CHAPTER I
THE CURRENCY SYSTEM DURING THE MID-EIGHTEENTH CENTURY

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CHAPTER I

THE CURRENCY SYSTEM DURING THE MID-EIGHTEENTH CENTURY

The eighteenth century was the age of revolutionary transformation in India. The first half of the century saw the collapse of the old world, while the second half marked the beginning of the new.¹ With the acquisition of a vast territorial empire in India by the English East India Company during the middle of the eighteenth century, the nature, direction and purpose of British activity underwent a dramatic and lasting transformation.² This territorial acquisition by the British has been regarded as a ‘triumph’ of ‘mercantilist colonialism’ by Irfan Habib, who links it with the Carnatic Wars (1746-63) and the battles of Plassey (1757) and Buxar (1764).³ In 1765 the Provinces of Bengal, Behar and Orissa were made over to the East India Company by the Mughal Emperor Shah Alam II, and this year has been regarded by the historians as the year of commencement of the monetary history of modern India.⁴ Henceforth, the Company’s primary objective was to secure as large a revenue-surplus as possible and then to transfer that surplus to Britain.⁵ The acquisition of Diwani (revenue collection) rights of the Provinces of Bengal, Behar and Orissa, opened new vistas for the Company where monetary transactions were involved. The Company as a Diwan was to administer directly the revenues arising of from the land rents, farming of exclusive privileges, fines and forfeits, and custom duties. While this was the situation in eastern India, the Company’s servants in its west and southern Indian possessions were still involved in brisk trading activities combined with territorial expansion. By the mid-eighteenth century, the Company had begun to assert itself over rival European companies and Indian powers alike, and this placed it in a situation from which it could begin to carve out an extended territorial and commercial empire for itself. As the area of Company’s administration and commercial interests expanded, the highly volatile money market posed greater challenges. Under these

¹ Eraly 2000: 521
² Bowen 1991: 5.
⁴ Harrison, 1893: 52.
⁵ Bowen 1991: 12.
circumstances, the ability of the Company to adjust to the demands of the prevalent monetary system became one of the essential pre-requisites for its successful career.

The currency situation during the mid-eighteenth century was chaotic. The Mughal currency system, which had been established for about 200 years, fragmented along with the disintegration of the Mughal Empire. The first and one of the prime features of the currency situation during this period is the multiplicity of coin-types in circulation. The coins issued by various mushroom dynasties and petty states circulated along with other specie. The difference in weight and fineness of these coins was another problem which in turn led to the menace of *batta* (discount) charged by the money-changers on the coins of previous years and also on those of other region/ type etc. Besides there were in circulation some foreign specie such as *crowns* from England, France and Germany, *ducats* and *sequins* from the Adriatic and *dollars* from North America, Spain and Batavia, which were imported by various European companies to finance their investments in India.¹

The currency situation during the mid-eighteenth century has been described by K.N. Chaudhuri in relation to the bullion trade of the East India Company and the minting activities. He, however, observes that with the currency system predominantly consisting of metallic coins, its 'monetary problems... could have been made much easier for the merchants to handle had India possessed a uniform currency system.'²

1. **Mughal Monetary System:**

The Mughals had a well-organized and sophisticated monetary system. The imperial coinage was unprecedented both in quantity as well as in quality. The entire system was centrally administered and had an in-built mechanism of quality control. As the empire expanded, so did the area of circulation for the rupee and its copper and gold counterparts.³ An analysis of the Mughal monetary system, thus, form a natural backdrop for any study into the monetary problems that emanated from its collapse.⁴

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¹ Harrison 1893: 52.
² Chaudhuri 1978: 183.
⁴ For various aspects of Mughal coinage and monetary system see Habib 1961; Haider 1996 and 1999; Hasan 1969 and 1970; Moosvi 1968 and 1987; Om Prakash and Krishnamurty 1970; Om Prakash 1988; Richards 1987; and Venkateshwara 1918.
A. MAIN FEATURES

The features that characterize the Mughal monetary system were as follows:

a. Sikka : A Royal Prerogative:

The Mughal rulers held the right to strike sikka as *Inter jura Majestatis* (the exclusive prerogative of the sovereign). In fact *Khutba* (the recitation of ruler’s name in the Friday prayers in the mosques) and *sikka* (the right to strike coins in one’s name) were considered as the most unmistakable insignia of sovereignty. The Mughal rulers exercised their right of coinage with due sense of responsibility and pride. They tolerated no infringement in this Royal prerogative. Thus, in 1692 when the English East India Company attempted to replace the English style coins issued from their Bombay mint with the proto-type of the Mughal coin but bearing the names of the English Monarchs - King William III and Queen Mary, in Persian, it drew the displeasure of Aurangzeb. He took immediate steps to check this encroachment on the sovereign prerogative. A special emissary - Khafi Khan was sent to Bombay to investigate into this and various other alleged delinquencies of the Company. The Company explained their act of coining money in their own King’s name by stating that they had to purchase investments at places where the Mughal money did not pass. However, due to strong opposition from the Mughal emissary the coinage of this new coin-type, of which a few specimens still exist, was stopped by the Company once and for all.¹

b. Trimetallism and Metallic Standards:

In the standard Mughal Currency system, the three basic coins were the *muhr* of gold, the rupee of silver and the *dam* of copper. But in spite of there being a formal trimetallism with three parallel standards, there was in actual practice only one metal that reigned supreme at one time; it was copper in the sixteenth century and silver in the seventeenth. During the reign of Akbar, copper was adopted both as the money of account and the standard of value. Later in the seventeenth century silver rupee firmly established itself as the chief medium of exchange in entire northern and eastern India. The south India had a tradition of gold-based currency system and was largely unaffected by the silver currency of northern India. The Deccan was then in a process...

of transition from gold to silver based system. Thus, broadly speaking gold and silver coins came to be recognized as the common measure of value in south and north India respectively at the time when they came under the sway of the English Company.

Copper continued to act as a subsidiary coinage both in north as well as south India. Besides, there were also non-metallic currencies such as cowries in Bengal and Orissa and badam (almonds) in Gujarat and the Western Coast.

c. Open Coinage:

The mints of the Mughal Empire were open to all. Anyone could get his non-official coins or bullion converted into the standard coins by paying the prescribed mint charges and seignorage. In this regard, the State itself was formally no different from any member of the public except that its resource-base was naturally larger than that of any private individual and the minting of its bullion would get priority.\footnote{Om Prakash 1988: 478.} The seignorage charged on coining constituted an important source of state revenue. Aurangzeb is said to have derived a profit of 11 lakh rupees per annum from his Surat mint alone.\footnote{Manucci 1907-08: vol. 2, 417.} In order to meet the requirement of the standard coins, network of the Mughal mints was gradually extended to cover the entire length and breadth of the empire. Thus, by the turn of the seventeenth century, rupees bearing the name of Aurangzeb and issued from as many as ninety-four mints have been recorded so far. However, not all of these mints were regular mints. Some of these mints were Camp Mints which accompanied the imperial armies and issued coins primarily for disbursement to the troops. The regular mints were chiefly located in the port cities like Surat, provincial capitals like Ahmedabad, Ajmer and Multan, resource centres for metals like Narnol, frontier towns like Kabul and Peshawar, as well as all other important towns of the empire.

d. Uniformity of Coin-Standards:

Under the Mughal rule, the weight and fineness standards of the coins were strictly maintained. The gold muhr weighed 169 grains (10.95g) troy and was practically unalloyed. The weight of silver rupee was initially 178 grains (11.53g) and was later raised to 180 grains (11.66g) by Aurangzeb. The alloy content in the rupee
was never more than 4 per cent. The copper dam weighed 323 grains (20.93g) till 1663-64 when its weight was reduced to 215.34 grains (13.95g) (about 2/3 of the original weight). The imperial mints located throughout the empire struck coins to the same standard.

e. Centralized Control of Production:

The managerial functions of the Mughal mints were the responsibility of the State. The mint workers were State employees and the mint an imperial karkhana (or workshop). However, during the reign of Farrukhsiyar, his diwan Ratan Chand instituted the system of farming out the mints to the highest bidder. This system brought with it some inherent evils which eventually led to the chaotic monetary situation witnessed during the mid-eighteenth century. A common feature in both the systems of mint-management – State vs. Farming – the actual operation of the mint and its production was based on the free market’s demand for the coined money as a medium of exchange.

