CHAPTER II
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CHAPTER II
POST 1765 INDIA AND THE DIAGNOSIS OF ITS MONETARY PROBLEMS

On 12 August 1765, Shah Alam II issued a Farman granting to the East India Company, the Diwani of Bengal, Bihar and Orissa in perpetuity, requiring it to pay 26 lakh rupees annually to the imperial exchequer. The balance of the revenue of these three provinces was to be spent on 'the expenses of the administration of Bengal and maintenance of the family of the Nawab of Murshidabad (fifty lakhs), and the cost of the military defence of the provinces.'¹

Thus it was essentially as revenue collectors that the English began their actual occupation of the country, and it was the exigencies of the revenue service that compelled them to elaborate a system of government, and extrude the native sovereignty by a long process of its function. Under the plea that they were acting within the constitution of the Mughal empire, the Company's servants built up a system of internal government, and 'when the walls of their building reached certain height, the sun of British Crown rose to its meridian, and the shadow cast by the setting constellation of the Mughal empire disappeared forever.'² According to Firminger, 'the history of revenue administration is thus the backbone of the history of the English occupation of Bengal.'³

This chapter discusses as to how the currency reforms, which were crucial for a success career of the Company as revenue administrator of Bengal, Behar and Orissa, were attempted by the early 'reformers' in utter ignorance of the economic principles. The failure of two experiments to introduce bimetallism and to eliminate discount on coins of older mintage by issuing coins with fixed dates, prompted the Court of Directors of the East India Company to establish an official enquiry to diagnose the currency crises of Bengal. The recommendation of this enquiry laid the agenda of the currency reforms in Bengal. In Bengal too, Official committees were appointed and on the basis of their recommendations a number of measures to reform the existing currency were adopted.

¹ Sarkar 1991: 326.
² Firminger 1917: viii.
³ Ibid.: iii.
Grant of Diwani and thereafter - Historiography:

The monetary problems that followed the East India Company’s assumption of *Diwani* of Bengal, Behar and Orissa, and its impact on the economy have so far attracted the attention of only a few scholars. Specially the crucial phase from 1765 to 1792 – the latter year when finally a Mint Committee was constituted by the Government of Bengal to suggest the ways to improve the circulation of the exchange media – has been left almost untouched by most of the economic historians who have otherwise contributed some valuable studies involving various aspects of monetary system and its role in the economic history of modern India. There are a few exceptions. J.C. Sinha contributed two papers, one specifically dealing with the currency reforms of Warren Hastings and the other, a general survey of the currency during the latter half of the eighteenth century.\(^1\) Later he devoted almost one-third of his book discussing the currency problems faced by the Company in Bengal right from 1757 to 1793.\(^2\) More recently D.B. Mitra has contributed a history of monetary system of the Bengal Presidency.\(^3\) Even Mitra does not bring the discussion about the currency reforms of the East India Company to the point of culmination (the year 1835, as we shall see later) but restricts it to the experimentalist approach of the early currency reformers. In his work, Mitra nevertheless, is able to demonstrate the overall change in the monetary economy of the Bengal presidency that was effected by various currency measures undertaken by the Company from the mid-eighteenth to the early nineteenth century. Rajat Datta’s extremely interesting study of commercialization in rural Bengal (c. 1760-1800) analyzes the monetary problems of Bengal with relation to availability of bullion and presents a critical reassessment of its impact.\(^4\)

The Company Rule in Eastern India:

The grant of *Diwani* of Bengal, Bihar and Orissa in 1765 confirmed and consolidated all the political and military advances that had been made by the East India Company during the previous decade. The new acquisition was seen as a panacea of all the financial problems lately faced by the Company. Clive even

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2. Ibid.: 1927.
predicted that the ‘gain’ would be able to ‘defray all the expenses of investments in
good for export, furnish the whole of the China treasure, answer the demands of all
other settlements in India, and leave a considerable balance in treasury.’

The developments of 1765 focused political attention of Britain upon India and
on the East India Company. First Parliamentary inquiry into the East India Company’s
affairs was conceived and prosecuted between 1766 and 1767. However,
transformation of the traders into sovereigns brought about many problems relating to
the financial administration of the Company’s Government in India. 2

Bullion Supply and Monetary Contraction:

The basic question that was faced by the Government of Bengal was how to
cope with the contraction in money supply which was primarily due to cessation of
bullion import chiefly silver, into Bengal after 1757 and its reverse flow to England.
Philip Francis, writing in 1776, gives a ‘moderate estimate’ of the amount sent ‘home’
in specie at 12 lakh rupees per annum. 3 Hastings’ estimate was 40 lakh rupees per
annum, but he was candid enough to accept that his calculation was ‘not founded on
authentic documents nor reducible to certainty.’ 4 Sir John Shore also attests to the
‘considerable’ export of silver bullion to England after 1765, though he does not
hazard any guess. In his Minute dated 18 June 1789, he writes, ‘Silver bullion is also
remitted by individuals to Europe; the amount cannot be calculated, but must since the
Company’s accession to the Dewany have been very considerable.’ 5

In his study on the monetary system of the Bengal Presidency between 1757 and
1835, D.B. Mitra has discussed various causes for the scarcity of silver currency in
Bengal after 1757. According to him besides cessation of bullion import, the decline
of Bengal’s trade with Iran and the Red Sea area after Plassey was another factor
responsible for the low supply of money. 6

Another related problem was of ‘Tribute’ or ‘Drain of Wealth’ which had also
started with ‘Plassey Plunder’ and had caused severe strain on the economy which was

3 NAI, Public Department, OC, 4 November 1776, No. 1.
5 Quoted in Sinha 1927: 43.
6 Mitra 1991: Ch. 3.
already facing the scarcity of the media of exchange. Enormous wealth began to flow into the Company’s exchequer as well as into the private purse of the Company’s servants through bribe, exaction and plunder. According to an estimate, the company and its employees, from 1757 to 1766, received £60,00,000 [about Rs.5.76 crores] from the Indians as gifts.¹

The monetary disturbances were also created by the export of Bengal silver to Canton to balance the tea-trade between China and England. The triangular trade between India, China and England necessitated the export of a huge amount of silver from Bengal to China. During the second half of the eighteenth century the Company’s trade with China became more valuable than its Indian investments. ‘The enlargement of the Trade to China to its utmost Extent’, wrote the Court of Directors in 1768, ‘is an object we have greatly at heart, not only from the Advantages in prospect, by gaining a Superiority and thereby discouraging Foreign Europeans from resorting to that Market; but also from a National Concern, where Revenue is very materially interested…’.² The practice of sending silver from Bengal to China commenced in 1757 and continued without remission to the year 1770.³ The ill-effects of bullion demand for China trade severely hit Bengal’s resources.

Before Plassey, Bengal received silver in bullion and specie from the Bombay and Madras presidencies. For example, in July 1753, ‘50 chests of treasure’ was received from Madras.⁴ In September of the same year a consignment of 4 lakh Bombay rupees was received from the President and Council at Bombay.⁵ All this changed after Plassey. On 21 July 1757 the Bengal Government requested the Bombay Government ‘not to be supplied with more money, as by the late revolution in these provinces, the Company are to receive in specie the sum of one crore of rupees (besides other advantages).’⁶ Immediately thereafter the reverse flow of treasure from Bengal to Madras and Bombay presidencies started.⁷

¹ Marx 1887: 777.
² NAI, Public, Letters from Court, 11 November 1768, para 29.
³ Verelst 1772: 85.
⁴ NAI, Public Department, Proceedings dated 30 July 1753, 412-7.
⁷ Ibid.: 3 March 1758, pp. 221-93.
1758 the Court directed the Bengal Government to supply Madras Government "from time to time with what money they shall stand in need of, not only sufficient for those purpose but also for sending from thence to China... . Our Presidency of Bombay must also be supplied if remittances are wanted there or may be of use."\(^1\) These remittances became regular in the subsequent years and carried away a large chunk of Bengal’s monetary resources. It has been estimated that between 1761 and 1771, Bengal remitted to other settlements a net amount of £23,58,298 [about Rs.2.26 crores]. About £1,60,000 [or Rs.15.36 lakhs or nearly 6.78 per cent] a year was the regular remittance to Bombay alone.\(^2\)

While the circulating media was contracting, the demand for more money was increasing.\(^3\) Since the revenues were not only assessed in cash, but also demanded in the form of coins of silver and gold and later on in the form of Company’s rupees alone, greater monetization of economy was affected. Lack of money also led to the fall in revenue collections of the Company.

Monetary contractions should have had a deflationary effect on the economy, an effect which awaits a serious probe. Asiya Siddiqi has done a comparative study of the monetary and price history of India and Britain during 1760-1840.\(^4\) According to her government’s intervention in the credit market through public loan transactions ‘often gave rise to sudden contraction or expansion of money supply’, resulting in sharp fluctuation of prices in India.\(^5\) She has also argued that the gradual drift of the currency policy in India towards silver monometallism and that of England to establish gold standard (by Coinage Act of 1816) encouraged the outflow of gold from India to Britain. ‘At a time when reserves of gold were low in England, conditions had been fostered to divert it from India.’\(^6\) She has also discussed the ways in which Indian monetary and financial resources served the need of Great Britain and argues

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\(^1\) NAI, Public, Letters from Court, 8 March 1758, para 14.
\(^2\) FWIHC, VI 1960: lix. Datta (2000: 354) gives a reduced figure of £15,91,696 as the total remittance of bullion to other presidencies during 1761-2 to 1770-1, at an annual average net of £1,51,841.4. Even without entering into a clash of figures, it is possible to agree with him that ‘such transfers were indeed substantial.’ However, that data provided by Datta gives an interesting information that during the same period nearly £2,25,423 was the inverse flow of bullion from other presidencies.
\(^3\) Bagchi 1985: 506.
\(^4\) Siddiqi 1981.
\(^5\) Ibid.: 245.
\(^6\) Ibid.: 240.
that developments in these fields were part of the process described by Irfan Habib as 'colonisation of Indian economy.'\(^1\)

1. **Bengal Presidency:**

The East India Company’s Supreme Government in Bengal made several attempts based upon the economic doctrines prevailing in contemporary England, to ease the monetary crises in the Bengal Presidency.\(^2\)

The first measure was the introduction of Bimetallism in Bengal in 1766. In bimetallism, currencies of two metals circulate simultaneously as legal tender at a fixed rate of exchange.

**A. MONETARY PROBLEMS: INITIAL ADVENTURISM OF CLIVE, VERELST AND HASTINGS**

a. **Introduction of Bimetallism, 1766:**

The scarcity of silver currency in Bengal led the Government of Bengal to adopt a bimetallic standard for its currency. The purpose was to supplement or substitute silver with gold and expand the total size of currency in circulation. Thus, on 2 June 1766 following Regulations were promulgated to establish a gold currency in Bengal:

1. That the Gold Mohurs shall be struck bearing the same impression with the present Moorsshedabad Sicca, and that this Mohur shall also be issued in the subdivisions of halves, quarters, and eighths.

2. That the new coin shall be of the fineness of twenty carats, or it shall contain one sixth part of an alloy, which reduces it to Rupees 16-9-4 per cent below the value of pure gold, to 14-7-7 below the mean fineness of the Sicca and Dehly Mohurs, and to 8-2-2 one-third beneath the standard of the present Arcot gold Mohurs,

3. That the gold Mohur shall be increased from fifteen Annas, the present actual weight, to sixteen Annas, the better to avoid the inconvenience of fractional numbers in the sub-divisional parts and the exchange.

4. That the par of exchange between the gold Mohurs and the Silver Sicca Rupee shall for the present be eliminated at the rate of fourteen to one reckoning upon the intrinsic value of either. Thus, a gold Mohur weighing sixteen Annas shall be deemed equivalent to fourteen Sicca Rupees.

5. That the silver Sicca Rupee shall be less than the standard of 11 oz. 15

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\(^1\) Ibid.; Habib 1975.

\(^2\) For a discussion of British economic thoughts and their implications on India, see J.C. Sinha 1925 and more comprehensively, Barker 1975.
dwt. or 13 dwt. better than English standard.

6. That all payments, whether of a public or a private nature, shall be made at the established Batta, and every attempt to create an artificial Batta, or exchange, shall be rigorously punished.

7. That a tender of payment, either public or private, shall in future be equally valid in gold and silver, and that a refusal of the established gold currency shall incur such punishments as this Board may think proper to inflict.

8. That public notice shall be given to all Zemindars, Collectors of the revenue and others, that the collections may be made indiscriminately in gold and in silver, the former to be received at the Mint and Treasury at the proposed in the 2\(^{nd}\) article.\(^{1}\)

Thus a legal tender gold *muhr* was inducted into the monetary system of Bengal. Its weight was 16 annas (179.66 grains =11.64g) and fineness 20 carats (or 149.72 grains =9.70g). Half, quarter and one-eighth *muhr* denominations of the proportionate weight and fineness were also sanctioned. However, only *muhr* and half-*muhr* denominations have been reported.\(^2\) Perhaps quarter and one eighth *muhrs* were never minted. Curiously, on the available specimens, the English letter 'C' appears on the reverse, which notwithstanding the mint name 'Murshidabad' appearing on these coins, is interpreted to mean Calcutta, where the Company had established their own mint in 1757. (Fig.).

