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**Occasional Paper No. 51**

MONEY AND CREDIT AS  
AREAS OF CONFLICT  
IN COLONIAL INDIA

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Occasional Paper No. 51

Money and Credit as Areas of Conflict in Colonial India

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## Money and credit as areas of conflict in colonial India\*

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In the existing literature, 'forced commercialization' has been viewed primarily as a consequence of moneylenders or landlords or more often, the two groups together, forcing the peasantry to grow cash crops, very often to the detriment of their own subsistence.<sup>1</sup> There is little doubt that as far as contemporary economies of the third world are concerned, this type of forced commercialization is the leading species of its genus, although direct state intervention probably plays an even more important role in the process now than in India in the nineteenth century.

However, commercialization has typically occurred in many areas of the world, including eighteenth and nineteenth century India, at the behest of the demands of colonial rulers and traders from the ruling country. The process generally involved direct intervention by the colonial state apparatus with its coercive powers and imposed enormous costs in terms of realigned productive structures and continual drain of resources from the colony.<sup>2</sup>

In fact, forced 'commercialization' imposed by the colonial powers often meant not commercialization de novo, but a different pattern of commercialization. In many Asian countries, including India, large areas had become inured to the use of money and to production for the market. But the predominant demand for goods originated within the country.

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There was considerable long-distance trade but a very large fraction of the commodities produced circulated locally. For purposes of local exchange, low-value tokens of exchange, such as cowries (as in India) or strings of copper cash (as in China) sufficed. The incursion of the Europeans first as traders, and then as rulers or powers with extra-territorial rights, led to conflicts with the colonized areas at several different levels: First, there was an attempt on the part of the foreigners to capture a larger part of the existing outputs of handicraft products as well as commercial crops. Secondly, the foreign traders - wherever they could and wherever it benefited them - tried to control the producers of such articles as they desired either as commodities in intra-Asian trade or for export to markets outside Asia.<sup>3</sup> Thirdly, they tried to control the flows of the media of exchange whenever such media proved to be scarce.<sup>4</sup> Fourthly, they tried to introduce money as a medium of exchange and, of tribute payment in economies which had by and large bypassed <sup>money</sup> for fiscal and exchange purposes.<sup>5</sup> Fifthly, they tried to replace media of exchange which were only useful for intraregional exchange or intraregional transfer of surpluses by media that were acceptable for long-distance or international trade and which could be more effectively used for centralized collection of surpluses. Sixthly, they tried to change the output mix of the colonized territories by using direct physical means, by making offers which could not be refused (to use the terminology of the Godfather) and by bringing in fiscal devices to compel the producers, local traders and rulers to pay the tribute in designated commodities or in labour or resources directed towards the production of such commodities.<sup>6</sup>

One paradoxical result of the attempts of the alien rulers to introduce new media of exchange or monopolize old media, and to change the product-mix rapidly was the demonetization and decommercialization of parts of an economy which had long ceased to use barter and gift exchange as the predominant methods of redistribution of goods within its confines. The aim of the present paper is to provide illustrations of several types of conflict in the areas of money and credit unleashed by the British in their drive to subordinate the Indian economy to their purposes.

In any region of India which had come under the centralized Mughal administration, it was unusual for a pure barter economy to survive.<sup>7</sup> The Mughal revenues were collected in cash. While this normally took the form of silver or gold coins, at the lower levels, auxiliary currency of a much lower value per unit usually circulated. It is possible that during the period of disintegration of the Mughal empire, both the variety of silver coins minted in different parts of India<sup>8</sup> and the area of circulation of the auxiliary currency widened. Over a wide area of India, including Bengal, the auxiliary currency took the form of cowries, sea-shells generally imported from the Maldives. The moneychangers or shroffs usually made a profit by changing one type of silver coin into another and by converting cowries or copper pieces into silver coins.<sup>9</sup> After the British conquered Bengal, the effective revenue demands on the peasantry increased and the British insisted on getting the revenue in the form of metallic currency (silver or gold). This led to the downgrading of the auxiliary currency,<sup>10</sup> but it took a long time for it to be eliminated.