f. High Velocity:

Since coins issued from various mints maintained a uniform standard, the Mughal currency circulated freely and uniformly from Kabul to Decca and from Surat to Madras. Besides, the land tax demand was expressed in money terms; the salary of the officials and the military was paid in cash (though jagir system was also prevalent, but even in jagirs the revenue was often collected in cash); and the commodity sales ‘in an intensifying network of markets must, altogether, have increased the number and velocity of coins in circulation.’ According to John Deyell, this universality of Mughal currency was made possible by displacement of the local coinage, though in some cases such as Malwa and Gujarat, the Mughal State assimilated the main features of the local currency into the imperial coinage. The silver Mahmudis of Gujarat and the square copper coins of Malwa issued after the annexation of these provinces into the Mughal Empire can be cited as examples. In this connection, the old principle that only precious metals coins travelled, while base metals coins remained confined in its locale of issue, can definitively be rejected with the

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2 Deyell 1987: 44.
3 For monetary integration of Gujarat into the Mughal empire, see Haider 2005.
overwhelming evidence of the coin hoards. The Mughal coinage of all denomination had universal acceptability. According to Deyell:

Coinage of any mint was accepted without prejudice, and the product of a frontier mint might travel clear to other end of the empire through a myriad of intermediate exchange... Mughal currency had currency.

g. Dependence on Imports:

An important feature of the Indian monetary system during the Mughal period was its overwhelming dependence on foreign sources for supplies of coinage metals. The domestic production of precious metals was negligible, and foreign trade was the principal channel through which these metals were obtained for coinage and other uses. The third coinage metal, copper, was also obtained partly through trade. Factors such as discovery and extensive working of the silver mines in the Spanish America from sixteenth century onwards, favourable balance of trade position of the East and metal price disparity between the East and the West, all helped India to receive a lion’s share of precious metals in the international trade. The increasing international trade brought even larger quantities of precious metals into India. To quote the French physician François Bernier, who visited India during 1656-68, said ‘... gold and silver, after circulating in every other quarter of the globe, came at length to be swallowed up, lost in some measure in Hindoustan’ — a symbolic but very significant statement indeed.

During the seventeenth century and the early part of the eighteenth century, an important medium through which foreign metals flowed into India were the European trading Companies – the English, Dutch and, to a limited extent, the French East India Company.

To finance their investments in India, these companies imported large quantities of precious metals. The effect of exportation of treasure by the English East India Company on the demand and prices of precious metals in England has been

1 Ibid.: 45.
3 Om Prakash 1987: 171.
4 The other ways of financing the investments adopted by these companies were by exporting European goods – for which there was practically no or very little demand in the East, and by borrowing, chiefly against bills of exchange – issued in the East and payable in Europe.
recorded by Sir Issac Newton, then the Master of the London Mint, in following words, ‘When ships are lading for the East Indies, the demand for silver for exportation raises the price to 5d 6d or 5d 8d per ounce or above.’1

As silver was generally the official standard of currency in the East Indies as well as in China, substantial portion of the Company’s treasure was sent in either silver bars or foreign silver coins.

Table: The Quantity of Silver and Gold exported by the English East India Company, 1701-1760

<table>
<thead>
<tr>
<th>Year</th>
<th>Pure Silver (Kg.)</th>
<th>Pure Gold (Kg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1701-05</td>
<td>166,885</td>
<td>-</td>
</tr>
<tr>
<td>1706-10</td>
<td>173,833</td>
<td>141.11</td>
</tr>
<tr>
<td>1711-15</td>
<td>167,503</td>
<td>145.79</td>
</tr>
<tr>
<td>1716-20</td>
<td>250,857</td>
<td>-</td>
</tr>
<tr>
<td>1721-25</td>
<td>289,349</td>
<td>-</td>
</tr>
<tr>
<td>1726-30</td>
<td>261,401</td>
<td>-</td>
</tr>
<tr>
<td>1731-35</td>
<td>260,102</td>
<td>-</td>
</tr>
<tr>
<td>1736-40</td>
<td>260,378</td>
<td>-</td>
</tr>
<tr>
<td>1741-45</td>
<td>257,882</td>
<td>-</td>
</tr>
<tr>
<td>1746-50</td>
<td>366,289</td>
<td>-</td>
</tr>
<tr>
<td>1751-55</td>
<td>398,041</td>
<td>-</td>
</tr>
<tr>
<td>1756-60</td>
<td>193,458</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Chaudhuri 1978: Table A.7, 177.

However, the import of precious metals from other channels also continued during the same period, and we find the following figures quoted in the Annual Register:

Table: Export of Gold and Silver to India, 1753-64

<table>
<thead>
<tr>
<th>Year</th>
<th>Silver Oz.</th>
<th>Silver Kg.</th>
<th>Gold Oz.</th>
<th>Gold Kg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1753 to 1758</td>
<td>1,05,56,748</td>
<td>2,99,279</td>
<td>1,18,127</td>
<td>3,349</td>
</tr>
<tr>
<td>1759 to 1764</td>
<td>14,11,116</td>
<td>40,005</td>
<td>9,760</td>
<td>277</td>
</tr>
</tbody>
</table>

Source: Annual Register, Vol. 7 (Dec. 1764), 68.

Thus the Mughal monetary System, ‘like the state which created it …… was powerful, flexible pervasive and long-lived.’2 During over two centuries of Mughal rule, the monetization of the society had risen to a level that was unprecedented. During this period, the subsistence economy of the Indian villages where the ‘community lived by itself, peasants grew and consumed, artisans produced and

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bartered’, steadily drifted to become exchange economy when ‘money penetrated the agrarian sector of the Mughal empire through the twin process of state driven commerce and direct production for the market.'¹ Likewise, in the urban centres too money use struck deeper roots.² Thus, Mughal economy was highly monetized.

B. COLLAPSE OF THE MUGHAL RULE

‘All theories of the eighteenth century must necessarily start with the problem of the economics of the Mughal Empire before its decline.’³ Thus, it would be in the fitness of things if the factors responsible for the collapse of the Mughal monetary system are discussed before the survey of the currency situation in the mid-eighteenth century.

The collapse of the highly centralized monetary system of the Mughals during the eighteenth century is directly linked with the disintegration of the Mughal Empire itself. Aurangzeb (1658-1707) was the last of the powerful Mughal emperors. During his rule the boundaries of the Mughal Empire were stretched to their maximum extent. However, it is said that towards the end of his career, Aurangzeb realized that his long reign of fifty years had been a colossal failure. He is reported to have uttered the morose foreboding:

\[
Az\ ma-ast\ hamah\ fasad\ baqi
\]

(After me will come the deluge)

Between 1707 and 1720 the centralized structure of the empire broke apart. During the next twenty-five years the domains of the Mughal authority were squeezed to the environs of Delhi. None of the successors of Aurangzeb proved man of any ability and the throne of Delhi was occupied by a series of *rois fainéants* under whose feeble rule the disintegration of the empire proceeded rapidly. These puppet kings were neither able to curb the rebellions in the provinces nor check the foreign invasions. As a result rival networks of power got institutionalized throughout India and the political authority and military power shifted from the ‘centre to the periphery.’

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¹ Haider 1996: 298.
² For a detailed discussion on this theme, see Perlin 1987.
In the first group of these neo-states were the governors of the Mughal provinces of Deccan, Bengal and Awadh, who, with the first sign of weakening of the central authority, asserted their independence.¹

In Deccan, the Mughal Viceroy Zulfiqar Khan, entitled ‘Asafjah Nizam-ul-Mulk’ laid the foundation of his own dynastic rule in Hyderabad. The province held by him was at one time estimated to yield 18 crore of rupees per annum.

In Bengal, Murshid Quli Khan (d. 1727) held the dual position of the Nazim (Governor) and the Diwan (Revenue Collector). The successors of Murshid Quli acquired hereditary authority over Bengal, Bihar and Orissa, and the sovereignty of the Mughal emperor over this region practically came to an end.

In the Gangetic plains, Muhammad Amin, entitled ‘Burhan-ud-din Sa’adat Khan’, asserted his sway over a vast area once he was appointed the Mughal Subahdar (Provincial Governor) of Awadh in 1720. His successor and son-in-law, Safdarjung was appointed Wazir (Prime Minister) by Muhammad Shah. Henceforth, his successors hereditarily held the title Nawab Wazir of Awadh and in 1819 dropped even this nominal allegiance to the Mughal Emperor.