However, the coinage of these *muhrs* was not confined to one mint, and before their final recall in 1768, Calcutta, Murshidabad and Patna mints struck gold coins of 1766 standard.\(^3\) Pridmore, therefore, suggests that 'C' on these coins may indicate the 'Government of Calcutta', which explains the identical appearance of gold coins of all

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1 'Regulations for Establishing a Gold Coinage, proposed by the Select Committee and approved by the President and Council on 2d June 1769.' Colebrook 1807: pp. 365-366.

2 Pridmore 1975: 232; Coin Nos. 15 and 16.

3 Verelst 1772: 104.
To encourage the public to bring gold to the mint for coinage the official exchange rate of the gold mohurs with Sicca rupees was fixed at 1:14. The prevailing market rate of gold and silver in Bengal during this time was approximately 1:11½ Sicca rupees and as such the legal rate of gold mohurs exceeded by 17½ per cent of their market value in silver. Thus, it made 17½ per cent more profitable to make payment in gold for obligations set in silver. The experiment of 1766, of deliberately fixing the rate of gold coin at a rate much higher than the market ratio, had been aimed at bringing hoarded gold into circulation, as it was estimated that there was large hoards of gold in private possessions. It was also conceived as 'the only practicable method' of abolishing batta. Since the ratio of exchange between silver and gold was 'officially' fixed, it was hoped that the fluctuations in their price would cease in time. This Scheme was also perceived as a check against the scarcity of silver specie, since the gold currency will always afford the alternative means of payment. It has been noted by Harrison that 'with the exception of the revenue settlement of Akbar, in which the ratio of gold to silver was indirectly fixed at 10 to 1 by enunciating the ratio of each of these metals to copper, this was the first attempt in Indian history to fix the relative values of gold and silver' (emphasis added).

Between the period 1766 and 1768, a total of 2,63,045 gold mohurs were minted; of which 1,77,871 were minted at Calcutta, 70,000 at Murshidabad and 15,274 at Patna. Out of this 1,34,417 mohurs were sent to Madras, while 1,28,728 mohurs were issued for general circulation in the Bengal Province.

In spite of such noble intentions and safeguards, the experiment of 1766 was foredoomed to failure. The consequence was that silver currency started disappearing from circulation, while gold mohurs passed at a discount, thus altering the legal rate of exchange.

The Bengal Government, in a bid to enforce bimetellism more strictly, issued the

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3 Verelst 1772: App., 241.
4 Harrison 1893: 53.
5 Ibid.: 104
following Notice, on 30 June 1766:

Notice is hereby further given that any person or persons discovered in attempting to make a variation of the exchange here settled between gold and silver or in obstructing the currency of a new coin by refusing to accept it in payment, if natives they will be punished with utmost severity, if Europeans they will forfeit the Company’s protection and be sent to England forthwith.¹ As J.C. Sinha avers, ‘Economic laws have little respect for statesmen and administrators.’² Even the drafters of the Scheme of 1766 had themselves realised that it could not serve ‘as an effectual remedy, but as a palliative, which will obstruct the progress of the evil until a more radical cure could be discovered.’³ The Court of Directors severely criticized both the inducement as well as the motives behind this scheme. About the expected release of the hoarded gold by raising its exchange value, the Court of Directors wrote:

... no one would part with gold except for a consideration, and that consideration could only be silver. Therefore, the Effect was that there was so much silver hoarded up instead of gold, not only were the hoards were changed from Gold to Silver, but all the Neighbouring Provinces would undoubtedly pour in their Gold in your Silver...⁴

The Court also doubted the motives of the perpetrators of this scheme and minced no words in declaring that ‘those who took lead in this extraordinary measure had secretly bought up large Quantities of Gold before the rise took place...’.⁵ This was perhaps a dig against Robert Clive, who, as the Governor of Bengal (1765-67), was the man behind the scheme. In fact, one of the charges levelled against Clive during his famous trial was fraud allegedly committed by him in minting of gold coins in Bengal. Clive, however, claimed that not a single gold muhr or rupee was coined during his life time in Bengal as he left for England in January 1767 before gold coins came into circulation.⁶

This attempted bimetallism proved to be a ‘duometallism.’⁷ In practice it meant dual pricing where the same commodity might have one price in gold and another

¹ Ibid.: 58.
² Sinha 1927: 58.
³ NAI, Public, Letters to Court, 24 March 1766 quoted in Verelst 1772: App., p. 27. See also Ibid.: App., 239.
⁴ NAI, Public, Letters to Court, 11 November 1768, para 57.
⁵ Ibid.
⁶ Desai 1984: 213.
price in silver. This dual pricing system is impractical in a functioning economy. Within a year and a half of the introduction of this Scheme, the discount on the gold *muhr* rose to about 38 per cent in Calcutta alone.¹

In 1768 the Government of Bengal decided to abandon this experiment. The withdrawal of the gold coins issued by the Government was announced. As many as 1,20,161 Gold Muhrs out of a total of 1,28,728 issued by the Government were received back into the Treasury at the rate prevailing of 14 rupees to one gold muhr.²

b. Re-introduction of Bimetallism, 1769:

The aborted experiment of 1766 caused greater currency problems in Bengal than experienced before. In 1769 leading European and Armenian merchants as well as the principal residents of Calcutta petitioned to the Government stating that,

... at present the distress is so great that every merchant in Calcutta, is in danger of becoming bankrupt, or running a risk of ruin by attachment on his goods, which would not sell for half their value, it being impossible to raise a large sum at any premium or bond.³

The chief cause of distress was the scarcity of silver specie and this scarcity was not confined to Calcutta alone, but was spread all over the Province. Verelst, who now headed the Government of Bengal, immediately set forth to find out 'some safe, or at least temporary remedy for this growing evil.' Verelst had a sounder knowledge of economic principles than his predecessor. In his Minutes dated 1 September 1768 and 20 March 1769, he demonstrates his better understanding of the monetary principles:

It is a certain proposition that the particular increase of any species of coin will either sink its own value, or what is in fact the same, raise that of the other current coin, which may be in a smaller proportion.⁴

The establishment of a gold currency was not in itself a grievance but the erroneous plan on which it was founded... The original and capital error in the former currency was that of lowering the standard as a supposed encouragement to a larger importation of gold.⁵

Verelst, therefore, decided to reintroduce bimetallism in Bengal. The Court of

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1 Sinha 1927: 58.
2 NAI, Public, Letter to Court, 25 September 1768, para 17; Verelst 1772: p. 104.
3 Sinha 1927: 59-60.
5 Ibid.
Directors was not in favour of changing the long-established metallic standard in Bengal, more so after the resounding failure of 1766 scheme. In fact, in their letter dated 11 May 1769 they had restrained the Bengal Government from any such experiment in future:

We see in so strong a light dangerous consequences of making any alteration in the standard of the Coin of the Country, that we do most positively direct you do not (without our previous and express Order) under any pretence whatsoever presume to make any alteration in the Original and established Standard for weight and fineness of the Gold Mohurs and Silver Rupees which may from time to time be coined in out Mint at Calcutta, and whoever shall be guilty of a breach of this Order will incur an immediate dismissal [sic] from our Service.¹

But before this letter reached Calcutta a new plan to reintroduce bimetallism was adopted.² Under this plan the weight of the muhr was increased to 17 annas sicca weight (or 190.773 grains =12.36g) and the fineness was restored to the old Mughal muhr's standard of 23 carat 3.75 grains (or 190.086 grains =12.35g) of pure gold. Fractional denominations, viz. half, quarter, one-eighth and sixteenth of proportional weight and fineness were also ordered, and rules for the mintage of the gold bullion into various denominations were also laid down as per the following proportion:

... supposing 100 Muhurs.

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Amount</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohurs</td>
<td>100</td>
<td>613</td>
</tr>
<tr>
<td>A muhur not exceeding</td>
<td>25</td>
<td>25 pieces</td>
</tr>
<tr>
<td>Halves</td>
<td>18</td>
<td>36 ditto</td>
</tr>
<tr>
<td>Quarters</td>
<td>18</td>
<td>72 ditto</td>
</tr>
<tr>
<td>Eighths</td>
<td>18</td>
<td>144 ditto</td>
</tr>
<tr>
<td>Sixteenths</td>
<td>21</td>
<td>336 ditto</td>
</tr>
</tbody>
</table>

All gold delivered into the mint for coinage was to be minted into the full and fractional denominations in the ratio of 25:75 percent respectively. Thus gold worth one hundred muhrs delivered into the mint would get its owner 25 full muhrs and 588 fractional denominations, viz., 36 half-muhrs, 72 quarter muhrs, 144 one-eighth muhrs and 336 one-sixteenth muhrs. The real objective in instituting these fractional denominations of the gold muhr was to facilitate the use of gold currency in daily transaction. Accordingly, the exchange rate of the new muhr was fixed at 1:16 Sicca

¹ NAI, Public, Letter from Court, 11 May 1769, para 119.
² 'Plan for the Establishment of a Gold Currency, proposed by the President and Council on the 20th March 1769, and carried into effect with the consent of the Nabob of Moorsheadabad.' Colebrooks 1807: 366-7.
rupee and as such the smallest denomination of the new coins-series, the Sixteenth muhr, was equalized with one Sicca rupee. This exchange rate, the government claimed, was ‘as near as possible, to the respective value of the old standard gold and silver, throughout the empire,’ and, therefore, it hoped that the currency of the new gold muhr ‘may fairly and justly be everywhere enforced...’ However, even at this rate the gold muhr was overvalued ‘by as much as 5.71 percent.' As a result, ‘the effects of the old currency reappeared in a less severe form... the well meaning currency reform of Verelst being of a palliative nature, failed to deliver the goods.'

The new coinage came into circulation in May 1769, and apart from Calcutta its minting was carried out in Patna and Dhaka mints. The Government of Bengal informed the Court of Directors that the new coins ‘had met with a ready circulation and were received with general Satisfaction.' However, the experiment of 1769 faced a serious challenge in the very next year of its introduction. The terrible famine of 1770 raised the prices higher than ever before. Gradually, the area of circulation of these gold coins became restricted to Calcutta, where they passed current as late as in 1796.

c. Regulation of 1771 - Elimination of Discount by Age:

The mid-eighteenth century money-market in India was plagued by the menace of batta charged by the money changers to exchange silver coinage of older mintage. As was the custom, the mintage of the coins bearing new regnal year of the Mughal

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1 Ibid.
2 Sinha 1927: 62; Mitra pegs the difference at 5.25 per cent. (Mitra 1991: 35). Pridmore follows Harrison and gives ‘the ratio of silver to gold in the intrinsic contents of the coin’ as 14.81 to 1 and the prevailing bazaar rate as 14 to 1. (Pridmore 1975: 201; Harrison 1893: 53).
3 Chatterjee 1939: 209.
5 NAI. Public, Letters from Court, 25 September 1769, para 71.
6 Harrison 1893: 53.
emperor was undertaken on the anniversary of his accession to the throne.

In 1771 the Company's Government in Bengal decided to equate the current silver rupees bearing 11 *sun* (or regnal year of Shah Alam II) with the new rupee bearing 12 *sun*. In normal circumstances, immediately after the issuance of the new coin (12 *sun*) the current coin (11 *sun*) would have become liable for a *batta* of 3 per cent, causing a great loss to the Government as well as to the public at large. The only group benefiting from this custom, as always, was those of the money changers or *sarrafs*.

The Government of Bengal, in a yet another attempt to regulate the money-market, sought to stabilise the *sicca* by abolishing the distinction between *sicca* and the *sanwat* rupees. Thus, on 26 August 1771 the following Regulation was issued:

This is to give notice to all merchants and others residing under the Honorable Company's protection at this settlement, that they have ordered Sicca Rupees of the twelfth year of his present Majesty Shah Alum's Reign to be struck in the Honorable Company's Mint and pass current at sixteen per cent Batta on the twelfth day of September next ensuing; and they likewise give public notice, that this coinage of the twelfth Sun Siccas shall not cause the eleven Sun Siccas to fall in their value, but that the eleven Sun Siccas shall pass on the same footing as they have heretofore done, that is to say at the Batta of sixteen percent; and whenever new Siccas of any future year shall be issued, the Siccas of the former years as far back as eleven Sun shall not fall in their value or be reduced to the state of Sonauts, but they shall be considered and pass in payment at the same value as the Siccas of the current year: the ten Suns Siccas are from the 12th day of September next to be considered and pass as Sonaut Rupees, and all other sorts of Rupees are to pass and be received as heretofore.  

The objective of this Regulation was to convert the entire currency system of Bengal to the *sicca* standard, which according to J.C. Sinha, was 'a step towards uniformity of currency.' Accordingly, the mintage of the silver rupees bearing the 12 regnal year of Shah Alam II commenced in the Company's mints on 12 September 1771. Even for the following years, i.e. regnal years 13 and 14 of Shah Alam II, no new coins, except for the customary Nazarana, were struck and the coins issued during this period (1771-1773) continued to bear 12 *sun*. A temporary respite, though achieved, failed to act as a bulwark for the impending danger. On 30 June 1773 the

1 Colebrooke 1807: 367.

2 Sinha 1927: 121.
15th regnal year of Shah Alam II commenced and subsequently new coins bearing 'regnal year (san-i Julus) 15' were struck.\(^1\) It is not clear as to why the regnal year 12, which had remained fixated since 1771, was discontinued despite the regulation referred to above. Once Siccas of 15th sun appeared in the market, the sarrafs immediately reduced the Siccas of 11 and the 12 sun to sanwats and the money market was plunged into more serious upheavals than witnessed before 1771.