There were two factors responsible for this delay. One was the absolute poverty of the ordinary people and the meagreness of the individual monetary transactions in which they were involved. The British tried as early as the 1770s to discourage the use of cowries and introduce copper coinage instead for small transactions. But this plan did not succeed for a long time, partly because of the inability of the British to put enough copper coins into circulation<sup>11</sup> and partly because of the opposition of indigenous moneylenders. Even in the early part of the nineteenth century, land-revenue was being paid in Orissa in cowries. In Sylhet the land revenue was being paid in cowries upto 1801, but by 1813 the whole was realized in specie.<sup>12</sup> The British ultimately enforced the ban on revenue payment in such subsidiary or auxiliary currency, and the value of cowries declined precipitously.<sup>13</sup>

The other reason for the continued use of auxiliary currency for small payments - or sometimes, reversion to barter conditions for exchange in rural areas - was the continual drain of silver abroad in

the form of tribute levied by the foreign rulers and the profits made by foreign businessmen. Fluctuations in the military activities of the British Government, in the export trade and in the net balance of private and government remittances abroad could aggravate or mitigate the shortage of particular types of coin. For example, the Anglo-Mysore wars in the 1880s aggravated the shortage of silver coins both absolutely and in relation to gold coins. The influx of some private foreign capital just after the end of the Napoleonic wars and the abolition of the East India Company's trade monopoly in India increased the availability of silver. But the collapse of the indigo market around 1830 and the attendant repercussions led to a severe trade depression and shortage of circulating media in northern India.<sup>14</sup>

In large parts of Mughal India, the superior currency was effectively bimetallic and both silver and gold coins circulated with only small fluctuations in the ratio of the price of gold to silver. But silver was the more prevalent currency. Moreover, the relative price of silver to gold was generally higher in northern India than in Europe; the same disparity did not prevail in southern India, where the superior coinage was mainly based on gold - particularly where Mughal power was weak or non-existent. The real foundation of British rule of India was laid in Bengal after the battle of Plassey, and the subsequent overthrow of Mir Kasim by the British. For the reasons sketched earlier, the British preferred silver coinage. This sometimes led to a direct conflict with the Indian shroffs and subordinate rulers who were used to remitting the tribute or other payments in both gold and silver. Thus, for example, after the abolition of the Murshidabad Mint in 1777, and the prohibition imposed by the British on the coining and receipt of gold coins in Bengal, the Banaras bankers, who remitted the tribute of the Raja of Banaras to the British in gold bullion or coins, found it necessary to raise their charges, thus significantly increasing the burden on the Raja. This was one of the factors leading to the confrontation between the Raja of Banaras and the British.<sup>15</sup>

An extensive system of gold currency survived in southern India well into the nineteenth century. By Act XVII of 1835, a Company's rupee was introduced throughout the whole of India, and gold coins were effectively demonetized.<sup>16</sup> This measure almost certainly aggravated the long commercial depression in south India, which we notice below.

Most of southern and western India suffered from a depression in prices from about 1825-26 to 1850. Some of this depression can be linked with the commercial crises of 1825-26 and 1847-48 in Britain.<sup>17</sup> But the effects of these crises were much more severe in India than would be expected in an economy which was after all only partially within the direct orbit of market relations. The reasons for this phenomenon seem to lie in the severe decline of handloom exports and the massive inflow of machine-made goods into India, the cessation of all public works and hence a deterioration in the infrastructure of the economy in the period before the East India Company began building railways, roads, and large irrigation works, the overassessment of land revenue in the ryotwari areas, and the shortage of circulating media/<sup>which</sup> was aggravated by the effective demonetization of gold coins. The data bearing on outputs rather than prices are fragmentary. But the evidence of prices and exports and imports leave little doubt that there was a deep recession, and that many people tried to opt out of the market as far as possible.<sup>18</sup>

The chronic shortage of silver naturally affected the trade of the Europeans as well as of the Indians. For a government continually threatened by deficits, it also aggravated the budgetary problem since rates of interest were higher in periods of monetary and credit stringency. Private European firms organized banks from the 1770s onwards, and notes of these banks often circulated in the interior cities.<sup>19</sup> However, these bank notes circulated mainly among the wealthy people in the main towns, and more among the Europeans than the Indians. Since the notes circulated by private European bankers had no legal backing,<sup>20</sup> the operation depended entirely on the confidence of the businessmen in the soundness of these banks. The European firms were known to speculate on a large scale, and the Bank of Hindostan, controlled by Alexander & Co., went



through several crises, before its final collapse in 1832.<sup>21</sup> These private banks and the firms backing them were often helped by the British government in times of financial stringency. Indian businessmen became extremely suspicious of European firms and notes issued by their banks after the collapse of such firms as Davidson & Co., and Mercer & Co. in the crisis of 1826-27. Indian merchants and bankers met in February 1827 in order to decide as to whether to continue to accept the notes of private European banks. They decided in the affirmative;<sup>22</sup> this eased the credit stringency temporarily, allowed unsound European firms to continue operations and ultimately involved the Indians in much greater ruin.