The second group comprised of the revivalist powers which were once subjugated by the Mughals, but who were always looking for an opportune occasion to re-assert their independence.²

The Sikhs in the Punjab were one such power. Punjab, the scene of many turmoils during the eighteenth century, lay in the route of the foreign invaders like Nadir Shah (1738-39) and later, Ahmad Shah Abdali (1748-61). As a result, its inhabitants suffered looting and destruction over a considerable period of time.³ However, after the removal of Ahmad Shah Abdali from the scene, the Sikhs recovered the lost territories and by 1764 the entire tract between Jhelum and Satluj was being ruled by the Sikh chieftains.

The Marathas, under the able leadership of Shivaji, were able to carve out an independent kingdom during the lifetime of Aurangzeb. The armies of Shivaji reached

² Ibid.
as far as the Karnataka in 1676. After the death of Shivaji (1680) Aurangzeb was temporarily successful in curbing the rise of the Marathas, when he captured Sambhaji, the son and successor of Shivaji. However, after the death of Aurangzeb the Marathas once again consolidated their position under Balaji Vishwanath, the *Peshwa* or the Prime Minister of Sambhaji’s son and successor, Shahu. Later, the office of the Peshwa became hereditary. Under the Peshwas, a great Maratha confederacy, with its headquarters at Pune, was founded. Together the Maratha chiefs held large territories of Deccan, Gujarat, Malwa, Bundelkhand, lower Bengal and Orissa. In north India the Marathas raided as far as the Punjab. With the defeat of the Maratha army in the battle of Panipat (1761), the power of the Peshwa as the head of the Confederacy declined. The Marathas were now grouped into five clans, who had rather undefined separate territories. These were: the Peshwa at Pune, the Bhonslas at Nagpur, the Sindhias at Gwalior, the Holkars at Indore and the Gaekwads at Baroda.

The rulers of a large number of Rajput states had served as traditional allies of the Great Mughals. However, they did not take much advantage of the disintegration of the Mughal Empire, except for seizing portions of imperial domains which were contagious to their own territories, or simply by increasing their political clout in imperial politics in Delhi. Since clan system was still a dominant factor in these Rajput states, the disappearance of the imperial authority intensified clan rivalry.

Two leading Rajput clans at the beginning of the eighteenth century were the Rathors of Marwar and the Kachhawahas of Amber (Jaipur). The Ranas of Mewar, who had enjoyed political primacy among the Rajput States in pre-Mughal times, had fallen into a state of internal dissensions and the state itself finally submitted to the British suzerainty in 1818.

The Jats were the peace-loving cultivators of the Doab region. During Aurangzeb’s reign, they rebelled several times due to oppressive behaviour of the local authorities. Later, they consolidated their position under their leader Churaman (1695-1721) and in due course, converted themselves into a formidable political force. They occupied an extensive tract between Agra and Delhi and set-up their headquarters at Bharatpur. Their political ascendancy continued under Churaman’s

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successor Badan Singh (1721-56), who was recognized as a Raja by the Mughal Emperor Ahmad Shah. Badan Singh was succeeded by his adopted son, Surajmal (1756-63), who formally adopted the title of Maharaja. At the time of Surajmal's death, his annual revenue amounted to 175 lakh rupees, and he left a reserve fund of ten crores.\textsuperscript{1}

Another marshal race that asserted its independence from the Mughal authority in the north India was the Rohillas. They occupied a large tract of land north of the Ganges that extended up to the foothills of the Himalayas.

The region between the kingdom of Awadh and the Mughal capital was dominated by the Afghans and they too succeeded in carving out an independent principality for themselves during the period of disintegration of the Mughal Empire.\textsuperscript{2} Muhammad Khan Bangash (d. 1743) established his seat of power at Farrukhabad, and despite Nawab of Awadh's strong opposition, the Bangashs retained their status as powerful jagirdars.

The independence of the local governors, the rise of warrior states and the re-assertion of sovereignty by the regional dynasties, singly and simultaneously dismembered the empire of the Great Mughals. And, to add to the confusion, the European powers that had come to India for trade now began to assume political character by expanding their territorial possessions and strengthening their strongholds. Portuguese, Dutch, Danes, French and the British – all took part in the eighteenth century power-struggle. On the west coast, the Portuguese held Diu, Daman, Bassien, Chaul and Goa; the English held Bombay and Surat, while the Dutch held Cochin. On the east coast, the English held Bimlipatan, Pulicat, Madras and Negapatam; the French held Pondicherry, Arcot, Mahe, Balasore and Masulipatam, while the Danes were confined to Tranquebar. In Bengal, the English held Calcutta while the French held Chandernagore.

By mid-eighteenth century, among all the European trading companies, the English East India Company prominently emerged to play a dominant role in the politics and economy of India.

\textsuperscript{1} Sarkar 1991: 251-72.
\textsuperscript{2} Ibid.: 1988: 21-33.
CHAPTER I

The dissolution of the Mughal Empire is seen as a notable phenomenon of the eighteenth century.¹ Yet there is a disagreement on the role played by different socio-economic as well as political factors in bringing about this dissolution. Historians like William Irvine and Jadunath Sarkar project this decline in terms of a personal deterioration of the kings and nobles.² For example, it may be argued that had Aurangzeb left successors of his own mental and moral stature, whether the process of disintegration of the Mughal Empire could have been stalled. Lane-Poole answers in negative. According to him, 'The disease was too far advanced for even the most heroic surgery.'³ However, this and several other similar ‘mono-casual’ theories of the decline of the Mughal Empire are now being replaced by institutional, economic and organizational structure-analysis of the empire.⁴ These arguments clearly demonstrate that the economic factors such as the bankruptcy of the Mughal government due to incessant warfare, disruption of trade and industry due to instable political conditions, oppression of cultivators by the zamindars by the means of increased taxation, and the ‘aristocratization’ of the mansabdars, were, amongst others, no less responsible for the decline of the Mughal Empire.

An important economic factor that played a catalytic role in the decline of the Mughal Empire was, however, the role of the bankers – the sahukars, sarrafs and the mahajans. Karen Leonard has argued that, ‘Indigenous banking firms were indispensable allies of the Mughal state, and the great firms’ diversion of resources, both credit and trade in the Indian subcontinent contributed to the downfall of the empire.’¹¹

Thus, the decline of the central structure of the Mughal Empire was more in the form of 'structural changes' which, in turn, were the result of a number of politico-economic factors. Once the process of decline and disintegration of the Mughal Empire was set in motion, the currency system built-up by them could not remain unaffected.

¹ Malik 1990: 169.
³ Lane-Poole 1892: 411.
C. DECLINE OF THE MUGHAL EMPIRE AND THE MONEY MARKET

Richards observes that 'monetary system and the state structures underwent a similar transition when the Mughal Empire broke up in the second and third decade of the eighteenth century.'\textsuperscript{2} The fall of the Mughal Empire and the political ascendancy of various Indian as well as European powers during the eighteenth century was almost simultaneous. In this scramble for power, \textit{Sikka}, or the right to coinage, became the 'right-most-cherished' by the Indian claimants as an expression of their \textit{de jure} sovereignty. The European Companies, on the other hand, sought this right to expand their economic activities. As a result of the fall of the Mughal Empire, the number of mint-towns grew rapidly in India. In the first category were the mints that issued coins of the Mughal prototype. These included the existing Mughal mints such as Agra, Lahore, Multan, Ahmedabad, Ajmer, Burhanpur, Itawah, etc. that were now controlled by the neo-claimants of the territorial authority, as well as a large number of newly set-up mints like Benares, Farrukhabad, Mathura, Panipat, Jammu, Hardwar, Baroda, etc. The vast majority of these mint-towns were the headquarters of newly 'independent' regional and local rulers, who continued to produce coins in the name of Emperor Shah Alam II. Rohilkhand, Bundelkhand and the Jat territories were notable for clusters of new mint-towns of this sort. The second category of mints issued coins in the name of independent authorities, though sometimes based on the Mughal prototype. These included the Sikh mints such as Amritsar and Anandgarh, as well as the Afghan mints such as Kabul and Bahawalpur. Then, there were also mints that, over a period of time transcended from issuing coins in the name of the Mughal Emperor, to that of the new authority.\textsuperscript{3}

As a result of this proliferation of mints, the market was filled with a large variety of coins of different denominations, having different weights and purity – often debased and rudely fashioned, minted at different places on different dates and fetching differing values. The bullion imported by the European Trading Companies in the form of coined money of different European origins also circulated in the market, to make the situation worse. The Mughal currency gradually lost its basic

\textsuperscript{1} Leonard 1979: 399. This theory was refuted by Richards who challenged the evidentiary basis of Leonard's arguments (Richards 1981). For Leonard's reply to Richard's refutations, see Leonard 1981).