The real defect of this reform lay in equating sanwat rupees 'which might have lost a part of their bullion content through wear and tear', with the newly coined siccas, and letting them pass at par, at 116 Current rupees.\(^2\) It has been argued that had steps been taken to re-coin the underweight sanwat rupees into the siccas, and 'to mark all future sicca rupees with one invariable date, the Regulation of 1771 would have facilitated the gradual change of the whole currency into siccas.'\(^3\) But this was not to be.

By this time a lot of dissidence against the East India Company had started brewing in England. 'For these twelve or fourteen years past, a private body of merchants... have taken a principal part in the transactions of the great peninsula of India.'\(^4\)

**B. Diagnosis of Monetary Problems**

a. The Court of Directors' Initiative:

The Court of Directors of the East India Company was so perturbed with the post-Plassey currency situation in Bengal that it proposed sending a team of Experts to India to examine the position and for which even the name of Adam Smith was suggested. William Pulteney, a Member of Parliament who had a great influence on India House, had suggested the names of Adam Ferguson, Andrew Stuart, both MPs and Adam Smith for a Special Commission of Supervision that the Court of Directors were contemplating to constitute to study the affairs of the East India Company.

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\(^1\) 'Letter [nd] from the Provincial Council of Revenue at Moorshedabad, to the Governor General in Council and Council of Revenue, transmitting two mohurs and fifteen Sicca rupees of their new coinage of the 15th Sun.' NAI, Public Department, OC, 8 March 1775, No. 25.

\(^2\) Sinha 1927: 121.

\(^3\) Ibid.

\(^4\) Waring 1771: 2
Edmund Burke was also offered a seat on this Commission but he had refused. Smith was initially quite elated for being recommended ‘to East India Directors as a person who could be of any use to them.’ However, Smith’s *Wealth of Nations* was yet to be published and his reputation as an economist established. The idea of the Commission never materialised as Parliament intervened and forbade any such Commissions to be sent at all.

Sir James Steuart (1712-80):

The person to whom the Court of Directors of the East India Company turned for advice was the famous economist Sir James Steuart. The reputation of Sir James had already been established as an analyst of the monetary problems through his *Dissertation on German Coin* published in 1761. Subsequently, in 1767 his magnum opus *Principles of Political Economy* had appeared in two volumes.

In early 1772, at the suggestion of Lord Barrington, the East India Company approached Sir James for his advice. Sir James never visited India, but stayed in London for three months (May-July) in 1772 to prepare his report. Originally styled as *Observations for the Court of Directors*, the report was eventually published in July 1772, under the title *Principles of Money Applied to the State of Coin in Bengal*. It is the first authoritative study on Indian currency problems ever made and is the source book for several subsequent studies. This contribution made Sir James, ‘first of the long series of British economists who have been called upon from time to time to advice on the economic problems of India.’

Soon after the publication of the report, Harry Verelst – a former Governor of Bengal whose some of the actions were censured by Sir James, published a book in which he criticised certain points in Steuart’s report. Steuart replied to these criticisms in an appendix written for a later edition of the report. However, it is not until 1774 that

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1 Sen 1957: 155. It has also been suggested that had Adam Smith found a place in the Commission proposed by the Court of Directors, ‘it is probable that the *Wealth of Nations* would have never seen the light.’ Rae 1895.
2 Rae 1895.
3 Sen 1957: 16.
4 Verelst 1772: Ch. 3.
this report was sent to India for implementation of its recommendations.

Sir James commences his treatise with an explanation of the basic features of metallic currencies and by definitions of the terms *bullion, coin and money*. According to Steuart, bullion is ‘silver or gold, the mass or weight of which is not determined, though the fineness may be known by a particular stamp.’ Coins, on the other hand, have been described as ‘pieces of gold or silver of determinate weights and fineness’, whereas money as ‘nothing more than the denomination which determines a proportion of value.’

Thus:

The pounds, shillings, and pence, in a merchant’s account; the pound expressed in a bond, bill or banknote, are all denominations of money, but they are not coin, any more than they are bullion.

From these basic definitions, Steuart then goes on to elaborate the uses of money. The main part of his treaties is divided into three parts – Coinage of Bengal, the Causes of the scarcity of coin in Bengal and Methods for extending paper credit.

i. Coinage of Bengal: Creation of a Money Management:

The Current Rupee was a money of account in Bengal. Steuart holds that the ‘Current Rupee, and not the sicca, or any coin whatever, must be the standard by which every coin or currency is to be valued and no precaution ought to be omitted, to fix and ascertain its own value.’ This measure, he says, is of utmost importance to provide security to debtors and creditors.

The Current Rupee of Bengal was a money of account, much like the Pound Sterling in Britain, Livre in France, Florin in Germany, Piastre in Spain or Rupee in Portugal – neither of which was a real coin. The reason for having an imaginary money for accounting purposes, according to Steuart, was the variable nature of the value of metals. He says:

... at the first establishment of any currency, the capital and standard money of account may have been realised in a specific coin; yet the variation, in the value of metals, has obliged all states to depart from their first regulation.

Analyzing the causes of the failure of bimetallism introduced in Bengal in 1766, Steuart writes:

1 Steuart 1772: 5.
2 Ibid.
3 Ibid.: 11.
The gold mohur of 1766, was intrinsically worth no more than \( 11\frac{1}{2} \) sicca rupees. \( 11\frac{1}{2} \) sicca rupees were worth 13.34 current rupees. Now by carrying the denomination of this gold mohur to 14 sicca rupees, the first consequence was, that nobody would *willingly* give 14 silver sicca rupees for this gold coin, which according to the proportional value of gold and silver bullion, was worth no more than \( 11\frac{1}{2} \) silver siccas. The silver was therefore withdrawn from circulation, and could not be got, by fair means, in exchange for this gold coin.\(^1\)

This measure, says Steuart, was no less harmful to the Company itself. The gold mohur, which was by the Regulation of 1766 equated to 14 Sicca Rupees or 16.24 Current Rupees, was tendered by the debtors of the Company whereby they could settle the debt of 16.24 Current Rupees through a single gold mohur, the actual worth of which was not more than 13.34 Current Rupees or \( 11\frac{1}{2} \) Sicca Rupees.

By the Regulation of 1771 a similar operation was made by the Company’s government in Bengal on silver currency, which in 1766 was made upon the gold. By this measure, the Government assigned an increased value to the coins of 11 *sun* which were liable to become *sanwat* after the issue of new coins bearing 12 *sun*. Now 100 coins of 11 *sun* were to pass for 116 Current Rupees – at par with the newly coined Sicca Rupees. No steps were taken by the Company’s government to re-coin the *sanwat* coins, which might have lost a part of their bullion content through wear and tear.\(^2\) Steuart says:

Must there not be a great profit to the person who can turn these 100 sunats into 116 current rupees by the stroke of a hammer? The Company ought to have, at least, the profit of doing this; since they are to bear the loss, in the payment of their revenue every succeeding year; because all sunats will henceforth be paid to them at the rate of siccas.\(^3\)

Thus, the Regulation of 1771 resulted in debasing the value of the Current Rupee on one hand and in diminishing the revenue of the Company and the salaries of its servants on the other – that too without any profit upon the recoinage of sonauts accruing to the Company.

Steuart then goes on to examine the ‘present state of the coin in Bengal’ and does so by looking it in its historical perspective. ‘The standard of Bengal money has been silver; gold has been occasionally coined,’ observes Steuart. The most common

\(^1\) Ibid.: 13.
\(^2\) Sinha 1927: 121.
\(^3\) Steuart 1772: 14.
silver coin in Bengal was 'the rupee of one sicca, or ten massa weight and of the fineness of 98/100 or 11.03 oz. 15 dwt. 4 gr. 0.8 dec. troy.' According to Steuart, the siccas of Bengal, along with rupees of Madras, Bombay and Surat, were 'coined by the best regulations of weight and fineness,' yet the denomination – or the determinant of the proportion of value – of Bengal sicca rupee was very different from those of Madras or Bombay. This was due to the battas, which according to Sir James, was 'the first and radical defect of the Bengal currency.'

The second defect of the Bengal currency, holds Steuart, was 'with respect to the accuracy of its fabrication.' The coins were issued from various mints 'where the regulations, both as to the fineness, and the weight of the coins are different, though their denomination be the same' [viz. the rupee]. Then there were also the malpractices such as 'punching out holes, and filling up these holes with base metal,' as well as wilfully diminishing the weight of the coin, after coming from the mint.

All these gave differing value to the currencies of various provinces. These defect introduced 'a general and insupportable abuse: namely that of the Shroffage.' Steuart then describes the system of shroffage:

When a sum of rupees is brought to a shroff, he examines them piece by piece, ranges them according to their fineness, then by weight. Then he allows for the different legal battas upon siccas and sunuts, and this done, he values in gross by the rupee current, what the whole quantity is worth. (italics in the original).

Thus, once the assessment of various species of rupees by the sarrafs is done, the assessed value is expressed in terms of Current Rupees, because the value of the Current Rupees was 'the only thing fixed... and the reason is, because it is not a coin

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1 Ibid.: 14.
2 Ibid.: 15.
3 Ibid.
4 This practice was known as *Surakhi*. See Fig. 'Surakhi' Rupee. See also Milburn 1825: 283-4.
5 This was done by a process called 'sweating' by heating the coin and extracting small amount of silver. Cf. also Haider for the practice of rubbing and clipping (*Maalish wa jaz*) 'by ordinary users, merchants and money-changers alike' during the Mughal period (Haider 2005: 133).
6 Steuart 1772: 17.
itself, and therefore can never be falsified or worn.' Therefore, a regulation to
determine the value of the Current Rupees, which does not gets debased with the
debasement of the coin was required.

ii. Scarcity of Coin in Bengal:

Coming to the second aspect of currency crisis of Bengal, Sir James observed
that the 'complaints of a scarcity of coin in Bengal .... are so general that the fact can
hardly be called in question.'

Sir James enumerated eight causes of drain of silver from Bengal. These are
described as follows:

1. Imports:

Upon the East India Company's acquiring revenue collection rights in Bengal
(1765) the importation of silver into India from England ceased and the investments of
the Company came to be paid from the money thus collected from the revenue.
'Consequently, the goods exported from Bengal by the English having occasioned no
importation of money from England in return, the importation of goods from England
and from their Indian neighbours must have been paid with the money of Bengal
exported, to the diminution of the general fund.' Thus, according to Sir James, 'the
articles of importation into Bengal as far as they are not compensated with the
exportation of their own commodities and bought up with the very money of the
country,' constituted the first cause of drain of Bengal's silver specie.

2. China Trade:

The Company's investments in China were paid for with the revenues of Bengal.
According to Sir James, 'the specie carried by the Company for the China market,
which in the space of three years [1769-71] amounts to about 72,000/ Sterling' was a
major drain.

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1 Ibid.: 56
2 Ibid.: 57.
3 Ibid.
4 Ibid.; 'Memoirs on Coinage in Bengal', IOL, Home Miscellaneous Vol. 62, quoted by Rajat Datta,
gives a total of £2,23,684 in silver that sent from Bengal to China between 1768-69 and 1770-71. Datta
claims that this amounted to '2.37 per cent of £95,22,389 which the Company earned in Bengal in those
three years and as such Steuart's assessment was 'no more than an inspired guess.' (Datta 2000: 352).
However, in another contemporary estimate, we get £12,84,008 as 'the sums exported in silver by the
English Company alone' during five years between 1765-66 and 1770-71. (Verelst 1772: p. 85). This
latter estimates gives an annual average of £2,56,802 which alone exceeds the three years' total given in
the 'Memoirs' quoted above.
3. Annual Tribute to the Mughal Emperor:

Another drain of Bengal’s wealth was by way of annual subsidy paid by the East India Company to the Mughal Emperor ‘which is sent out of Bengal, and never returns.’

4. Purchase of Diamonds:

The fourth drain according to Sir James, was ‘the money laid out in buying the diamonds.’ Diamonds were an important medium of transfer of funds during the eighteenth century. The Company’s servants too, freely invested money in the diamonds for transfer of their surplus income to England. Sir James observed, ‘there are no diamond mines in Bengal, the coin was sent out of Bengal to purchase of the diamonds, and was virtually exported to the diminution of their wealth.’

5. Lending of Money to Foreign Trading Companies:

A large chunk of Bengal’s money went to the other European trading Companies present in India. French, Dutch, Danes and Swedish Companies borrowed money from the English East India Company’s servants in return of bills of exchange drawn over Europe. Thus, while these Companies acquired an additional source of income to finance their trade in India, China and other parts of Asia, the East India Company’s servants found a convenient mode of transferring their ill-gotten fortunes safely to their homes.

6. Expenditure on Army:

Ever since the grant of diwani of Bengal, the East India Company set out a concrete plan of territorial acquisition and expansion. This necessitated the maintenance of a large army by the Company, and all expenditure on this count constituted a severe drain of Bengal’s specie.

7. Import/Re-export of Raw Materials:

‘Whatever raw-silk, cotton, or other merchandize fit for manufacture is imported from other nations, unless paid for by the exchange of commodities,’ was, according to Sir James, the seventh article of drain.\(^4\)

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\(^1\) Ibid.: 57.

\(^2\) Ibid.: 58.