In 1806 the Government of Bengal launched the Bank of Calcutta; this began operating as the Bank of Bengal in 1809 with a charter that conferred limited liability on it and provided for legal recognition for its notes. This bank became an instrument in the hands of the government for stabilizing its borrowing operations and bringing down the effective rate at which it borrowed from 12 percent or above to 5 percent or even lower in some years. But it also became an instrument in the hands of European businessmen for financially subordinating, and in some cases eliminating, their Indian collaborators who were often suppliers of their original business capital. For the Bank of Bengal was entirely dominated by European businessmen. The support of the Bank of Bengal was very important in sustaining the indigo boom of the 1820s. The collapse of the agency houses inflicted a major loss on the bank, but it weathered the storm with the help of the government.

The Bank of Bengal notes could be taken in payment of land revenue and other Government dues throughout Bengal and Bihar. But these notes all mainly circulated in Calcutta and its environs and in some of the more important towns, and then only among the more wealthy people. This note circulation alleviated the monetary stringency for the European businessmen and for the Government, but it served as an instrument for further subordination of Indian businessmen. And it did little to mitigate the exploitation of the poorer Indians by the moneychangers.<sup>23</sup>



The motives of private European merchants in pushing the circulation of bank notes backed by the government and the limits on the government's ability to help them in this respect came out clearly in a controversy between the Government of Madras and the Madras Chamber of Commerce (the leading members of which also provided most of the non-official directors of the government-chartered Bank of Madras) in 1848.<sup>24</sup> The Madras Government had made Bank of Madras notes receivable in the 'Huzoor' or chief district treasuries in payment of land revenues up to a limit of one-third of such revenue payments. The Madras Chamber wanted the Government to allow the 'Talook' or subordinate treasuries also to receive bank notes and to place no limit on the amount of land revenues that could be thus received. The government rejected its plea on the grounds (a) that the measure demanded by the Chamber would be largely ineffective in expanding the note circulation, (b) that it would at the same time expose the ordinary run of illiterate cultivators to the risk of forgery and deception and (c) that it would be inexpedient to have large accumulations of bank notes in the government treasuries of the interior because the government officers needed cash to defray their normal expenses. Only the first reason need be spelled out in more detail. Since Madras was a ryotwari area where the government collected rent from millions of legal owners of the land separately, the individual amounts of revenue payments were small except in one or two pockets where the zamindari system prevailed. The smallest denomination of a bank note was Rs.10/- and the total revenue demand on individual ryots very often fell short of that figure.

The European merchants' argument was that it was often costly and unsafe to carry funds in the form of coin for payment of exportable crops delivered by the cultivators, and the alternative mode of payment, viz., the drawing of bills on the government treasuries, by paying in cash into the Accountant General's office in Madras was often not available. What the merchants wanted essentially was to make the government bear the cost of internal exchange, and this the latter were unwilling to do. But to the extent that note circulation could be extended into the interior with government backing, European

merchants obtained another weapon for conquering the internal market and tapping the sources of exportable produce and materials in the heartland of India.

Most of the innovations in the field of money and banking as in the fields of transport and communications introduced by the British after 1757, tended to increase the sway of European businessmen over their Indian collaborators or competitors, and over the Indian economy in general. However, Indian merchants or bankers often gave in only after putting up considerable resistance. In Gujarat, for example, the Indian merchants used a fictitious currency called ant to circumvent the shortage of coin. The currency was extensively used by the end of the seventeenth century. 'A transaction in ant may be briefly defined as a transfer of credit in a banker's books in terms of a nominal currency convertible into cash at a certain rate varying from day to day, and sometimes from hour to hour, according to the state of the money market. A cheque in ant is payable at the option of the presenter in cash or in ant.'<sup>25</sup> But it could be arranged that 'no cash changed hands until the day of general settlement. The seller parted with his goods on the credit of the buyer and he in the same way passed the goods to someone else.'<sup>26</sup> This system survived despite attempts by some of the Mughal governors to suppress it.<sup>27</sup> It came into general use again in the period 1780-1785 when the British General Goddard captured the city of Ahmedabad and closed the mint. The closure of the mint, the depletion of the stock of silver because of outflow of silver coin for the payment of British troops and other purposes of the British conquerors, and the debasement of metallic coins in general stimulated the use of ant. From time to time, the local rulers (including both the British and the native princes and their agents) tried to regulate the exchange rate between ant and the rupee, but they could not abolish the ant itself. Malcolm in his account of Central India noted that the system of ant had 'lately been common' in most parts of Central India, and especially at Ujjain, where there was a great concentration of bankers. He also noted that 'the dealings in this species of bill-currency' were limited to sowcars and money-brokers.<sup>28</sup> This growth of ant was again almost certainly a response to political disturbances and shortage of coin. Spread of