\textsuperscript{2} Richards 1987: 12.

\textsuperscript{3} Bayly 1983: 56-7.
quality of 'currency.' The coins of one region were either refused in the other region, or were received at a lower value. Though a majority of coins in circulation still bore the name of the Mughal Emperor, these were reduced to the state of merely being 'coined bullion.'

2. **Advent of the British Rule:**

The currency was 'the most supreme desiderata in the economy of the Indian people when they came, in the middle of the eighteenth century, under the sway of the British.'

The gradual transformation of the English traders into masters of the land is a story of their expanding control of the Indian fiscal economy. In the early years of their intercourse with India, the Company was obliged to finance its purchases, or 'investment' as they were called, by importing precious metals, called 'treasure' in official records, both in the form of bullion as well as coined money of various European origin.

During the early days of the East India Company's trade with India, the treasure imported by them was either sold to the bullion merchants situated in the port cities, or was taken to the imperial mints to be converted into the coins of the realm. Both the systems proved to be unsatisfactory to the English. While bullion merchants were always able to strike a deal which under-valued the metal being offered for sale; the mints, on the other hand, kept the treasure idle for some time, before it was converted into *sikka*. The English, who were always in the need of ready cash for their investment had, therefore, from the very early days aspired to appropriate to themselves, the minting rights in the land of their trade.

**A. Early Minting Activities of the East India Company: Imitation and Innovation**

a. **The Coromandel:**

(i) Armagaon

The first mint established by the English East India Company on Indian soil was at Armagaon, in south India. The Armagaon Factory was established in January

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1626 under the authority of the local Naik ruler, who also permitted the Company ‘to stamp us both pagodas and fanams also in our own house, paying 1½ per cent.’

(ii) Fort St. George

Soon thereafter, in 1639, the East India Company obtained from the Raja of Chandragiri, the permission to build a fort and the mint at Madraspatam, or Chinapatam as it was also known. The minting rights granted to the East India Company read:

Also the said English Company shall perpetually Injoy the privilidges of mintage, without paying any Dewes [dues] or dutyes [sic] whatsoever, more than the ordinary wages or hire unto those that shall Quoyne [coin] the moneyes. The Company in 1692 was able to obtain from the Mughal Prince Kambaksh, the authority to mint silver rupees at Madras, though initially, for use in its trade with Bengal.

(iii) Fort St. David/ Cuddalore

In 1690, the English had purchased from the Marathas the Fort of Tegnapatam, situated on the coast about twelve miles from Pondicherry, along with its surrounding area including the township of Cuddalore. Among other condition of sale, the minting rights were also acquired by the Company. The Company was permitted to:

Coyn [coin] money either our Royall Stamp or Such other as they shall Judge convenient, both in Silver or Gold and that no imposition, Custome or Junckan be at any time lay’d thereon...

The Fort was renamed as Fort St. David and was placed under a Deputy Governor, subordinate to Fort St. George (Madras). In a short span of time a mint was established at Cuddalore, which started minting gold pagodas and fanams referred to as Pollicatt and Mullandore, respectively in the records. In 1692 the Cuddalore mint was shifted to Fort St. David, where it worked up to 1703-04. The Fort mint, thereafter fell into disuse and was revived only in 1731.

In 1747, another mint was opened at the Pettah at Cuddalore, which mainly struck Arcot Rupees for consumption in Bengal trade.

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2 Quoted in Pridmore 1975: 4
(iv) Chintadripet

In July 1742, a mint of the Nawab of Arcot which was located at Chintadripet, about a mile outside the walls of Fort St. George, was acquired by the Company. Later through a Sanad dated 4 November 1742, issued under the seal of Nawab Sa'adatullah Khan of Arcot, the grant of five villages and the privilege of a mint at Chintadripet to the Company was confirmed.

During the course of the Anglo-French War, Madras was surrendered to the French on 10 September 1746 and consequently minting operations of both Fort St. George or the Town mint and the Chintadripet mint were suspended. The Coromandel Coast headquarters of the Company was shifted to Fort St. David.

b. The Western Coast: Surat and Bombay:

The earliest settlement of the English East India Company on the Western Coast of India was at Surat. A Factory was established at Surat in December 1612 under a Charter obtained from the Mughal king Jahangir. Under the Mughals, Surat was a mint town for gold, silver and copper coinage. However, prior to the arrival of the East India Company the mint had been closed and the first English Factory was established in the old Mughal mint house. The Mughal mint was revived about 1618. Consequently the English traders who were so far able to discharge their debt in 'reales of eight' or Spanish dollars and other acceptable foreign coins, were now forced to get their treasures converted into current coin at the Mughal mint, as the "exportation of royalls, through occasion of a mint erected in this towne being utterly debased."2

On 27 March 1668, the Island of Bombay, some 150 miles south of Surat, was transferred from the Crown to the East India Company. The Island, which earlier was a Portuguese possession, already had a coin system introduced by them, when the East India Company took its possession. Under the authorization of the Court of Directors, a mint was established in Bombay in 1692. The mint produced coins in gold, silver, copper and tin bearing English designs and legend. However, as these coins had a limited circulation, the East India Company continued to send its treasure to the

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1 Ibid.: 42.
2 Ibid.: 96.
Mughal mints at Surat and Ahmedabad to be converted into the coins of the Mughal pattern. Besides, depending upon the expediency, they also bought Mughal rupees directly from the brokers.

In order to extend the circulation of the coins minted in their Bombay mint, the East India Company in 1693 attempted to issue rupee coins on the pattern of Mughal design. In their attempt, the English authorities were perhaps emboldened by the permission to mint silver rupee at Madras, granted to them by the Mughal Prince Kambaksh in 1692. The coins issued from Bombay bore names and titles of English king William III and Queen Mary in Persian script a-la-Mughal. The reigning Mughal emperor Aurangzeb took strong objections to this encroachment on the Royal Prerogative of the sovereign and in the teeth of opposition, the English authorities had to withdraw their issue.

In 1713 the Court of Directors instructed the Bombay Government to coin silver rupees as per the Surat standard. The despatch read:

We expect you encourage our own mint at Bombay by coining there of the same weight and fineness with those at Surat, or very near it. If you make them finer, we shall lose by it and therefore you must be very careful to prevent it. If coarser, they will get an ill character and very likely if one or two per cent worse, they will be undervalued to three or four per cent. Therefore they should be the same; and though at first the shroffs may endeavour to decry them, yet in time the rupee will retrieve and afterwards preserve their reputation, as experience tells us those have which were coined at Madras.¹

The instructions of the Court implied that at Bombay too, like Madras, rupees of Mughal proto-type be coined. Since in not very distant past, the Bombay Government had invited the wrath of the Mughal emperor, in an attempt to issue coins on Mughal pattern, this time they decided to tread very cautiously.

To obtain the minting rights at Bombay, in 1715 an Embassy was sent to the Court of Mughal emperor Farrukhsiyar. In its petition to the emperor the Company stated:

That on the island of Bombay belonging to the English, European siccaes are current, they request that, according to the

¹ Quoted in Ibid.: 110-11.
custom of Madras, they may at Bombay coin [Mughal] siccaes.\(^1\)

The much-sought permission to mint Mughal style coins at Bombay was granted on 6th January 1717. It read:

On the island of Bombay let there be the glorious stamp on the siccaes. Coined there passing them current as all other siccaes are throughout the Empire.\(^2\)

The new 'Bombay Sicca' struck by the Company soon got currency and passed in the market in and around Bombay without any objection. Encouraged by the ready acceptance of the 'Bombay Sicca', the Company, which had initially, coined its own bullion only, in August 1719, started accepting the private bullion for coinage.

c. Bengal:

The foundations of the English establishments in Bengal can be traced back to the year 1651 when a Factory was opened at Hughli. Earlier in 1633, two factories namely Hariharpur and Balasore were established on the Orissan coast. To meet its requirements of coined money for investments in Bengal and Orissa, the East India Company had to import coins from Madras and Surat. Besides, they also made use of the Mughal mint at Rajmahal (Akbarnagar) to get their bullion converted into coins. The English authorities, who by their experiences in Madras and Bombay had become aware of the benefits of having a mint at the seat of their establishment, thought it prudent to have similar privilege in Bengal too. Thus, from an early date, they endeavoured to acquire the minting rights in Bengal.