\(^3\) Ibid.

\(^4\) Ibid.: 61.
The manufactures from these raw materials, when exported by the Company added to its wealth 'when realised into money, at their London sales, but still at the expense of the wealth of Bengal.'

8. Financing of Madras and Bombay Presidencies:

As there was a constant deficit in the income and expenditures of the East India Company's Madras and Bombay Presidencies, the surplus revenue of Bengal was regularly diverted to these establishments. According to Sir James, 'the extent, as well as the necessity of this drain is so well known to the Company, that it is here stated for the memory only.'

The Remedies:

The remedies suggested by Sir James were threefold and followed logically from his diagnosis of the Currency problems of Bengal:

1. All sources of further drain should be stopped and steps should be taken to improve Bengal's balance of trade.

2. The circulation of money within the country should be accelerated by various public finance measures; and

3. A bank should be established on the model of the Bank of England so that paper money might be issued as necessary.

Follow-up Measures adopted by the East India Company's Government in Bengal

These were the times when the currency situation in Bengal was in the most supreme state of desiderata. The two experiments to introduce bimetallism, thereby reducing pressure on the silver currency, had failed. The demand for the coined silver was increasing day by day to meet the war expenditure, tribute to England and financing of the China trade, among others.

Under these circumstances, the Court of Directors, in its letter dated 30 March 1774 wrote to the Governor-General of Bengal:

> There is not any object before you which more immediately claims your attention than the state of coinage and currency of Bengal.

Along with the above letter, the Court of Directors sent the treatise by Sir James Steuart for the guidance in the matters of currency reform. The Court wrote:

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1 Ibid.


3 NAI, Public, Letters to Court, 30 March 1774, para 46.
We earnestly recommend to you, that after availing yourselfs of every light thrown upon the subject by the records of the Company, and by a treatise compiled for our use by Sir James Steuart, herein transmitted, and also of the assistance of the most experienced persons in the province, you endeavour to establish an equitable rupee ...

These were also the times when the Company was on the verge of bankruptcy. Ever since the acquisition of the Diwani of Bengal, Bihar and Orissa, the Proprietors and shareholders of the East India Company persisted in believing that their Company has struck a gold mine. Thus, persuaded by false hopes, they continued year after year, in defiance of an exhausted treasury, to increase the amount of dividend – from 6 to 10 and from 10 to 12½ per cent. As a result, on 8 July 1772, on an estimate of the cash for the next three months, there appeared a deficiency of £12,93,000! On 15 July, the Directors of the Company were forced to apply to the Bank of England for loan of £4,00,000 for two months. Within a fortnight, on 29 July, they applied for another loan of £3,00,000. The Bank, however, could offer not more than two-third of that amount. Unable to secure the money from the Bank of England, the Directors of East India Company, on 10 August applied for a Government loan of £10,00,000.

The British Government, headed by Lord North, seized this opportunity to establish its firm control over the East India Company’s affairs. In November 1772, a 13-member Secret Committee of the Parliament was appointed to investigate into the affairs of the Company. The financial recommendations of the Select Committee included the grant of a Government loan of £1,400,000 at the rate of 4 per cent to the Company; reduction of the Proprietors’ dividend to 6 per cent, and the postponement of the Government share of £400,000 per annum till the payment of the loan amount. The Company was forbidden to declare a dividend exceeding 6 per cent and was required to submit its accounts to the Treasury every six months.

The recommendations of the Select Committee were accepted by the Parliament and the result was the passing of the Regulating Act of 1773. Its arrangements concerning the business at home commenced on 1 October 1773 while those concerning administration in India, on 1 August 1774.

1 Ibid. para 50.
2 Gleig 1835: 237.
3 Earlier, on 15 April 1772, a 31-member Select Committee under Lord Burgoyne was appointed by the Parliament. In November, the Select Committee was reappointed as Secret Committee, with a scaled down composition. See Bowen 1991: 133-42.
Under the provisions of the Regulating Act, the status of the Governor of Bengal was raised to that of the Governor-General of Bengal, and a Council consisting of four members was appointed to assist him. This Act was the first step towards the creation of a central authority for the territories administered by the East India Company. Hereafter, the Presidencies of Madras and Bombay were subjected to, with certain provisos, the Governor-General-in-Council in the matters connected with the hostilities or war against any Indian Princes or powers. An offending President or the Council of these Presidencies could be suspended by the Governor-General-in-Council. Moreover, these Presidencies were to transmit regularly to the Governor-General, intelligence of all transactions relating to the government, revenue or interests of the Company.¹

i. Francis’ Plan (1775):

By 1774, the failure of the measures for currency reforms adopted in 1771 was evident all around. It was noted that the sicca rupees, the fall of batta upon which was discontinued by the Regulation of 1771, valued very little more than the sanwat rupees of full weight in the market. This caused a serious resentment in the troops of the East India Company, whose salaries were paid in sicca rupees. The evil of this regulation was not confined to the troops alone; its effects were experienced in revenue administration as well.²

The first fruit of the despatch of the Court of Directors and Sir James Steuart’s advice was the masterly minute by Philip Francis, a prominent member of the newly appointed Council of the Governor-General. Francis was apparently influenced by Sir James’ doctrine for currency reform, though he was quick to point out his difference both with the Court of Directors as well as James Steuart. He writes, ‘I foresee that I shall be obliged to differ, in some degrees, from the Idea conceived … by the Court of Directors, and, if I am not mistaken, by Sir James Steuart.’³ But his difference was more in the matters of details rather than on general principles on which Francis is not ‘found to depart materially from those great authorities.’⁴

In his Minute dated 13 March 1775, he laid down three important principles:

¹ Keith 1930: 72.
² NAI, Public Letters to Court, 30 March 1774, paras 48-49.
³ NAI, Public Department, OC, 13 March 1775, No. 18(a).
⁴ Ibid.
CHAPTER II

1. That there should be only one of precious metals coined as legal tender and that this coin should be [of] silver. Every other species of coin should be regarded as bullion.

2. That the disproportion between the nominal and intrinsic value of the new coin should be, no more than sufficient to answer two purposes, *viz.*, to pay the expence (sic) of coinage and to make the Coin hard enough for current use.

3. That there should be but one mint.¹

On the basis of the above principles Francis proposed following measures for currency reform.

1. A new rupee be struck called a Calcutta Rupee, bearing on one side the titles of the Emperor Shaw Allum as impressed on the Siccas and on the reverse the words ‘Calcutta Rupee’ with the year of the Christian era. Any future change in the sovereignty will make no alteration in the coin, excepting in the Titles of the Sovereign.

2. That this new Rupee be coined of the standard of England.

3. That the weight of this Rupee be the same with that of the Sicca, *viz.*, 7 dwt. 11½ grs [or 179.66 grains =11.64g].

4. As the proposed alteration of standard will make near six per cent difference between the intrinsic value of the new Rupee and the present Sicca, that a batta of ten per cent be fixed on the Calcutta Rupee for the first year of its passing current, until a sufficient number of them be coined to answer the purposes of Circulation, when it may be expected that the Ideas of battas may in a short time be entirely obliterated, by making this one Species of Rupees the only legal tender.

5. That until a sufficient number of Calcutta Rupees can be coined, or for the Space of one year from the commencement of the Plan, the siccas of the 12 and 11 Sun be allowed to circulate at the usual batta of 16 per cent as lawful money but that the Battas of the 11 Sun be reduced to 13 per cent only, and that, after the expiration of twelve months from that time, all Rupees, whatsoever (except the new Coin) be indiscriminately considered as Bullion and only bought and sold as merchandise, not received in payment by any valuation of the shroffs.

6. That after the above term of twelve months, all receipts and payments, whether of the Revenue, or of the Civil and Military establishment, be made in Calcutta Rupees and called as many Calcutta Rupees as they turn out at the proportionate value of ten percent Battas, reduced from whatever Denomination of Specie these payments were usually made in. That the new rupee be made the only money of account, that all the Company's Books and

¹Ibid.
Accounts be kept in this Denomination of money only; by which it is proposed totally to set aside the use of Batta on Rupees.

7. That an allowance of $\frac{2}{3}$ per cent on Silver and the 1 per cent on gold be made for the charges of Coinage and Recoinage of all bullion and that the present heavy duty of $\frac{4}{3}$ per cent on the coinage of silver bullion be abolished. That this allowance of $\frac{2}{3}$ per cent be made on the Quantity of the standard Metal, the Charges of refining being on account of the Proprietors; and that for the Ease of Merchants who have Rupees or other coin of a known standard to be recoined, a Table be made out of the produce of each sort of Rupees, which Table shall be kept open in the Assay Office for the inspection of any person who wishes to have Recourse to it.

8. That half and quarter Rupees be also struck of the same standard and of a weight proportionate to the Denomination and annas of a compound mass of copper and silver, weighing eight annas or half a Rupee and containing such a quantity of fine silver, as may be found necessary to proportion their intrinsic to their nominal value. Pice may also be coined of pure copper of a weight to be calculated and determined on the same principle. The two last mentioned coins shall not be enforced as legal tender. Their use and convenience will probably give them a universal currency.

9. As many conveniences arise in large trading cities from the circulation of gold coin, I recommend that Gold Mohurs be struck of, the same weight as the new rupee and 23 carats fine and issued at sixteen rupees each. To avoid, however, the inconveniences which are generally felt from the fluctuations of the relative value of the precious metals, that these mohurs be not made legal tender and that the paying and receiving of them be left to a voluntary agreement between the parties.¹

10. That there are in circulation, at present a number of Gold Mohurs bearing the Patna stamp, of very inferior value, it will be necessary to recall these, and as the Faith of Government is pledged for their Goodness, by the Stamp which gives them currency, the loss ought not to fall on Individuals but on those officers of the Mint or rather on the Juamer [? Contractor] of the Mint, who must have abused the Trust reposed in him.

11. [To enquire] whether the Patna Mohurs, now in circulation, be not received at a Discount. If so, the immediate Holders will have no just claim on Government for the Difference between the real and nominal value of those coins when recalled.²

¹ Francis ascribes ‘the general Prejudice prevailing... in this country in favour of fine gold’ as the reason for his deviation from the English standard of 22 carat in case of the gold coins, while he recommended the same English standard for the silver coins. At this rate, the exchange value of the new gold coin came to 1:15 $\frac{3}{2}$ Sicca Rupees. See Ibid.

² NAI, Public Department, OC, 13 March 1775, No. 18(a).
Two notable features of Francis' plan were his advocacy of silver monometallism, a principle which was finally adopted by the Court of Directors in 1806, and the induction of copper currency as the third tier of the currency system. However on many counts, his scheme was impracticable. For example, unaware apparently as he was of the total coins in circulation and the heavy expenses on their recoinage, Francis recommended demonetization of all other species of rupees, except the 'siccas of the 12 and 11 sun... after the expiration of twelve months.' Nevertheless, several of his suggestions, viz. establishment of silver standard and operating only single mint in Bengal, found place in the currency reforms initiated by Warren Hastings.

ii. Hastings' Plan (1777):

Warren Hastings proposed a new regulation for reforming the ailing currency which was laid before the Board on 5 May 1777:

1st. That it be resolved and declared that only one Mint shall be allowed for the Coinage of Money, for the use of the three Provinces, which shall be that of Calcutta.

2nd. That only Sicca Rupees of the present standard be struck into (sic) the mint.

3rd. That no Gold coins be coined after the 31st of this month.

4th. That all Sicca Rupees of the future coinage shall pass for ever without any deduction of batta by weight and not by tale, in all Receipts of Revenue and in all Receipts and issues of the Company's Treasury.

5th. That orders be sent to the Provincial Councils and Collectors to transport to the Presidency all Rupees of whatever denomination, which may be now in their Treasuries, and from time to time such others as they shall receive, excepting Sicca Rupees of the 11 Sun and of later dates and that all such rupees as they arrive at the Presidency be sent to the mint to be recoined.

6th. That for encouragement of individuals to bring bullion to the mint, the present duty of 4½ per cent on coinage be abolished and in lieu thereof a duty of [...]1 per cent in addition to the real charges be established and that the Assay Master be directed to form Tables of Rates specifying the amount of those Charges on Bullion and Specie of the different degrees of fineness and of the produce in Sicca Rupees.