British power again led to its downgrading but in the long period 1825-1850, when most parts of India suffered severely from shortage of money, the ant currency enabled the Gujarati merchants to carry on trade, at least within their own region. The use of ant as an accounting unit for banking transactions can be traced down to the 1870s in Ahmedabad.

A similar but less elaborate system for overcoming the stringency of the legal tender coin and for withstanding the successive British innovations in the field of currency grew up at Mirzapur and nearby towns connected with it in the 1850s and 1860s. From Farrukhabad and other places, the British had issued Farrukhabad rupees down to 1830.<sup>29</sup> Then in 1835, a uniform silver currency (the Company's rupee) was introduced throughout British territory. But numerous other coins continued to circulate not only in the territories ruled by the native princes but also in British territory. In particular, at Mirzapur, the leading merchants made toras or bags (generally containing 1000 rupees) of Farrukhabad rupees and continued to use them for all their transactions. The Treasury Officer of Mirzapur described the system as it operated in 1862 as follows: 'The case in this district is peculiar, in as much as commercial business is transacted in what are called tora rupees, a Farrukhabad coinage. The Chera Shai or Company's rupee has no standard value. It is negotiable in the market at a daily fluctuating rate, the value (being) regulated by the amount of tora rupees available in the market .....

..... Some of the wealthier bankers deal largely in tora rupees and benefit greatly by profits in exchange.<sup>30</sup> In fact, the leading merchants had to see that toras bearing their guarantee circulated briskly enough in the market; otherwise, they could not keep up their credit. This put a premium on brisk lending of money and kept the rate of interest low at Mirzapur - sometimes lower than in the organized sector of the money market in Calcutta or London. When the Bank of Bengal opened a branch at Mirzapur in 1862, it was accused of making a profit by speculating in toras and thus impeding the circulation of government paper currency for which it was supposed to act as an agent. Specific orders had to be passed in order to stop the Bank of Bengal from dealing

in toras. The ascendancy obtained by this government-backed bank and the further spread of paper currency presumably led to the gradual demise of the tora currency, although the details of this decline are not recorded.<sup>31</sup>

The British and Indian systems of banking and credit clashed not only in such peripheral areas as the ant currency in Gujarat or tora currency in Uttar Pradesh, but also in the field of hoondee business, which was the main staple of the traditional system of Indian banking and which became one of the main links between joint-stock banking and the indigenous credit market in India. Only a few examples of such conflict can be given here.

'A "hoondee" may be defined as a written order - usually unconditional - made by one person on another for the payment, on demand or after a specified time of a certain sum of money to a person named therein.'<sup>32</sup> Hoondees were the traditional means of financing wholesale trade and transferring money from one part of the country to another. British joint-stock banks, including the government-supported Presidency Banks, found that they had to get into the business of discounting hoondees if they wanted to share in the financing of internal trade of the country. But since hoondees were different from ordinary bills of exchange and since the custom regarding cashing of hoondees differed from one region of the country to another, the Presidency Banks often found themselves in conflict with the Indian sowcars or bankers regarding the exact mode of discounting or cashing hoondees.

When the New Bank of Bombay (which was registered as a joint-stock company after the collapse of the old Bank of Bombay) opened for business at Indore (in 1868), the branch agent had to agree to the demand of the Mahajan Panchayat (that is, the guild of the Indian sowcars) there that when a hoondee was not accepted in the first instance, three days were to be allowed before notification was sent to the remitter. This was contrary to British legal practice but it was the custom of the place, and the Head Office concurred in the agreement when it was pointed out that hoondees which were refused on presentation were always accepted within the three days of grace.