First attempt in this direction was made in 1698 when one Mr. Stanley was deputed to the Court of Mughal Prince Azim-us-Shan, grandson of Aurangzeb and the Governor of Bengal Subah. The object of his mission was to secure, among other privileges, the permission to establish a mint at Hughli. However, this mission, proved abortive. Again in 1708, an attempt was made to secure the permission from Zia-ud-din, the Mughal Governor of Hughli to establish a mint. Nothing transpired from this attempt either.

In 1717, a sanad was obtained from the Mughal king Farrukhisiyar which permitted the East India Company to use the Mughal mint at Murshidabad for three

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\(^1\) Ibid.: 111.

\(^2\) Ibid.
days in a week to coin their bullion. This scheme, however, could never be implemented due to the strong opposition by Murshid Quli Khan, the Nawab of Bengal. The local money-changers too exercised ‘control over the currency of Bengal, thwarting the English Company’s desire to establish a mint at Calcutta, even though the amounts of silver brought annually from London rose from £75,000 (c. 1713) to £100,000 (c. 1743).\(^1\) Thus, up to 1757 almost entire coin-requirement for Company’s trade in Bengal, were met by Madras mint. Thus, silver imported from Europe was converted into coins by employing various methods, viz.:

I. If the ship calls at Madras, the silver may be coined in the mint there into Madras rupee.
II. It may be sold at Madras in exchange for Arcot rupees.
III. It may be carried to Bengal, and there sold for sicca rupees.\(^2\)

Calcutta:

On 7 February 1757, the East India Company concluded a treaty with Siraj-ud-daulah, the Nawab of Bengal, who was struggling to secure his position. The treaty granted permission to the East India Company to establish a mint at Calcutta. However, before any progress could be made in the direction of establishing a mint at Calcutta, Siraj-ud-daulah was deposed and replaced by Mir Jafar. The new Nawab of Bengal granted more extensive privileges to the East India Company thus, facilitating the establishment of the Calcutta mint. Consequently in August 1757 the Company’s mint was established in Calcutta.\(^3\)

3. Features of Indian Money Market c. Mid-Eighteenth Century:

A. Money of Account and Currency

a. The Coromandel:

When the East India Company founded the establishments on the Coromandel Coast, the coinage of the southern India consisted extensively of gold and copper coin. Of the gold there were two denominations, the *hun*, *varaha* or *pagoda* (50 to 60 grains/3.23 to 3.88g in weight) and the *fanam* (3 to 5 grains/0.19 to 0.32g). Copper coins were called *kasu* (or ‘cash’ in English records). The Company’s account of the

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\(^1\) Furber 1980: p.133.


\(^3\) Garg 1990.
Coromandel Coast was kept in pagodas and fanams. Originally, the cash appears to have been a money of account but by the middle of the seventeenth century (1660-61) it was an actual coin. 80 cash exchanged for one fanam and 36 fanams for one pagoda.

Towards the close of the seventeenth century following the Mughal conquest of Golconda and Bijapur in 1687, silver rupee was introduced into the Carnatic. With its disbursement in payment to the Mughal troops, the rupee became firmly established in such centres as Arcot and Trichinopoly.

**b. The Western Coast:**

By the mid-eighteenth century, the Western Coast areas had completed the transition from gold to silver-based monetary system, which had begun in about 1630s. V.G. Kale, writing about the money-market in Maharashtra during this period, observes:

Gold coin had almost gone out of use as currency and mohurs of various makes were sold and purchased merely as bullion. The gold hon which was extensively employed in Maharashtra in payments, as a measure of value and money of account, in the 17 century, had ceased to function in that capacity and only the rupee coin had established itself as the only metallic currency in universal use.¹

Of the various sorts of silver rupees of native and foreign origins, the most commonly used specie was the silver rupee coined at Surat in the name of the Mughal emperor. The Surat mint was operated by the Nawab of Surat. In 1717, the English had secured the coining rights at Bombay from the Mughal Emperor Farrukhsiyar. However, the silver rupees coined at Bombay was confined to the island itself, and for their trade outside Bombay, the Company either bought Mughal rupees from the brokers or continued the custom of sending their silver to the Surat mint.²

As the importance of Bombay and its trade developed, the silver rupees of different issues and varying qualities circulated in the island. Many were inferior in value to Bombay or Surat rupee. These rupees of sorts were bought up by the shroffs on the mainland at an unreasonable discount and then imported to Bombay, where they passed in payment for goods at a lesser discount or at par. This practice was put

¹ Kale 1937: 243.
to an end by the English East India Company in 1733 by declaring Bombay and Surat rupee as the sole tender for payment in the island. Under the new arrangement, any person having more than ten rupees of any coin or bullion, other than Bombay or Surat, was required to bring them to the Company's mint, where he could exchange them at their real value, less one per cent for re-coinage.¹ This practice, however, could not continue for long because of the fact that while English mint at Bombay, especially after 1738, issued silver rupees of standard weight (179 grain/11.60g troy) and fineness, no such regulation was imposed on the coins minted at Surat. As a result, merchants found it more profitable to remit their holdings to Surat, where they received a greater number of rupees in return than at Bombay. As the English started suffering losses, they suspended their minting activities at Bombay in 1778.

In the native money-market, the accounts were kept in Taka, and on an average, four of these went to the rupee.²

c. Bengal:

Sikka – Coin and the Weight:

In mid-eighteenth century the Bengal silver rupee was the standard unit of value. Most recognized specie among a horde of rupees in circulation was the Murshidabad Rupee. It had a weight of 10 masha (or 179.66 grain troy =11.60g) and a fineness of 98/100. In Bengal, 10 masha was also a unit of bazaar weight called a Sicca. Thus, a newly coined rupee of full standard was both a denomination of money and a denomination of real weight. The sicca weight was divided into 16 ana, one being equal to 12 pice in exchange. A Sicca Rupee, therefore, meant a coin whose weight was equal to one sicca or 16 annas or 10 masha.

Sanwat Rupee:

One frequently comes across the term 'Sunaut' in the East India Company records. The origin of this term lies in the impression of the regnal year (or San-i Julius) of the Mughal emperor on the coins. Thus, a rupee issued in the 4th regnal year of the emperor was called '4 sun (or san) sicca.' The regnal year commenced each year on the anniversary of the enthronement of the king, so it did not usually

¹ Letter dated 7 December 1733, quoted in Pridmore 1975: 117.
² Kale 1937: 243.
synchronize with the Hijri year, which was also inscribed on the coins. Coins issued in the same Hijri year occur with different regnal years.

When a rupee passed on from its sicca rating of the first year to 3 per cent and 5 per cent batta for second and third years respectively, it was termed as Sanwat (literally ‘a coin of years’, sanwat being the plural of sanat (year)).

Money of Account:

Faced with the problem of varying values for different specie of the same denomination, the East India Company, from early days of its commerce in Bengal, kept its accounts in an imaginary coin termed as Current Rupee. To facilitate the accounting, all specie of rupees of differing standards, weights and fineness, plus siccas reduced by batta, were measured against this Current Rupee. Thus, 100 Sicca Rupees were rated equivalent to 116 Current Rupees in the first year of their circulation. In the second year they equalled to 113 Current Rupees while, in third year and thereafter they were valued at 111 Current Rupees.

While the Current Rupee was a money of account of the East India Company, in local practice, it was expressed as Das (Ten) Masha. It signified any rupee of equal standard in fineness to a sicca weighing ten masha weight. In actual value the Das Masha Rupee was 10 per cent higher than the Current Rupee of the East India Company’s accounting systems.

B. MULTIPLICITY OF COINS IN CIRCULATION

One of the most striking features of the currency situation during the mid-eighteenth century was the multiplicity of coins in circulation. With the disintegration of the Mughal Empire several regional powers established their independence in different parts of India. ‘In the general scramble for independence... the right to coinage, as one of the most unmistakable insignia of sovereignty, became the right most cherished by the political adventurers of the times. It was also the last privilege to which the falling dynasties clung and was also the first to which the adventurers rising to power aspired. As a result soon the market was filled with a large variety of circulating media.'