7th. That for the further encouragement of the Proprietors of Bullion and Specie requiring to be recoined, the expedient propose by the

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1 Missing in the original.
Assay Master in his letter above recorded be adopted as a fixed percentage of Regulation, that is to say, that all such Bullion or Specie as shall be tendered to the Mint, shall, after having been assayed be received into the mint on the Company's account and that the produce estimated by the preceding Regulation be immediately paid to the Proprietor from the Public Treasury on producing the receipt of the Mint Master for the weights of Bullion received and the Certificate of the Assay Master of its value in Sicca Rupees.¹

Besides Hastings, only one other Member of the four-Member Board, namely Mr. Barwell, ‘a blind supporter of Hastings’, agreed with the proposal.² While Gen. Clavering sought time to consider this proposal, and ‘a few days later criticised almost all of them and suggested his own scheme instead.’³ Philip Francis, an arch critic of Hastings, recorded his disagreement on the second point of Hastings Plan but he too gave his support to the proposed regulation. His main disagreement was regarding the existing standard of the Sicca Rupee, which he considered too fine for permanent circulation.⁴ Nevertheless, Hastings went ahead and implemented his plan, which involved the following changes.

a. Closure of Mints at Patna, Dacca and Murshidabad:

With the grant of Diwani the control of all the three Mughal mints located in the subas of Bengal and Bihar viz. Jahangirnagar (Dacca), Murshidabad and Azimabad (Patna) passed on to the East India Company on 12 August 1765. Besides these three mints, the Company already had a mint at Calcutta. All the four mints of the Bengal Presidency struck silver coins of Sicca standard – Patna and Dacca with mint names Azimabad and Jahangirnagar respectively, while the Calcutta mint struck these coins with the mint name Murshidabad. As far as the quality of the coins struck at the newly acquired mints was concerned, it was observed that the Sicca standard was not maintained by the Patna and Dacca mints. Thus, with a view to ensure uniformity of the standard, Patna mint had been closed in 1772, followed by that of Dacca in 1773.⁵

¹ NAI, Public Department, Body Sheet dated 5 May 1777: 171-73; Proceedings, 491-93.
⁴ Ibid.: 138.
⁵ There has been some confusion as to the actual date of closure of various provincial mints in Bengal. In a letter of the Mint Committee of Calcutta dated 4 August 1792, the date of abolition of these mints has been given as 1772. However, all the three mints were closed in different years. (Sinha 1927: 122 ff.). See also Sinha 1924: 75; Pridmore 1975: 203.
No sooner the mints at Patna and Dacca were shut down, demands of their re-opening began to be raised. The Provincial Council at Patna, in their letter dated 27 March 1775, addressed to the Governor-General and the Council of Revenue, proposed the rupee-establishment of the mint at Patna.\(^1\)

On 4 May 1775, the Governor-General in Council asked the Board of Trade and different Provincial councils to send their comments:

a. Whether the mints at Patna and Dacca should be re-established, and
b. If so, whether the rupees of the four mints should bear the name of the place where they were coined or should have exactly the same inscriptions so as to be indistinguishable from each other.\(^2\)

The replies received from various public bodies presented discordant views. To the question of re-establishment of mints, the Board of Trade and the Provincial Councils of Murshidabad did not offer any opinion of their own. The Council at Dinajpur, Patna, Burdwan and Dacca favoured the re-opening of the mints, while the Calcutta Committee of Revenue wanted a mint at Patna but not at Dacca.

As for the second point of reference, while Dinajpur Council wanted the inscription and the name of a single mint, all other bodies advocated the insertion of the name of the mint where the coin was struck.

On 5 May 1777, Warren Hastings proposed new regulations for reforming the ailing currency, which included, among others, the closure of the Murshidabad Mint and centralization of all the minting activities at Calcutta. Even before the new plan was approved by the Board, the Murshidabad Mint was abolished on 9 May 1777 and the privilege of minting a small number of silver coins annually that the Dutch enjoyed at the Murshidabad Mint was transferred to Calcutta. On 29 May 1777, the Board gave its approval to the closure of Murshidabad Mint.\(^3\)

The overall impact of closing the mints at Patna, Dacca and Murshidabad was further aggravation of the currency problems, as the Calcutta Mint could not cope with the work of four mints.

b. Fixed ‘19 Sun’ Rupees, 1778 onwards:

The silver coins bearing the frozen regnal year 12 continued to be struck during

\(^1\) NAI, Public Department, OC, 4 May 1777, No. 2.

\(^2\) Ibid.: 4 May 1775, No. 5.

\(^3\) FWIHC, VII 1971: 62-3.
1771-1777. However, the measure, supposed to check the menace of batta, proved to be self-defeating. On the silver coins issued during this period, while the regnal year appearing on the reverse of the coins was ‘frozen’, the obverse side continued to bear its correct Hijri year. The mismatched Hijri-regnal year combination appears on the coins as:

AH 1185/12 RY, AH 1186/12 RY, AH 1187/12 RY AH 1188/12 RY, and AH 1189/12 RY.

This gave the money-changers ample scope to differentiate the coinages of the different years and charge a discount (batta) on the older coinage.

On some coins, purporting to be the issues of 1773-74, mismatched Hijri-regnal year combination is noticed, viz.

AH 1189/15 RY and AH 1190/15 RY

AH 1189 commenced on 4 March 1775 and continued up to 20 February 1776, while AH 1190 commenced on 21 February 1776 and continued up to 8 February 1777. On the other hand the 15th regnal year of Shah Alam II commenced much earlier on 30 June 1773 and continued up to 18 June 1774.

To supersede coins of all these varying dates, a new coin was introduced by the East Bengal Government in 1777 dating from the 19th regnal year of Shah Alam II that commenced on 17 May 1777.

c. Introduction of Silver Monometallism:

One of the provisions of Hastings Currency reforms of 1777 was abandoning of the Second Experiment of bi-metallism introduced by Verelst in 1769. Thus, the Regulation of 1777 declared that ‘no gold coins be coined after the 31st of this month.’

Accordingly, the minting of new gold coins was stopped with effect from 31 May 1777. However, the existing muhrs were not withdrawn from the circulation. Instead they were allowed to pass universally ‘at the usual value of 16 sicca rupee each, and be received and issued at the public treasuries at the same rate.’

Thus, effectively instead of introducing a silver monometallic standard, this provision set up something like the ‘Limping Standard’ in Bengal.

1 NAI, Public Department, OC, 18 September 1777, No. 3.

2 Sinha 1927: 137, fn 37. The term which draws its name from the shortness of one ‘limb’ (metallic standard) of the currency body, refers to a compromise bimetallism, in which there is concurrent use two metals, one being overvalued and coined only by state authority. The quantity of this ‘favoured’ metal is
d. Abolition of 4½ duty on coinage at the Mints:

To ensure the flow of private bullion into the Government mint, Hastings’ Scheme proposed to encourage individuals to bring bullion to the mint. For this purpose the duty of 4½ per cent on coinage was abolished and in its place a duty in addition to the actual minting charges was established.¹

e. Immediate payment of Coins to the bullion owners:

Until now the owners of the bullion had to deposit their metal into the mint and had to wait till the metal was assayed, refined and converted into coins. This provision acted as a deterrent to the bullion owners, especially when they were in immediate need of coins to meet their requirements. Hastings’ Plan took care of this problem as well, and declared that all such bullion tendered to the mint shall be assayed and entered into the mint on the Company’s account. The proprietors of such bullion were to be immediately paid the estimated produce in coin from the public treasury.

iii. Plans for Introduction of a Paper Currency (1780):

One of the measures to overcome the shortage of specie in Bengal, which was originally recommended by Sir James Steuart, was the introduction of a Paper Currency. In 1780, steps were taken to adopt this recommendation. In June 1777 treasure worth 30 lac Sicca Rupees was deposited in the ‘New Fort William’ at Calcutta to meet the exigencies of the Government. On 1 May 1780 Hastings, in his famous Minute, proposed to utilize this amount as a security for the issue of paper currency.² The Government’s plans were made public through an advertisement:

... it is their [Government’s] intention to issue notes from their Treasury either for ready money which shall be tendered, or in payment of demands on the Treasury, to such persons as may chuse [sic. choose] to receive them in lieu of the ready money, which notes shall be signed by the Governor-General-in-Council and sealed with the Seal of the Company, and be made payable on demand, either to the Bearer or Order, at the option of the parties receiving them shall be granted for any respective sum, not less than 100 Current nor more than 10,000 Current Rupees.³

The form of the proposed notes was to be as follows:

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¹ The new rate of duty which replaced the previous duty of 4½ per cent, has nowhere been given in the records.
² NAI, Public Department, OC, 1 May 1780, No. 24.
³ Ibid.: No. 25.
CHAPTER II

Form of a Note Payable to Bearer

<table>
<thead>
<tr>
<th>No.</th>
<th>Seal of the Company</th>
<th>Calcutta, ..........th .......... 1780</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We, the Governor-General-in-Council of Fort William, do, on behalf of the United Company of Merchants of England trading to the East Indies — promise to pay at our Treasury in Calcutta on Demand to ____________ or Bearer*, the sum of Current Rupees ____________ for value received.</td>
<td></td>
</tr>
</tbody>
</table>

* 'or Order' in case the Note was payable to Order.

This was probably the earliest scheme of Government Paper Currency in India. Apart from the deposit of 30 lacs, it seems that there was to be an additional reserve of 66 per cent against the notes actually issued to the public. It is not clear what prevented the Government from implementing this scheme.

iv. Contract Copper Coinage, 1780-84:

Bengal had no copper coins of its own. For small transactions below a rupee, the chief medium of the eighteenth century Bengal was the cowrie shell (*cyprea moneta*), as silver and copper fraction of the rupee were seldom minted in Bengal mints. One of the reasons for the absence of fractional small denomination coins, specially of silver, could be the minting charges and the bullion loss in converting the metal into coins. Besides, the popularity and ready acceptability of cowries in the bazaars avoided the necessity of having an alternative medium for smaller monetary transactions. That the cowrie was a popular medium of currency and can be seen from the fact that till the end of the eighteenth century, in many parts of Bengal Presidency the government revenue was collected in cowries.¹

However, the availability of cowries in Bengal depended on their import mainly from the Maldives archipelago, a group of Coral islands lying around 400 miles west of Cape Comorin.² Consequently, the price of cowries vis-à-vis the rupee often fluctuated. To overcome this difficulty, the Government had, as early as in 1757, tried to issue tickets made of base metals such as copper, brass and tutenagues, as a means of small payments. This experiment, however, was not successful.

On 23 March 1780, John Prinsep, a prominent Government contractor, submitted a proposal to the Bengal Government to supply copper coins. In his proposal Prinsep informed the Bengal Government about his discovery of copper ore in one of the undisclosed districts of the Bengal province, and requested the Government to grant him

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¹ Susil De 1952: 1.
² Ibid.
exclusive rights over these mines. In return, Prinsep agreed to pay to the owner of the land 'a sum equivalent to the Rent which the land now yield to their possessor' and to 'deliver the whole produce of pure copper in coin at the rate of 52 Sicca Rupees per maund,' to the Government. On 4 April, the Government entered into a contract under which John Prinsep was given the exclusive right to procure copper from the copper mines which were located at Rohtas and Monghyr in Bihar. Prinsep was to use this metal to produce copper coins, which were then to be purchased by the Bengal Government for general circulation in the Province. This contract was initially made for three years and was renewable for the next 27 years after the expiry of this term.

Under this contract, Prinsep was to mint four denominations of copper coins, viz.

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Equivalent to</th>
<th>Relative value to Sicca Rupee</th>
<th>Cowries</th>
<th>Anna Weight</th>
<th>Grams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madosie</td>
<td>Half Anna</td>
<td>32</td>
<td>160</td>
<td>20 Annas</td>
<td>14.58</td>
</tr>
<tr>
<td>Faloos</td>
<td>Quarter Anna</td>
<td>64</td>
<td>80</td>
<td>10 Annas</td>
<td>7.29</td>
</tr>
<tr>
<td>Neem Faloos</td>
<td>Eighth Anna</td>
<td>128</td>
<td>40</td>
<td>5 Annas</td>
<td>3.64</td>
</tr>
<tr>
<td>Paw Faloos</td>
<td>Sixteenth Anna</td>
<td>256</td>
<td>20</td>
<td>2½ Annas</td>
<td>1.82</td>
</tr>
</tbody>
</table>

The news of this contractual copper coinage was welcomed by the public. Hicky’s Bengal Gazette records the euphoria of the public in the following words:

We are informed that a copper coinage is now on the carpet ... it will be of the greatest utility to the Public and will abolish the trade of Cowries, which for a long time has formed so extensive a field for deception and fraud. A grievance the poor has long groaned under... ¹

John Prinsep set up a mint at Falta, a village 22 miles south of Calcutta. His partner in this new business was one Alexander Cunningham. The Falta mint was far more advanced in its mechanical equipments than the Government mint at Calcutta. To further enhance the quality of his produce, Prinsep managed to secure die-engravers and other technical staff from the Government Mint at Calcutta. By 13 December 1780, specimen coins were struck and the design was approved by the Government.

¹ Bengal Gazette, 29 April, 1780 - quoted in Yule and Burnel 1886: 271.
These coins were of superior mintage. All denominations have identical inscriptions and uniformly bear the date AH 1195/22 RY. The only means to distinguish the several denominations is by their size and weight. The mint name, a permanent and prominent feature of the contemporary coinage, is conspicuously absent from all these coins. Perhaps the Government wanted to hide the fact that these coins were of private mintage.

The actual coinage at Falta commenced about March 1781 and on 30 April forty specimens of the new copper coins of different denominations were sent to the Court of Directors in London. By September, sufficient stocks had been accumulated for its general release.

On 24 September 1781, the Government announced the introduction of a general copper coinage and authorized its circulation. It announced that in all Government payments, one per cent of the total amount would be accepted in the form of copper coins.

This attempt of the Bengal Government drew severe censure from the Court of Directors. In its letter dated 25 January 1782, the Court of Directors observed that ‘the contracts entered into with Mr. Prinsep are highly prejudicial to our interests.’ The Court of Directors regarded the granting of the right of coining to ‘an individual’ as ‘utterly improper.’ It held that:

The Company are, and ought to be, accountable, so far as can be the case, for the purity and propriety of the coin of Bengal. Their responsibility cannot be transferred, and consequently their authority must not, on any account whatever, be delegated.

