Bengal made steady efforts to effect currency reforms. Preliminary moves towards standardization in the coinage were made by the Government of Bengal with the decision of 1775 to confine the coinage to a single mint. By 1780, the possibilities of a paper currency were being explored. In 1787 a Committee was appointed to ‘Investigate into the Causes of the Scarcity of Silver Coins.’ The appointment of a Mint Committee in 1792 was again aimed at the establishment of a coinage which could be commonly accepted as the medium of exchange.

Chapter III analyzes various regulations passed by the government and discusses their main objectives, provisions, their implementation and effects. During
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the period between 1793 and 1833, a series of 39 Regulations were passed by the Supreme Government of the East India Company in India. These Regulations dealt with various currency reform measures, viz., reintroduction of bimetallism, prohibition of the circulation of coins other than those minted by the Company, laying down standards and specifications regarding weight, fineness and assay of the coins, declaring certain specie of coin as the sole legal tender currency within a specified territory, regularization of batta, prescribing the rate of exchange between various species of coins, reorganization of mints under the Company’s administration, etc. Besides, a set of these Regulations also dealt with the penalties for counterfeiting and debasing the coins. These Regulations passed by the government had legal validity and the force of law for effective implementation.

Chapter IV studies as to how pursuing a policy of universalization of the currency, the Government finally enacted two Acts in 1835 (Nos. XVII and XXI) by which a universal coinage was established for the territories of the East India Company in India. The year 1835, therefore, marks the end of one era and the beginning of another. The Presidency System of Coinage (c. 1642-1835) came to an end in 1835 and the era of Imperial Coinage (1835-1947) commenced. The present study also closes with the end of the first era.

Chapter V examines the impact the currency regulations of the East India Company had on the monetary economy of India. How did these currency measures affect the monetization of the society; what was their impact on the fiscal administration of the Company; in what ways did the Company’s measures to regulate currency circulation and discount influence the general price structure in the market; how did the Indian credit and banking system react to the growth of Colonial credit and the European banking system; and finally how these regulations were made to serve the trade interests of the Company, the credit money network, – are questions that this Chapter seeks to explore. Besides, it also specifically examines the socio-economic impact of the closure of mints by the East India Company in different parts of the country.

Thus, the study contrives to present a comprehensive account of the currency policy of the East India Company which it pursued to establish a uniform currency in India. The process of currency legislations enacted by the Company, circumstances leading to the adoption of these legislations, as well as the effects of these legislations
on the prevailing economic conditions in the country have been analyzed with a view to establish a relationship between the stability of the currency vis-à-vis the economic colonization of India by the East India Company.

The objective of the present study is not merely to have a 'cause and effect' understanding of the currency reforms carried out by the East India Company, but equally, if not more important, to delve into the often overlooked or neglected prognosis of 'what and how' of its process. For this purpose the study has been based on various legislations enacted by the Company which either directly addressed the issues such as currency, coinage and mints or had a bearing on the currency administration of the Company. Therefore, non-legislative currency reforms have been dealt only with relation to their relevance with the legislative currency reforms.

This study encapsulates the story of Indian currency during the early days of the colonial rule, about which J.C. Sinha once wrote: ‘The bark of Indian currency has sometimes sailed through calm waters but has oftener than not been tossed in stormy seas.’

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1 Sinha 1927: 166.