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1 Verelst 1772: 89.
2 Ambedkar 1947: 4-5.
With the worsening of situation there arose a condition where not only different kinds of coins circulated in different regions but even in the same region (district or moffasil) different commodities had to be purchased with different kinds of coins of the same denomination. Thus, in Bengal, where silver rupee was the standard circulating media, commodities of daily need such as rice, ghee and cloth were sold in different specie of rupees in the different districts.\(^1\) For example, in Jessore, trade in grains, betel-nuts, sugar, jaggery, and coconut was carried on in siccas, trade in cloth, oil, pepper and turmeric in Murshidabad sanwats, and trade in salt in French Arcots. In Bishnupur, das mashas were used for trade in grain, tobacco and jaggery, and Arcots for trade in cloth.\(^2\) The economy thus presented a curious phenomenon where large presence of cash in the market only restricted exchange economy.

C. DEBASEMENT IN CURRENCY

The multiplicity of coins would not have been a matter of much concern had the issuers of various specie of coins maintained a common standard for the coins of the same denomination by sticking to the original Mughal coin-standard. This, however, was not expected. Thus, a large variety of coins of a single denomination were found circulating in various stages of debasement. ‘Given the different degrees of debasement, the currency necessarily lost its primary quality of general and ready acceptability.’\(^3\) The evil of debasement in the coinage manifested itself into two ways; First by a deficient pure metal content or the increased alloy content in a coin of full weight. Writing in 1775, Philip Francis noted, ‘In some of them, the alloy is equal to forty per cent upon the weight. From the state of Baseness to the Purity of the Sicca, the Degrees are innumerable.’\(^4\) The second form of debasement was by issuing underweight coins. In the former situation the contents of the coins belied the supposed value of its denomination thus, turning into a commodity of merchandize, while in the latter situation the coin seized to be ‘currency by tale’ to act as a ready means of exchange.\(^5\)

\(^1\) Sinha 1938: 4-5.
\(^2\) Sen 1957: 159.
\(^3\) FWIHC, IX 1959: xiii.
\(^4\) NAI, Public Department, OC, 13 March 1775, No. 18(a).
\(^5\) Ambedkar 1947: 5.
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D. MENACE OF BATTA (Discount)

With the multiplicity of coins in circulation and the evil of debasement, there arose an exceedingly complicated problem of mutual conversion of these diverse coins. Prior to Farrukhsiyar’s (1713-1719) reign, rupees remained ‘Sicca’ during the lifetime of the emperor in whose name they were struck. After the accession of a new ruler, the coin lost its ‘sicca’ rating and became subject to a decrease in value caused by the imposition of a discount called batta. Such coins were not received in the Royal Treasury except as bullion.

By the middle of the eighteenth century this batta on the coinage was charged for the first 3 years. During the first year of its circulation, the rupee retained its ‘sicca’ rating. In the second year it became subject to a discount of 3 per cent. During the third year a further batta of 2 per cent was added and it was then known as sanwat rupee. In actual practice the batta meant the loss arising from advances not being made in the specific coins locally required. The class of people who benefited most out of this loss was the sarrafs or money changers. A sarraf examined every coin; graded each piece according to weight and fineness, and fixed the batta. He ‘assumed a relationship between age, velocity of circulation and weight loss in classifying coins into three categories – sikka, chalna [or chalni] and khazana – and levied discounts [batta] to redeem value and reduce transaction costs.' While there was some justification in levy charges to cover the cost of production (brassage) and the seignorage resulting from the actual loss of weight due to wear, in actual practice even a full weight coin was given the chalna status after a year. Similarly the ‘underweight coins of previous mintages suffered a double discount, and coins of identical weight and fineness fetched different values.' The sarraf provided current coins in lieu of the batta and collected the old/ non-current coins offered in exchange. These old coins were recoined by him in the mint for such further transactions. Since the mints were generally farmed out to the individuals, a nexus was formed between the mint-masters and shroffs.

2 See Habib 1961 on batta and why it was charged. For a full scale treatment of the subject, see Haider 2008.
3 Haider 2008.
E. ‘HUMBLE CURRENCIES’ AND NON-METALLIC ISSUES

Though during the mid-eighteenth century, the currency system was mainly that of ‘metallic currency’, a number of ‘humble currencies’ of baser metals, such as tin and lead, as well as non-metallic currencies such as almonds (bitter, non-edible type), some kinds of seeds and cowrie shells, were also prevalent in small regions.

Tin (Tutenague):

As early as during the sixteenth century, tin was used by the Portuguese to coin their monetary units called *Bazarrucco, Roda, Solde* and *Bastardo*, issued from Goa. As their minting activities spread to Diu, Daman, Bassien and Chaul, the tin was put to the most extensive usage as currency.

Between 1672 and 1677, the English too issued tin coins called *tinnys* or *buzerook* (or *bujrook* — from Portuguese *Bazarruco*) from their mint at Bombay. The circulation of these *tinnys* was, however, restricted to the island of Bombay. The coins were paid out to the Company’s labourers employed for fortifications, soldiers’ pay and other local charges. The use of *tinnys* did not gain much acceptance with the common people and this first experiment of a tin currency by the English failed. After 1677, tin as a coinage metal ceased to be used in the Bombay mint. The practice of issuing tin coins to defray small payments was once again revived in 1716 and a new series of tin *buzerooks* were coined. From 1717 until 1793, tin coinages, interspersed with copper issues, became a regular feature of the Bombay currency.

Tin was also used by the Dutch East India Company to mint *bazaruk* coins from their mint at Cochin, during 1724-1795.

Lead:

Ever since their settlement in India during the seventeenth century, Danish Trading Company extensively minted lead coins called *Kas*. These coins were current in their settlement at Tranquebar on the southeast coast of India. Only the basic unit of *Kas* was made of lead; its multiple denominations viz. 2 *Kas*, 4 *Kas*, and 10 *Kas* were

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1 Ibid.

2 Richards (1987: 11-12) and Perlin (1987: 237) include copper coins too in their definition of ‘humble currencies.’ However, copper was an integral part of the Mughal monetary system and, though marginalised, had maintained its position in the trimetallic system. See Habib 1987.
made of copper. Eighty Kas equalled to one Royaliver (Fano or Fanam) – a silver coin.

The Dutch also minted lead coins which formed their smallest monetary unit at Negapatnam mint.

Badam (Almonds):

Certain types of inedible bitter almonds (badam) were imported into Gujarat where they were used as money. According to Thevenot, these almonds passed for money at Surat and came from Persia.\(^1\) The areas of south and central Gujarat in which badam circulated comprised a complex of large and small urban centres, inhabited by money-lenders, bankers, merchants and craftsmen.

Cowries:

In Bengal, Orissa and Assam, the cowrie shell (cyprea moneta) was the chief medium of small change for all transactions below a rupee. In Bengal, silver or copper fractions of the rupee were seldom minted.

The usual measurement of the cowrie was as follows:

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\begin{align*}
4 \text{kauris} & = \text{one ganda} \\
20 \text{ganda} & = \text{one pan or pun} = 80 \text{shells} \\
16 \text{pans} & = \text{one kahan} = 1280 \text{shells} \\
4 \text{kahan} & = \text{one Rupee} = 5120 \text{shells}
\end{align*}
\]

Normally the exchange value of the cowry currency with the rupee was calculated upon the number of pans, and this varied from 50 to 70 according to locality and period. A Report to the Council at Calcutta, dated 15 May 1758, shows purchases of cowries at the rate of 46 pans for the Calcutta Current Rupee.

Recognizing that the cowrie had no intrinsic or stable value, the Company made several attempts to rectify the situation. As early as October 1757, they introduced a copper token currency for payment to the labourers engaged in the fortification of Fort William.\(^2\) They also attempted a more general introduction of small gold and silver coins, by requiring a certain proportion of bullion handed into the mints to be coined into fractions, but in the case of private bullion this condition

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\(^2\) Rhodes 1999.
was evaded. It was not until the major currency reforms of 1792 that progress was made in this aspect of currency.