The Court of Directors directed the Bengal Government to immediately serve a notice to John Prinsep that in no event would they continue the contract beyond the term of three years after which Prinsep was to surrender the contracts for mining and coining copper. Accordingly, with effect from August 1783 the coinage of copper was stopped; in 1784 the mint at Falta was closed and the contract between the Government and John Prinsep was cancelled in the following year.

Prinsep, however, was no loser in this game. He claimed a huge indemnity for loses and expenses he alleged having incurred in working the mines and minting of the copper coins. The amount was settled for 1,65,389 Current Rupees, which Prinsep most

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1 NAI, Public, Letters to Court, 30 April 1781, paras 22-6.

2 NAI, Public, Letters from Court, 25 January 1782, para 81.

3 Ibid.: paras 79-82.
Development of European Banking:

One of the main characteristics of the money market of the eighteenth century India was the dictating role of the money-changers or sarrafs who doubled up as bankers and sometimes also as insurers. The diversity of specie in circulation and its remittance to the government in the form of revenue often led to the losses to the Company by way of discount (batta) charged by these money-changers for converting one specie into another.

The need for starting a bank on European line was felt by the East India Company as early as in 1683 when its Directors at London wrote to the Madras Government ‘to raise capital and accept deposits.’ What was the outcome of this communication is not known but what we know for sure is that no bank based on European banking practices was established in Madras as its result till about 1788.

a. Bombay Presidency:

i. Bank of Bombay (1720):

Bombay was the first Presidency to establish a bank on European lines. On 22 December 1720 ‘after consultation with eminent black [read Indian] merchants’, Bank of Bombay was established by the Government of Bombay. The management of the bank was vested in the Governor and two members of its Council. A sum of Rs. 1 lac was furnished out of the Company's cash as the capital stock of the bank. Deposits of Rs. 100 and more were received for six months, for which the depositors received in exchange promissory notes bearing interest at a fixed amount per day. Inhabitants of Bombay, whether native, covenanted or hired servants, were allowed to borrow at a fixed rate of 9 per cent against a security of goods or joint security of borrower and another substantial party. Borrowers were encouraged by the facility of repayment in instalments of Rs. 100 or more. The Manager of the bank was paid by a levy of 1 per cent on each loan.

In 1770 the Government of Bombay faced an acute shortage of silver coins. To meet the crisis the Governor-in-Council drew up a scheme for the payment of the debt of Rs. 8 lacs due from the treasury in bank notes. The salient feature of the scheme was the protection afforded to the individual officers against the liability to repay the money

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1 NAI, Public, Letters to Court, 10 December 1784, Para 70; For a detailed description of Prinsep’s contract copper coinage, see Wodak 1958 and 1958a.


3 Ibid.
promised on the notes. These bank notes were to bear an interest of 6 per cent. However, the shortage of coins became so acute that the bank note scheme could not be carried into effect and was dropped in 1771. Hereafter, the bank itself went into oblivion.¹

b. Bengal Presidency:

i. Bank of Hindustan (1770):

Fifty years after the establishment of the Bank of Bombay, Alexander & Co., a well known agency house in Bengal, made its foray into the banking business. A bank, named Bank of Hindustan, was established by it in 1770. This bank is the pioneer in its attempt to introduce paper currency in India. It issued, for the first time in India, paper money on the pattern of notes that were current in England. These notes were in the denomination of 4, 10, 16, 20, 50, 100, 250 and 1,000 sicca rupees. Though these notes were not accepted in government transactions, these become increasingly popular with the public.

ii. General Bank (1773):

One of the measures adopted by Warren Hastings to improve the currency situation in Bengal was the establishment of a bank. The revenue in Bengal was not only assessed in current coins but also realized in specie. Since a variety of coins circulated in various parts of Bengal, these were tendered in the district collectorates in the payment of revenue. The Collectors were often at loss to ascertain the correct amount of batta to be levied on various sorts of specie. This resulted in substantial loss to the Company. Another related problem was that of remittance of funds. The transfer of revenue collected in the form of specie, from the districts to Calcutta faced the risk of dacoity, and, therefore, had to be escorted by a military guard.

Hastings thought that the only expedient for meeting these difficulties was by setting up a bank which should have its head-office in Calcutta and branches in district headquarters. The branches would receive the revenue payments from the Collectors in the current coins of the particular district and transmit the same amount to Calcutta by issuing bills of exchange drawn on its head-office. Inversely, the merchants, who were required to remit money to the mofussils for making payments for investments, purchase of trade items etc. could purchase the bills from the bank's head-office in Calcutta or any of its branches by making payment in the local currency. They were to have the advantage of ready availability of the specie current in the concerned mofussil.

¹ Gupta 2000: 18.
The bank, named General Bank of Bengal and Behar, or simply General Bank, was instituted in April 1773. It had two main offices – one in Calcutta and the other at Murshidabad, and fourteen branches located at Bhagalpur, Birbhum, Bishnupur, Burdwan, Dacca, Dinajpur, Hugli, Jessore, Malda, Midnapur, Nadia, Purnea, Rajmahal and Rangpur. The bank was a private establishment and had amongst its directors two leading bankers of the time, namely Hazarimal and Rai Durlabh. However, it had the government’s patronage and the Collectors of the districts were given instructions to remit their revenue collections by this bank’s bills of exchange.

However, the bank failed the expectations of both the government as well as the public. The Court of Directors in its letter dated 30 March 1774 lamented that:

... for every 1,000,000 sunats paid to the agents of the Bank, in the various districts of Bengal, there will only be repaid to the Governor-General in Council at Calcutta rupees 94,828 of the same weight and real value….¹

The Directors, therefore, declared that ‘this regulation cannot be confirmed by us.’ The Court of Directors’ main objection was the arrangement of placing the whole business of the movement of Government’s revenue in the hands of the managers of the bank and it felt that the Government derived no benefit from its institution.

Having lost the Government as its patron, the General Bank was closed down in February 1775.

iii. Bengal Bank (1784):

Bengal Bank was established in Calcutta in 1784. This was the earliest European bank in Bengal not connected to any Agency House. The proprietors of this bank were the employees of the English East India Company. This bank is said to have issued its own notes, though no such note has been reported so far.² The amount of notes issued by this bank was about Rs. 8,00,000.³ The notes of this bank commanded full confidence of the Calcuttans, but in the districts and the mofussils they did not circulate at all. Holt Mackenzie has recorded the reason in his evidence before the Parliament. According to him:

In general, indeed, payment in districts, evening the provision of the staple articles of Commerce, are made in such small sums, and the population is so poor that there is scarcely any room for a large circulation of bank

¹ NAI, Public, Letters from Court 30 March 1774, para 98.
³ Mitra 1991: 123.
The outbreak of the Third Anglo-Mysore War in 1790 adversely affected the resources of the Bengal Bank. The heavy drain of silver from Bengal to Mysore for financing the war, coupled with the rumours of British reverses in the war led to a panic in Bengal in which everyone wanted to encash the bank notes. Thus, in 1791, between 20 and 27 November, the Bengal Bank paid more than 8 lac Sicca rupees. Thereafter, the bank ran short of hard cash and was forced to apply to the Government of Bengal for a loan of 5 lac rupees for a period of three months at the rate of 12 per cent per annum. The bank pledged Company’s papers to the full value of the loan as security. There was a similar request from the Bank of Hindustan, which too was facing the cash crunch. Of the two, the Government of Bengal opted to help the latter to overcome the crisis. As a result the Bengal Bank was closed in November 1791.

iv. General Bank of India (1786):

This bank was started in Calcutta on 1 June 1786. In January 1787, the Government of Bengal extended its patronage to the General Bank of India by declaring its notes acceptable in payment of government dues. The real reason behind extending this privilege to the General Bank was that the Government of Bengal was facing an acute financial crisis. The discount on the Government securities had risen up to 25 per cent and further borrowing had become virtually impossible. Cornwallis, the Governor-General of Bengal, wrote to the Court of Directors in December 1786:

... while the unavoidable expenses of the establishments, the interests due upon the debts, and the demand from the other presidencies, absorbed the produce of revenue, considerable investment could only be made by fresh issue of paper, by which mode the evil might be protracted, but would only be ultimately increased.

At this juncture, the General Bank lent to the Government of Bengal 20 lac Current Rupees at a favourable rate of interest, against which notes could be issued by the Bank. These notes, in turn, could be used for settling government dues. According to J.C. Sinha, this arrangement ‘alleviated the currency difficulties’ of the Government of Bengal in the following two ways:

Firstly, by providing a convenient paper currency which was almost as good as legal tender, and, secondly, by holding as reserve against its issue

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1 Ibid.: 124.
2 Sinha 1927: 240.
3 Sinha 1968: 1.
Company’s paper thus rehabilitating the value of such securities.¹

The General Bank thus became the virtual bankers of the English East India Company. However, the Government patronage to the Bank was short-lived. By a notification published in the *Calcutta Gazette* the Government refused to recognize the notes of this Bank after 30 November 1788. On 24 April 1789, orders were issued for closing the Government account with the Bank. The Bank itself was wound up on 31 March 1791.

c. Madras Presidency:

i. Carnatic Bank (1788):

The first joint-stock bank to be established on European lines in the Madras Presidency was the Carnatic Bank. Amongst its eight founding members was N.E. Kendersley, who was also a member of the Board of Trade.² Nothing much is known about its activities except that it was to receive money, issue bills and notes and discount bills, notes and other securities ‘after the manner of the most respectable bank in London.’³ The bank had the capital of 1.20 lakh Star Pagodas and had the power to issue notes to be value of three times the capital.⁴ The notes issued by this bank were accepted by the Madras Government.⁵

ii. Madras Bank (1795):

Like the Carnatic bank, this bank also issued notes, which were accepted by the government.⁶ It must be noted that during this period the Madras Government was facing an acute shortage of coin ‘due to export to Hyderabad and Mysore wars and to China and Manila on account of Company’s investments.’⁷ The Company, therefore, founded prudent to borrow and accept the notes of these banks.

iii. British Bank (c. 1795):

This bank was a contemporary of the Madras bank. It was founded by five

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¹ Sinha 1927: 239.
² Rau 1929: 16.
³ Ibid.
⁴ Ibid.
⁶ Ibid.
⁷ Ibid.
individuals, one of whom, John Hunter worked as a cashier in the Carnatic bank. Though nothing is known about the date of its establishment, its existence in 1795 has been reported. Like the preceding two banks, it is also known to have issued notes, though no specimen of notes issued by any of them has been reported.

The twin objectives of currency reforms undertaken by Warren Hastings were ‘the establishment of the sicca rupee as the standard coin of the province... [and]... to maintain a fixed ratio of exchange between the gold mohur and the sicca rupees.’ Hastings failed in meeting both these objectives. With a view to achieving his first objective he had suspended the coinage of gold with effect from 31 May 1777, but at the same time the closure of mints at Patna, Dacca and Murshidabad restricted the supply of silver rupees, as the Calcutta mint – which still followed the minting style of the old Mughal coins – was still ill-equipped to meet the output of the four mints. As a result, in 1780, the coinage of gold muhrs was once again allowed at the Company’s mint at Calcutta. Since gold currency had not gained circulation beyond the town of Calcutta, the sarrafs demanded batta on its exchange. By August 1787, the batta for exchanging gold muhrs for silver rupees which was 5 annas per Rs.100 in March 1787 rose to Rs.3 per cent at the beginning of August of the same year. As John Shore later noted:

... the batta on gold mohurs from its augmentation became a subject of complaint, the quantity of mohurs in Calcutta had been annually increasing, and as few passed current beyond the limits of Calcutta, the accumulation exceeded the wants of the inhabitants.

One thing was clear – the diagnosis by Sir James Steuart and the measures resultant from his recommendations had not worked in Bengal. At this juncture, Cornwallis, who had assumed the office of the Governor-General of Bengal in September 1786, decided to institute his own enquiry committee to find out as to what ails the currency of Bengal.

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1 Rau 1929: 19.
2 Ibid.
3 For a discussion on the impact of currency regulations on the development of European banking in India, see Chapter V, q.v. ‘Credit and Banking – European Banking.’
4 Sinha 1927: 205-6.
5 NAI, Public Department, OC, 22 September 1790.
7 Minute by Sir John Shore, Governor General, dated 29 September 1796, quoted in Ibid.: 206.
b. Official Diagnosis: The Committees:

i. Currency Committee (1787):

The monetary problems of the post-1765 era ultimately led East India Company to adopt a ‘systematic’ way to find out an ‘administrative’ solution to what was essentially an ‘economic’ problem. Thus on 25 September 1787, the Government of Bengal appointed a ‘Committee for Enquiring into the Causes of the Scarcity of Silver Coin.’ This was probably the earliest Currency Committee in India.¹

The Committee ascribed the scarcity of silver in Calcutta to numerous temporary and permanent causes. Among the permanent causes were:

1. Increase in the remittance of revenue through bills. It was noted that during two years (1785-1786), out of a total remittance of 7.50 crores, 3.75 crores had been sent in bills, 1.75 in sicca rupees and rest (2 crores) in gold.

2. Reduced import of Silver from Europe and its increased export to other Presidencies and to China.

3. Over-valuation of the gold coin compared with silver.

4. Increased demand of money for investment. Money realised by way of revenue was often re-invested in purchase. Thus, very little money actually reached Calcutta.