By 1834 cowries had ceased to be imported for currency having been superseded by the Company’s copper pice coinage.¹

F. CREDIT INSTRUMENTS

While coins represented a physical equivalent, various credit instruments helped in increasing the velocity of money-circulation and facilitated inter-spatial transfers. Therefore, there existed a ‘close co-existence of metallic money, credit and banking instruments.’² Among the major credit instruments were:

a. Loan Deed:

The loan deeds prevalent during the Mughal period were called Dastawez and were of two types:

i. Dastawez-i Indultalab which was payable on demand and

ii. Dastawez-i Miadi which was payable after a stipulated time.

b. Pay Orders of Letters of Credit:

Another instrument in use during this period was in the form of Pay order or the Letters of Credit and were issued from the Royal Treasury on one of the district or provincial treasuries. These were called Barats (or varats) and were akin to present day drafts or cheques.³ For example, under the Gaekwads, ‘whenever the Government needed money, it would issue to any one of these potedars a money warrant accompanied by a letter of credit, known as varat, enjoining upon some ijadar to reimburse the potedar from the revenue of villages farmed out to them.’⁴

c. Hundis:

The most important class of credit instruments that evolved in India were termed hundis or bills of exchange. During the Mughal period we have the testimony

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³ ‘A writing conferring immunity or exemption, commission, warrant, decree, assignment, letter; draught [draft], cheque’, John T. Platts, A Dictionary of Urdu, Classical Hindi and English, Oxford, 1884, 143.
⁴ Tripathi 2002: 132.
of many foreign travellers regarding the use of bills of exchange in the big commercial centres. From their writings it may be noted that Indian bankers also issued bills of exchange on foreign countries, mainly for financing sea-borne trade. These bills were widely accepted and were traded at high discounts, as the discounts incorporated the insurance premium covering the risk including the safe arrival of goods. Their use has continued till today. In a sense, they represent the oldest surviving form of credit instrument. Hundis were used variously as remittance instruments (to transfer funds from one place to another); as credit instruments (to borrow money [IOUs]) and most commonly for trade transactions (as bills of exchange).

_Hundis_ were of various kinds and each type had certain distinguishing features.

i. _Darshani hundi_: This was a demand bill of exchange, payable on presentation according to the usage and custom of the place. These were mainly of four types:

a. _Sah-jog_ - was a _hundi_ transferable by endorsement and delivery but payable only to a _sah_ or to his order. A _sah_ was a respectable and responsible person, a man of worth and substance who was known in the market.

b. _Dhanni-jog_ - was a demand bill of exchange payable only to the _dhanni_, i.e. the payee. This _hundi_ was not negotiable.

c. _Farman-jog_ - hundis came into existence around twelfth century. _Farman_ is a Persian word meaning order and therefore, _farman-jog hundis_ were payable to the order of the person named. These _hundis_ could be negotiated with a simple or conditional endorsement.

d. _Dekhavanhar_ - hundi was a bearer demand bill of exchange payable to the person presenting it to the drawee. Thus it corresponded to a bearer cheque.

ii. _Muddati hundi_: This was a usance bill and was payable after stipulated time or on a given date or on a determinable future date or on the happening of a certain stipulated event. _Muddati hundis_ of _sah-jog_,
dhanni-jog and farman-jog types had the same features as those attached to the same types of darshani hundis. However, the most important type of muddati hundi was the jokhami hundi, which was a documentary bill of exchange corresponding to the present day bill of lading. This had been in use for centuries and payment was conditional on the safe arrival of goods.

G. ROLE OF MONEY-CHANGERS OR SARRAFS IN THE MONEY MARKET

As the money-market was filled with a large variety of coins of differing values during the mid-eighteenth century, the money changers or the sarrafs assumed a role of crucial importance.

In Gujarat, the Parekhs or Parikhs (from Sanskrit pariksha ‘to examine’) and Nanavatis (from nana ‘coin’ and vati ‘who deals in’) had developed into special class of businessmen who dealt in money-changing and discounting. The Gujarati word sharaJ (from Arabic sarraf) – corrupted as shroff – was a more generic term applied to the merchants specializing in money-changing, money-lending and giving and discounting bills of exchange.\(^1\) Initially the sarrafs were appointed to examine the purity of gold and silver coming to the Mughal mints, but soon they acquired special knowledge to determine the weight and age of every coin.\(^2\) These sarrafs then began to deal independently in money-changing. They used to change old rupees which fell below the standard weight, into newly coined rupees.

H. HOARDING

Another feature of the mid-eighteenth century money-market in India was the hoarding propensity of the society, which had a proportionate relationship with the political stability, peace and tranquillity. As one of the memorialists of the East India Company describes it, ‘In India, as in all other despotic governments, mankind are bridled only by fear: this leads men to hide or dissipate their money as fast they acquire it; both are equally injurious to trade.’\(^3\) Or specifically, as Sir Richard Temple puts it, ‘The possibility of a political revolution occurring is always present to the

\(^1\) Torri 1991: 1.
\(^2\) Singh 1975: 85.
\(^3\) Warring 1771: 34.
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monetary and financial mind of the people of India. The consequence is, that their coinage is used partly for purposes of circulation and partly for hoarding.¹ There were other considerations too. Bayly has interpreted hoarding ‘as methodical and rational responses to circumstances… connected with the need to have different institutions of credit for different fields.’² Citing the example of the Benares merchants, Bayly writes:

Benares merchants held Mughal gold mohurs, in case of problems with silver; they hoarded family jewels in the case of the death of the family head; they kept Mughal jewels for occasions of public display, and latterly they kept Company paper to be able to operate in the arenas of the East India Company.³

While both silver and gold were hoarded, silver was hoarded almost entirely in specie whereas gold partly in specie but chiefly in bullion.⁴ Coming more specifically to the coin-hoards these falls under two major categories – emergency hoards and saving hoards. Usually the first category comprises of coins withdrawn from circulation and hidden during an emergency with the intent of later retrieval. The coins in these hoards are of random denominations. In the second category the coins are usually of high denominations and of better quality, but of limited variety. These include what are known as ‘mercantile hoards’ and ‘bullion hoards.’⁵ Other categories of coin hoards include votive or religious hoards (viz. temple offering), accidental hoards (viz. ship wrecks) and abandoned hoards (viz. burial hoards, wishing well/pond etc).

The size of the hoard varies: while a ‘majority of hoards probably contain between 50 and 100 coins, but a fair number exceed 1,000 and a few much larger.’⁶

During the eighteenth century, there were two major foreign invasions in the north India by Nadir Shah (1739) and, Ahmed Shah Abdali (1758-61). The latter is said to have taken from India nearly 40 crore rupees in the course of his three invasions. But since much of this booty was not in circulation, ‘all that the Persians or

¹ Temple 1883: 291.
² Bayly 2004: 43.
³ Ibid.
⁴ Temple 1883: 291.
⁵ Grierson 1975: 13-16.
⁶ Ibid.: 130.
Afghans were doing to move large stores of immobilised specie from treasure hoards in India to treasure hoards of their own countries.¹

Thus, a large portion of the coin hoards which stashed away through military exploits could never be brought back into circulation when intended. This sometimes caused acute scarcity of the circulating medium. However, this was not always the case. Bayly has pointed out that ‘considerable quantities of hoarded bullion were spasmodically released by rulers of central and north India to finance their military and ceremonial enterprises.’² Therefore, hoarding and release of coins during this period had variegated effect on the money-economy, pushing the interest rates and the price of the commodities upward or downwards.