5. War Financing. The Company’s imperialist policy of territorial expansion was being vigorously followed at this time. The decade 1775-85 saw three major wars fought on Indian soil - First Anglo-Maratha War (1775-82), Anglo-French War (1778-83) and Second Anglo-Mysore War (1780-84). These military exercises gobbled up Bengal’s specie to a very large extent.

Besides, a temporary cause of the acute scarcity of silver at Calcutta during April to August was due to drain of silver to the aurangs to provide for investments, with no return of rupees to Calcutta in the shape of land revenue during these months.

On the basis of the above findings, the Committee made the following major recommendations for the currency reform:

1. To receive all the rupees that come into the hands of the Government throughout the Country, milling and subdividing them into halves and quarters, adding an alloy equal to the English standard for silver coin.

2. To waive the duty upon coinage for individuals.

3. To let the gold muhrs in like manner be milled and subdivided into halves, quarters and eighths, increasing the size of the subdivision.

¹ Sinha 1925a.
beyond that now known without altering the present standard.

4. To inflict punishment upon shroffs who shall be convicted of giving anything less than sixteen new milled rupees for a new milled gold muhr.

5. To lower the value of the copper to a more equitable standard.¹

The recommendations of this first ever enquiry Committee on currency reforms provided only ad hoc solutions. As the Committee itself admitted, ‘that to decide fully, and with sufficient supply [of] precaution upon so great a question as the alteration of the coinage of a country, would require a much longer and mature deliberation.²

The Government considered these recommendations in December 1787. Though no steps were immediately taken, practically all the recommendations were ultimately given effect to by Cornwallis.

The problem of batta on gold muhrs, however, called for an immediate attention. Since August 1787, the batta has continually risen and by April 1788 it had doubled. As the editor of Calcutta Gazette remarked:

... the tricks in raising the batta on gold coins called aloud for redress. The extortion which has prevailed in despite of every representation and even the scrutiny of the Committee of Enquiry [the Currency Committee] continues to gain ground, and is now as high as six per cent.³

A petition from the ‘respectable mercantile gentlemen’ of Calcutta sought a direction from the Government to its officers to receive gold mohurs ‘indiscriminately in all payment of revenue, at their authorized value of 16 sicca rupees.⁴

The problem once again brought the core issue before the currency administrators of the Company – that of adopting the most appropriate metallic standard for the currency of Bengal. The Board of Revenue, whose views were sought on this issue, was divided in its opinion. Two members of the Board, Thomas Graham and Richard Johnson favoured the institution of gold as the legal tender, while the third member, John Mackenzie preferred to continue with silver monometallism. According to him, ‘only one precious metal shold be considered as legal currency.⁵

¹ NAI, Public Department, OC, 6 December 1787, No. 28.
² Herbert Harris et al to Charles Cornwallis, Governor General in Council, dated 15 November 1787. NAI, Public Department, OC, 6 December 1787, No. 27.
⁴ NAI, Public Department, OC, 16 April 1788.
⁵ Sinha 1927: 211.
While the plans to introduce bimetallism were shelved for the time being, the coinage of gold muhrs was stopped by an order dated 3 December 1788. At the same time, it was also decided to reduce ‘the duty and charges on the coinage of silver bullion at the mint, amounting to three Sicca Rupees and three Pice per cent … to one per cent.’

These measures must have definitely, though temporarily, eased the pressure on the silver currency of Bengal, as we note a jubilant Governor General writing to the Court of Directors:

An exorbitant batta having for several months been demanded on the exchange silver for gold, we have tried various means of stopping this abuse and with considerable success.

One decision taken by the Bengal Government on the recommendation of the Currency Committee was to improve the minting process in order to fashion the coins on European model. To give effect to the Committee’s recommendation of having gold and silver coins milled, new machinery was commissioned at the Calcutta mint under the supervision of two engineers of the Bengal Army. Lieutenants Golding and Humphries ‘not only supervised the construction of machinery… but they also invented several parts of it.’

The minting of new – the first milled coinage – of gold muhrs was announced on 21 July 1790 and was subsequently publicised through an advertisement:

The Governor General in Council has directed NOTICE to be given that his Lordship has been pleased to revoke the Order that was passed on the 3rd December 1788 for suspending the Coinage of Gold Mohurs at the Mint, and that from and after the 1st of next Month, August, Gold Bullion will be received there for that purpose and coined without charge to Individuals.

It is further hereby NOTICED that from and after the 1st of such Month new Milled Gold Money will be issued, of the former weight and standard, and the Gold now extant of the Calcutta Coinage will be recoined, on application at the Mint, into Gold Mohurs of the New Coinage, also into small Money, that is, into Halves and Quarters for the Convenience of Individuals, without ant Expence to them, and Weight will be delivered for Weight.

Soon thereafter, on 1 Sept 1790, another notice was issued by which new milled silver coins were commissioned.

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1 NAI, Public, Letters to Court, dated 22 December 1788, para 53.
2 Ibid.
3 Pridmore 1975: 205.
By now it was quite clear that the monetary policy and mint reforms must go hand in hand and that a supervisory establishment for dealing with the issues of currency and coinage must be set up on a permanent basis. The result was the creation of a permanent Mint Committee in 1792.

ii. Mint Committee (1792):

The appalling currency situation in the Bengal Presidency compelled the Government to institutionalize the process of currency reforms. By an Order of the Governor-General Lord Cornwallis dated 2 May 1792 a Committee was constituted in Calcutta for superintending the mints and enquiring into the general state of coinage in Bengal, Bihar and Orissa. This Committee too was headed by Herbert Harris and had G.H. Barlow, Abraham Caldecott and Lieut. Golding as its members.\(^1\) The instructions given to the Committee were:

1. To ascertain the cause of delay in coining the bullion sent to the mints.
2. To enquire particularly into the cause of little progress which had been made towards the establishment of the general currency of the Sicca Rupees.
3. To ascertain the cause of the Batta or discount that had frequently been levied on the exchange of the Gold Mohur for silver.
4. To report whether it would be advisable to declare the Gold Mohurs and the multiples thereof, legal tender of payment in all public and private transactions throughout the three provinces in all transactions at the valuation at which they were then received and paid at the General Treasury and in all private transactions, viz. the Gold Mohurs at Sixteen Sicca Rupees and the multiples thereof in proportion (or at any other and what valuation, and under what regulations).
5. To enquire into the state of copper currency.
6. To state their sentiments on the practicability and expediency of

\(^1\) Letter from Edward Hay, Secretary to Government. NAI, Public Department, OC, 2 May 1792, No. 8.
coining the Gold Mohurs, Rupee and Pice, or either of those coins, with machinery of similar construction to that in use in the mints in Europe. If the introduction of this mode of coining shall appear to you impracticable, you will inform the Board whether there are any alterations in the size, shape or impression of the coin that can be effected with the implements procurable in this country, which it would be advisable to adopt.

7. To make particular inquiry into the rules hitherto in use for assaying bullion sent to the mint.

8. To report to the Board such regulations as may appear to you best adapted to deter individuals from coining, filing, defacing and falsifying the coins.¹

On 26 June 1792, the Committee submitted following measures to reform the currency:

I. That the rupees coined throughout Bengal, Behar and Orissa, and the districts of Benaras, be of the same weight, standard, size and impression [as the rupee of the 19th sun then coined at Calcutta].

II. That the Mints of Dacca, Patna and Murshidabad be re-established.

III. That one specie of copper coin be declared current throughout the Company’s dominions.”²

With a view to drawing the old and light coins into the mints and to establish the 19th sun sicca rupees as the general currency throughout the Bengal Presidency, the Calcutta Mint Committee recommended that ‘after April 10, 1794, only the 19th sun sicca rupees be received at the public treasuries, or issued there from.’ Besides, the Mint Committee, in order to put an end to the practice of batta, recommended that the rupees issued by the Company’s mints at Dacca, Patna, Murshidabad or Calcutta be made as indistinguishable as possible. Thus the shape, weight and standard of these rupees were to be the same. The Hijri year on the coins was also to be omitted; instead the 19th sun (Regnal Year) of the Mughal King Shah Alam II was ‘frozen’ on the coin-inscriptions so that the year of their issue could not be identified by the money-changers.

Apart from the various recommendations for the currency reform, the Calcutta Mint Committee also made a significant suggestion for improving the existing coinage. Until now the coins were struck with dies which were usually bigger than the size of the flan or the blank of the coin. As a result, part of the contents of the die – whether a device or inscription – always remained off the flan. Thus, coin, which was also used as a medium to communicate various information viz. the name of the ruler, year and place of issue etc,

¹ Ibid.
² Thurston 1893: 59-60.
could not fulfil its role. The Mint Committee, therefore, recommended that ‘the dies be made of the same size as the coin.’

Another problem connected with the coins of precious metal was that of clipping. Some people used to remove a fractional part of the metal from the edges of the coins thus reducing its weight. The Mint Committee was aware of this fraudulent practice and therefore reaffirmed the recommendation of the Currency Committee that the ‘coins should be milled’, thus any portion of the edge of the coin tempered with, could be easily detected.

**Remedies Adopted at the Recommendation of the Official Committees**

Equipped with the expert advice of the Mint Committee, the Government set forth to introduce various reform measures to streamline the currency. Among its first steps was re-opening of the provincial mints.

i. Enhancing Minting Capacity: Re-opening of Dacca, Patna and Murshidabad Mints:

Acting upon the advice of the Mint Committee, it was notified in August 1792 that directions had already been given by the Governor-General for the re-establishment of the mints at Dacca, Patna and Murshidabad, so as to enable the individuals to get their old coins or bullion converted into *sicca* rupees without delay.

ii. Third Attempt to introduce Bimetallism, 1792:

After two unsuccessful attempts in 1766 and 1769, a third attempt to reintroduce bimetallism in Bengal was made in 1792.

It was observed by the Government that of late the circulation of the gold muhrs was confined to Calcutta which gave rise to the *batta*. The *sarrafs* in Calcutta charged discount from the holders of gold coins, who in turn were required to make payments in the moffussil where the silver rupee was the only current coin. Besides, due to the overrating of gold muhrs in Calcutta ‘the returns from Madras and the Eastward were generally made in gold.’

With the objective ‘to make the gold coin pass at its full value by facilitating and extending its circulation’ and to discourage ‘the importation of gold in preference to silver,’ the Government passed the following Resolution on 23 November 1792:

1. That gold muhrs of full weight [viz. 17 annas sicca weight] coined in

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1 NAI, Financial Department, Mint Committee Proceedings, dated 4 August 1792, No. 14.
2 NAI, Public Department, OC, 23 November 1792, No. 19A.
the Calcutta mint since the 20th March, 1769 shall be declared a legal
tender of payment in all public and private transaction through out the
country at the rate of sixteen sikka rupees.

2. That certain charges were to be imposed on gold bullion sent for
coinage.¹

Up to this time, the greater part of the expense of refining gold for coinage was
borne by the Government. This encouraged the public to send gold in preference to silver
to the mint. The second clause of the above Resolution was meant to stop this preference.

All the recommendations of the Mint Committee were finally incorporated in
Regulation XXXV of 1793.

2. Madras Presidency:

While giving an account of the British administration in the Madras Presidency,
D.N. Banerji observes:

In the eighteenth century complete anarchy prevailed in the land [i.e. the
Madras Presidency] and the condition of the people was miserable, marked
by insecurity of property, obstructions to trade, heavy taxation, uncertainty
in the value of currency and by distressing poverty of the agricultural
classes. (emphasis added).²

From mid-eighteenth century, the East India Company acquired extensive
territories in southern India, which, in turn, were placed under its Madras Presidency. The
jaghir or Chingleput district was acquired by the British in 1750 and 1763 under two
grants from the Nawab of Arcot. By the Treaty of Masulipatnam (14 May 1759) that was
concluded between the East India Company and the Nizam of Hyderabad, the sarkars of
Masulipatnam with its eight districts and that of Nizamabad with its two districts, were
ceded to the East India Company. In 1765, Robert Clive obtained a Farman from the
Mughal emperor to acquire five important sarkars on the eastern coast that were
nominally under the control of the Nizam. These sarkars, viz. Sikkacole, Ellure,
Rajahmundry, Mustafanagar and Murtazanagar, were formally ceded to the East India
Company by the Nizam under the provisions of the Treaty of Hyderabad (12 November
1766), and the cessation was further confirmed by another Treaty of Hyderabad (23
February 1768). All this territory was later reorganized into the districts of Guntur,
Masulipatnam, Rajahmundry, Vizagapatnam and Ganjam, and were collectively

¹ Ibid.
designated as the ‘Northern Circars.’ By the Treaty of Seringapatnam (8 February 1792) concluded at the end of the Third Anglo-Mysore War (1790-92), the East India Company made large territorial acquisitions. Apart from Baramahal (Salem) district and Dindigul, they secured large a tract of land on the Malabar coast - from the north of Cannanore to the south of Ponnani river - with Coorg as its defensive hinterland. Similarly, as their booty from the Fourth Anglo-Mysore War (1799), the British annexed Canara and Soondah from Mysore. In the same year the Raja of Thanjavur resigned the administration of his territory to the East India Company. In 1800 Bellary and Cuddapah were made over to the East India Company by the Nizam of Hyderabad to defray the expense of an increased subsidiary force. These were designated as the ‘Ceded Districts.’ In 1801 the English took the possession of the Carnatic from the Nawab of Arcot.

These developments necessitated the wide ranging administrative measures in these territories which included reform of currency as one of the priority areas. To meet the increased demands of the coined money in the newly acquired territories minting activities were extended beyond the Madras mint. Masulipatnam mint, which was earlier under the Nizam’s control, was continued after the town was ceded to the East India Company, and struck silver and copper coins of various denominations. Negapatam, which was captured from the Dutch in 1781, had a mint in which gold pagodas were struck; the British seem to have continued the minting of gold pagodas at this mint. After the cessation of Baramahal, the East India Company decided to introduce the Company’s coinage in this area and for this purpose established two mints in 1793, at Salem and at Krishnagiri. It was proposed to strike several of the Company’s coins at these mints. However, both these mints were short-lived and were closed in about 1798-99.

During the closing years of the eighteenth century, the Madras Government was facing a great inconvenience due to ‘the insufficiency of gold coin in circulation.’ While providing them an immediate pecuniary aid in 1796 by sending gold bullion worth eight lac rupees, the Supreme Government advised the Madras Government ‘to endeavor to raise money by the sale of promissory notes at a rate of discount somewhat higher that what they bore in the market in order to secure a more ready sale.’

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1 Thornton 1854: 219.
2 Wiggins 1980: 349-50
3 NAI, Public, Letters to Court, 11 January 1796, para 15.
advised to raise money by drawing bills of exchange upon the Court of Directors as well, as they had been drawing upon the Government of Bengal.¹

All these recommendations led the Madras Government to institute an official inquiry to diagnose the financial ailments of their presidency and also to look into the practicability of the various suggestions made by the Government of Bengal.

Finance Committee (1798-1800):

In 1798 the Government of Fort St. George appointed a Finance Committee to look into a variety of subjects ranging from the management of the Lottery fund and the establishment of a Government Bank, to the condition of the Company’s junior servants and the reorganization of the Post Office. Included in the terms of reference of this Committee was the core issue of currency reform. The Committee’s Report, which was submitted to the Government on 26 March 1800, is considered as ‘one of the important documents on the history of Madras Currency.’² The Committee ascribed the financial anomalies of this period chiefly to the dearth of specie because of export to Manila and China for investments as well as to Hyderabad and Mysore for war financing. The Committee also discovered that the Company suffered heavy losses due to re-coinage of various gold and silver coins that were not current in Madras territories. Between 1786 and 1800 a loss of 1,50,611 Pagodas was recorded owing to re-coinage of gold and silver coins that were received at their intrinsic value in various treasuries of the Madras Presidency. The Committee suggested that both these anomalies, namely shortage of specie and loss due to re-coinage could be overcome by the establishment of a general bank and issue of bank notes. With a view to improving the working of the Madras mint, the Committee suggested the separation of the duties of the Mint Master and the Assay Master, and for the first time, laid down rules and regulations for the conduct of the mint and the assay departments. These regulations were aimed at checking and preventing fraud in the mint and also defined and classified various duties and responsibilities of the Mint and Assay Masters. They also prescribed the procedure to be adopted for the receipt and coining of bullion.³

The Committee concluded its report by suggesting the introduction of a currency of uniform weight and standard throughout the Carnatic. The report of the Finance

¹ Ibid.: paras 19 and 21.
³ Ramachandran 1970a: 37.
Committee of the Madras Government was sent to the Court of Directors but for next five
to six years, no action seems to have been taken on its recommendations.

3. **Bombay Presidency:**

Around 1765 the island of Bombay was facing an acute shortage of the silver
coins. To overcome this scarcity, the Governor and Council of Bombay decided to mint
gold ‘rupee’, with its halves and quarters, at the Bombay mint. These coins were of
English design and bore shield of arms of the East India Company on the obverse and the
mint name and the year in English characters on the reverse.

![Bombay Gold ‘Rupee’, 1765](image)

It was decided that coins to the value of 60,000 rupees would be struck. On 8
January 1766 a public notice was issued stating that the gold ‘rupee’ (or *muhur*) should
pass at 15 rupees each and its fractions in proportion. The metal for the mintage of this
new coin was to come chiefly from the Venetian ducats that were imported into Bombay.
The experiment was quite beneficial for the government, as in 1770 it was noted that ‘it
being more advantageous to coin than sell the Gold in the Treasury.’\(^1\) It seems, however,
that the 1765 coins of the English design did not meet the general acceptance with the
public. In the meeting of the President and the Board of the Bombay Government held on
3 July 1770 to discuss the proposal of the new gold coinage, it was noted that:

> ‘the Stamp, which the Bombay Gold Rupees coined in 1765, at present
carry, viz. that of the Honble Company’s small Seal on one side, is highly
improper, as none but Sovereigns have a right to affix any Stamp on public
Coin... the Honble Company’s Privilege of Coining here, being derived
solely from the Mogul.’\(^2\)

Perhaps the Bombay Government recalled an earlier instance when during 1693-95 they had issued coins in the name of the English rulers – King William and Queen
Mary, and with the inscription *Sikka Angrez Kampani* (Coin of the English Company)
from the Bombay mint. These coins incurred the displeasure of Aurangzeb and were soon
withdrawn from circulation.\(^3\) It was, therefore, decided to issue the new gold coins with

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1. 'Proposal for new gold coinage.' MSA, Bombay Public Consultations, 3 July 1770.
2. Ibid.
the similar inscriptions as those on the silver coins. Curiously, the new coins were issued in the name of the dead Mughal emperor Alamgir II (1754-59).\(^1\) These coins were designated as the *Bombays* and bore legend *Sikka Mubarak Sanah 9 Alamgir Badshah Ghazi Sanah 1184* (The auspicious coin [issued in regnal] year 9 [of] Emperor Alamgir, the Warrior and [in the Hijri] year 1184 [=1770]), the mint name (*BOMBAY*'), year ('1770') and their value ('15 Rups'), all in English characters on the reverse.

![Image of 'Bombays' 15 Rupees, 1770](source)

However, this experiment in bimetallism – with fixed conversion rates between gold and silver coins at 1 gold ‘rupee’ to 15 silver rupees – was foredoomed for failure as the market price of the gold bullion constantly fluctuated. Thus, when gold was cheap, the coin was overrated; when dear, underrated.\(^2\) In 1774, therefore, the Bombay Government decided to increase the weight of the gold coin from 10.95g. to 11.55g. though there was no change in the fineness and the exchange value with silver rupees. It was also decided to gradually withdraw the old gold coins from circulation and recoin them into the new weight standard and on which the same impression as on the silver rupees would be inscribed.\(^3\) At least one fractional denomination of the new weight standard, viz. the quarter gold ‘rupee’ (3.84g.) is also known. A year later, the Bombay Government made another attempt to meet the demand for silver rupees by introducing a unique denomination of one-fifteenth of the gold ‘Rupee’ weighing 0.76g. to pass as equivalent to one silver rupee.

![Image of 1/15 Rupee, 1775](source)

In its meeting on 25 April 1775, the Bombay Council noted:

As there is at present a want of Silver currency on the island it is agreed in order to obviate the inconveniences resulting there from to coin Gold to the amount of 60,000 Rupees into Pieces of the value of one Silver Rupee each, to be in fineness exactly equal to the Gold Rupee now current at \(\frac{1}{15}\)th

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\(^1\) Alamgir II was murdered on 8 Rabi II AH 1173 (= 29 November 1759). Pridmore 1975: xxiv.

\(^2\) Pridmore 1975: 123.

\(^3\) MSA, Bombay Public Consultations, 15 June 1774.
part of the weight of a Gold Rupee.¹

However, due to high minting cost, incidence of rampant forgery of these small gold coins and refusal of the troops to be paid in this denomination resulted in abandoning the minting of these coins in March 1778 and they ceased to be a legal tender from 31 May 1778.²

Both these experiments seem to have been unsuccessful as after 1774-75, the coinage of gold in the Bombay mint was almost non-existent. Only in November 1790 we come across a reference of gold minting at the Bombay mint when a small quantity of counterfeit muhrs was recoined into 258 muhrs of full standard.³

The silver coins that were struck at the Bombay mint, were issued in the name of the Mughal emperors. These included Rupee with its fractions of half, quarter, eighth and sixteenth, though not all denominations were issued concurrently. Thus during the second half of the eighteenth century, coins in the names of Ahmad Shah (1748-54), Alamgir II (1754-59) and Shah Alam II (1759-1806) with the mint name ‘Mumbai’ (zarb Munbai) were struck at the Bombay mint.

However, in about 1778, the minting of silver rupees was suspended at the Bombay Mint. The main reason for this step was the scarcity of silver in the island of Bombay. In addition, there was another very prolific mint in the vicinity of Bombay that was producing debased silver rupees. This was the Surat mint, then under the control of the Nawab of Surat. As early as in 1733, the Surat rupee was made the sole legal tender in Bombay, at par with the Bombay rupees. Now due to the debasement, the merchants found it more profitable to sent their bullion to Surat, 'where they received a greater number of rupees in return than at Bombay.'⁴ It was not until 1800 when the Surat mint came under the control of the East India Company that the minting of silver rupees was restored at the Bombay mint.

¹ Pridmore 1975: 123.
² MSA, Bombay Public Consultations, 25 March 1778.
³ Pridmore 1975: 130.
⁴ Ibid.: 123.
Right from 1672 Bombay had followed a system of minting tin and copper coins as the third tier of the currency system. The early tin coins were called 'tinnys.' In 1717 the Bombay Government started a new series of tin coins called Double Pice (27.20g), Pice (13.60g) and Half Pice (6.80g). This series continued till 1771 and on 1 December 1773 these tin coins ceased to be current and had to be exchanged at the Treasury by the end of that month.\(^1\) In August 1775 the Board was informed that the tin coins had been sold at Rs. 4-0-50 per Surat Maund.\(^2\) So ended the tin coinage of the Bombay Presidency.

![Tin, Double Pice](image)

Apart from the tin coinage, the Bombay Government also minted copper pieces called 'copperoons.' In 1705 the copper Pice replaced copperoons. However, mintage of copper in the Bombay mint was stopped around 1749, and thus from the middle of the eighteenth century there was a great shortage of the copper pice in Bombay. Though tin pice were minted extensively between 1717 and 1771 at Bombay, never did these become popular as currency and the copper pice remained much in demand. In a letter recorded in the Bombay Public Consultations for 19 February 1754, John Spencer, the Mint Master of Bombay, describes the 'great want of [copper] pice' in the island. He also observes that 'the present very high price of copper would make them turn out to the disadvantage of the Honourable Company, were they to be made of that article. That tutenague [tin] is now cheaper than it has been for many years past, and that one thousand and fifteen Surat mans will supply the necessity of the place.'\(^3\) Accordingly, it was decided to mint the tin coins to meet the shortage of the small denomination coins in Bombay. The situation does not seem to have improved on this count and three years later, in 1757, we once again hear complaints about the shortage of small change in Bombay.\(^4\) Finally in 1773, the minting of tin coins was permanently suspended and that of the copper coins resumed.\(^5\)

A full-fledged copper currency was thus established in 1773, with the following

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\(^1\) MSA, Bombay Public Consultations, 1 December 1773.

\(^2\) Ibid.: August 1775.

\(^3\) MSA, Bombay Public Consultations, 19 February 1754.

\(^4\) Ibid.: 2 August 1757.

\(^5\) Ibid.: 5 October 1773; and Proclamation dated 30 November 1773.
four denominations, viz.:

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Weight</th>
<th>Equivalent to</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Grains</td>
<td>Grams</td>
</tr>
<tr>
<td>Double Pice</td>
<td>200</td>
<td>12.95</td>
</tr>
<tr>
<td>Pice</td>
<td>150</td>
<td>9.71</td>
</tr>
<tr>
<td>Half Pice</td>
<td>100</td>
<td>6.47</td>
</tr>
<tr>
<td>Quarter Pice</td>
<td>50</td>
<td>3.23</td>
</tr>
</tbody>
</table>

All these denominations bear the balemark of the East India Company on their obverse; the Pice and Double Pice also bear the year of their mintage, 1773, while half and quarter denominations simply have their fractional unit inscribed on their reverse, viz. \( \frac{1}{2} \) and \( \frac{1}{4} \) respectively.

A few local copper coins have been found with a countermark 'BOMB 1788.'

It is suggested that this was done to meet the demand for supply of copper pice to Tellicherry, where a great 'scarcity of pice' was reported in April 1788.¹

A new series of copper coins commenced in Bombay in 1791, when four new denominations were established. These denominations were based on the Portuguese money of accounts called 'Quarter' and 'Reas', in which 400 reas or 1 quarter were equal to one rupee.

A remarkable feature of these issues is their mintage. All these coins were minted in England and then shipped to Bombay for circulation in that Presidency. According to the official records, copper coins worth Rs.70,592 were transmitted to Bombay between

1791 and 1794, upon which the Company made a profit of Rs.38,194.¹

**Summing Up**

By the end of 1792, the Supreme Government at Bengal was not only fully seized of the nature and extent of the financial ailments, thanks to the findings of the official committees, but had also learnt a lot from the past experiments of currency reforms. The establishment of the Mint Committee of Calcutta in 1792 institutionalised the reforms process in Bengal and this Committee was frequently asked to consider and advice on various aspects of the currency and coinage reforms in the Madras and Bombay presidencies. The recommendations of this Committee provided the foundation for a series of legislations passed by the Bengal Government from 1793 onwards for a better currency administration.

¹Ibid.: 125.