4. **Post-Plassey (1757) Scenario:**

Plassey, a sleepy town in the Nadia district of West Bengal, has earned a most remarkable recognition in the annals of modern India. It was here that on 23 June 1757, the armies of the East India Company defeated the forces of Siraj-ud-daulah, the Nawab of Bengal. As a battle, Plassey was a miserable affair, yet its consequences were enormous, both for India as well as for Britain. This victory laid the foundations of the British empire in India. It is an important chronological marker in the history of modern India. According to Percival Spear, ‘the date of Plassey no more obviously marked a political revolution to the contemporaries than the fall of Constantinople in 1453 marked a cultural and intellectual one to fifteenth century Europe.’³

Sushil Chaudhary regards this event as the beginning of British imperialism. According to him, ‘Bengal became the springboard from which the British extended their territorial acquisitions in different parts of India, and gradually built-up the Indian empire.’⁴

One of the most significant economic consequences of the British conquest of Bengal was that ‘one of the most prosperous *subahs* of the Mughal empire came in handy for financing the British expansion.’⁵

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¹ Bayly 1983: 69.
² Ibid.: 170.
³ Spear 1978: 2.
⁵ Ibid.
The 'Plassey Plunder' which began immediately after Plassey has few parallels in history. It is a unique example of wanton extraction of wealth and resources of a colony by an imperial power. Most of the wealth thus extracted by the East India Company and its servants was sent out of Bengal. It is estimated that during 1757-1765, the Company officials received from Mir Ja'afar and others, a sum of £2.2 million or Rs.17.6 million. This is exclusive of the monetary gains to the Company which in the same period amounted to £10.7 million (Rs. 85.6 million) – £3.7 million in cash and about £7 million in territorial revenues.¹

The 'Plassey Plunder' also revolutionized the nature of East India Trade. Prior to 1757, bullion was a chief constituent of the Company’s export trade with India. However, after 1757, bullion was no longer required to finance the Company's investment in India. Now expenditure on purchases in Bengal and other parts of India could be made largely out of the surplus of the territorial revenue of Bengal.

The cessation of the import of bullion, chiefly silver, had a telling effect on the currency situation of Bengal. Hitherto, almost entire quantity of bullion imported by the Company was coined into the local currencies, which in turn, facilitated the trade and commercial activities. Once this channel was cut-off, there arose an acute scarcity of silver rupees, which were the common medium of exchange, not only in Bengal but also in the entire north, central and western India.

The East India Company was not the only European Trading Company which stopped the import of bullion after 1757; the Dutch, the French and the Danes, among others, too discovered a local source for financing their investments. They could now raise capital by issuing bills of exchange redeemable in Europe to the servants of the English East India Company, who were too eager to remit their illegal fortunes to their homes. The European Trading Companies provided a safe channel to the servants of the East India Company, as they did not fear detection or confiscation of their wealth by their employers. This practice must have reached alarming proportions, as is clear from certain provisions of an Act passed by the British Parliament in 1782. By East India Company Act, 1781 (21 Geo. III, c. 70), the Company’s servants and other British subjects residing in India were prohibited from ‘lending money to foreign companies or foreign European merchants, and from purchasing goods on their

¹ Gupta 1966: 127.
account, and from being concerned in such transactions and from giving credit by bills of exchange on persons in Europe. The Company's servants who violated this injunction were liable to be suspended while the licensed traders found guilty of such transactions were to be deprived of their licenses and Company's protection and to be sent at once to England.

The 'Plassey Plunder' opened up a regular stream for drain of wealth from India. Philip Francis (1776) divided the flow of drain into four streams:

1. the East India Company's investments,
2. remittance to other presidencies,
3. the transfer of private income to England, and
4. transfer of income from private trade.

A large proportion of the drain of wealth was in the form of silver specie. Francis writes:

It is well known that in consequence of the advanced price and reduced quality of Bengal goods, the Captains and officers do not find it advantageous to make their returns by investments on such goods... the alternative left is to carry home specie.

Various estimates have been given by different authorities about the volume of drain. Writing in 1776, Francis gives a 'very moderate' estimate of 12 lakh rupees (or £0.12 million) per annum exported out of Bengal in the form of specie. Digby places India's total drain to Britain, between the battles of Plassey and Waterloo (1757-1815), at nearly £1,000 million. Marshall estimates that before 1757 from Bengal alone a remittance of £3 million was 'sent home' on private account alone, which rose to £15 million during 1757-84. Hamilton puts a total drain from Bengal to England in 1757-80 at £34.5 million. J.C. Sinha's total figure for the same period is £38.4 million. In a recent survey, which critically analyses all the evidences to hand,
‘minimum transfers’ for the period 1758-1815 have been estimated at £38 million, ‘or £30.2 million once British bullion exports to India are deducted.’

The loot of Plassey also revolutionized the economy of England. Brooks Adams observes:

Before the influx of the Indian treasure, and the expansion of credit which followed, no force sufficient for this purpose existed... . The factory system was the child of 'Industrial Revolution', and until capital had accumulated in masses, capable of giving solidity to large bodies of labour, manufactures were carried on by scattered individuals... Possibly since the world began, no investment has ever yielded the profit reaped from the Indian plunder, because for nearly fifty years Great Britain stood without a competitor.

As soon as Plassey plunder began to arrive in London, its effects on the economy became manifested instantaneously, for all authorities agree that the Industrial Revolution, the event that has divided the nineteenth century from all antecedent time, began with the year 1760. According to William Digby:

England’s industrial supremacy owes its origin to the vast hoards of Bengal and the Karnatik being made available for her use... . Before Plassey was fought and won, and before the stream of treasure began to flow to England, the industries of our country were at a very low ebb.

Thus, reduced import of bullion and increased export of specie on account of China trade as well as remittance to home and other Presidencies, marked the post-Plassey currency situation in Bengal, which resulted in acute shortage of specie in the market. According to an estimate, during 1757-1766, Bengal lost £8 million ‘by deficiency in the usual imports of bullion and by exportation of silver.’

Post-Plassey, the Company continued to consolidate its financial position in Bengal. In 1760, by espousing the claim of Mir Qasim to the governorship of Bengal, the East India Company acquired in return three important districts of Bengal – Burdwan, Midnapore and Chittagong, in addition to their old zamindary of Calcutta, Sutanati and Govindpur. However, ever since his installation on the musnad of Murshidabad in 1760, Mir Qasim had estranged relationship with the Company. Open hostilities broke out between them in 1763, and in July, the Company restored the old

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1 Esteban 2001: 66.
3 Digby 1901: 30.
4 Sinha 1927: 55-56.
Nawab, Mir Ja’afar on the musnad. The ousted Nawab, Mir Qasim joined hands with Nawab Shuja ud-Daulah of Awadh and the refugee Mughal Emperor, Shah Alam II. The combined forces of Mir Qasim and Shuja, accompanied by the Mughal Emperor Shah Alam, were decisively defeated by the British in the famous battle of Buxar (22 October, 1764).

Summing Up

The robust currency regime established by the Mughals crumbled with the decline and disintegration of the Mughal empire during the eighteenth century. As a result, the society which had become highly monetized under the Mughal rule plunged into a state of chaotic confusion, not because of lack or scarcity of currency required for its multifarious economic activities, but because of abundance of it. In the absence of a central administrative authority many neo-rulers sprang up who issued their own coins, albeit in the name of the Mughal emperor. These coins of different weight and fineness, added to the prevailing confusion in the money market. The currency lost its velocity and became regional, even local, in nature.

To cope with the situation, the monetary structure of the eighteenth century India developed a mechanism of coin valuation based on pure metal content of the coin. This feat was performed by a highly professional functionary – the sarraf – who soon assumed a formidable position in the money market. In many cases, this class controlled the operations of the mint and were thus able to regulate the supply of currency in the market.

During the initial phase of its commercial activities in India, the English East India Company had to depend on the Mughal mints to procure cash for their ‘investments.’ Gradually it secured minting rights and by the end of seventeenth century, it had established its own mints at several places in the Madras presidency and at Bombay on the western coast. In Bengal, however, the Company’s attempts to obtain minting rights were thwarted by the local Mughal governor, who had become virtually independent of the centre. Up till the middle of the eighteenth century the English Company was left to meet its demands for cash for its ‘investments’ in Bengal through a supply of coins from its own mints in the Madras presidency. However, around this time one event redefined the subsequent history not only of the region but of the entire country.

The battle of Plassey (1757) laid the foundation of the British empire in
India. The most crucial economic fallouts of Plassey were the cessation of bullion import into Bengal and the opening up of a regular stream of drain of wealth, chiefly in the form of silver specie that left Bengal economy in acute shortage of working capital. While Bengal faced currency crises the economy of England was revolutionized with the influx of ‘Indian treasure’, which fuelled the Industrial Revolution.

The process of empire building that had started with Plassey was further consolidated by the victory of the English Company at the battle of Buxar (1764). Of an immense political significance was the defeat of Shah Alam II, the titular head of the Mughal empire, who was now reduced to a hapless pensioner of the Company. On the economic front, one of the most noteworthy outcomes of the battle of Buxar, which was to have an everlasting impact on the currency situation in India, was the grant of *Diwani* of Bengal, Behar and Orissa to the East India Company.