Two other serious disputes arose between the Indore branch of the New Bank of Bombay and the Mahajan Panchayat, when the shroffs refused to accept hoondees by affixing their signatures to them, and when the branch agent refused to accept sundry hoondees which he did not consider satisfactorily tendered in fulfilment of contracts. The Panchayat forbade its members to do business with the bank branch. In a retaliatory move, the New Bank of Bombay opened a branch at Ujjain and succeeded in attracting much of the business in the financing of opium trade to that place, thereby defeating the opposition of the Mahajan Panchayat at Indore. It closed the Ujjain branch, when its purpose was achieved (The New Bank also tried putting pressure on the Holkar, the ruler of Indore, and on the branches of the Indore sowcars in Bombay, in a bid to bring the latter to heel).

Another serious dispute of a similar nature occurred between the Bank of Bengal and the Indian bankers dealing with it in the years 1875-76. In the beginning of 1875, the bank issued a notice to the Indian shroffs to the effect that for the recovery of dishonoured bills, it would proceed in accordance with the provisions of English law. The shroffs claimed that according to prevailing custom, the holder of a dishonoured hoondee or bill must exhaust the acceptor before falling back upon other obligants. The bank refused to recognize any such custom. A combination among shroffs resulted in Calcutta and Bombay and they decided not to sell bills to the bank. Although the bank succeeded in defeating this combination, even in 1876, Maheswari Marwaris in Calcutta were putting up a resistance. Bansilal Abirchund - the bank's khazanchee (Cashier) at Bombay and Amritsar, and Gokuldas Gopaldas, the bank's khazanchee at Banaras - both wealthy bankers in their own right - were supposed to be the ringleaders of the movement. It was only with considerable trouble that the bank was able to overcome this resistance. (The firm of Bansilal Abirchund had collaborated with the British during the period of the Mutiny, and the firm of Gokuldas Gopaldas of Banaras was probably a descendant of that of Gopaldas Manohardas who had been bankers to the British government since the late eighteenth century. Thus collaboration in a political and fiscal sphere did not preclude conflict in the narrower sphere of banking and credit).



Other examples can be given where the practices of the Indian bankers who relied on the standing of the creditors rather than on the security of liquid assets for extending loans and who were prepared to lend money for 12 months or even more in some instances, and the practices of the European-controlled banks in India, modelled on the British commercial banks, came into serious conflict.<sup>33</sup> These examples, and the fact of the serious dislocation caused by the drain of silver and the disruption of the pro-existing industrial structure under the impact of British rule demonstrate that the spread of European-style monetary system in India did not always given rise to a greater degree of commercialization. Nor was the spread of European-style institutions and practices a smooth process of ready adjustment to a superior system. As in the areas of administrative and political innovation, the British used the new monetary institutions as instruments of domination and this attempt at domination provoked conflicts at many levels of Indian society.

There is a prevailing misconception that the spread of European-style institutions would mean the integration of 'organised' and 'unorganised' money markets. Furthermore, the achievement of such integration would lower rates of interest all round.<sup>34</sup> The money market controlled by the top Indian bankers - however curbed it might have been by the working of British colonialism - was as well organized in its own way as that operated through European-style institutions. In the sense of linking up the network of large Indian bankers with that of joint-stock banks, this integration was largely achieved by the 1870s of the last century. However, this simply meant that joint-stock banks had a share in the profits made by Indian bankers in their roles as financiers of trade, of zamindars' and princes' ostentatious expenditures, and of peasants' subsistence. The integration had no noticeable influence on the exorbitant rates of interest paid by peasants, artisans and workers, for they were linked to the fundamental forces determining the rate of exploitation rather than to purely monetary phenomena. The investigation of the exact reasons for the failure of the alleged effects of integration to materialize is yet to be started by economists and historians. But a rejection of the Whig view of Indian history, which sees the ordinary people's lives being 'modernized' and somehow improved, through the working of capitalist colonialism is an essential condition for such an investigation to be conducted scientifically.



FOOTNOTE

1. For a view of the problem in its historical context, see E. Whitcombe: Agrarian Conditions in Northern India, Vol. I (Berkeley, California, University of California Press, 1972), and S. Mukherji: 'Some aspects of commercialisation of agriculture in Eastern India 1891-1938, in Perspectives in Social Sciences, 2 : Three Studies on the Agrarian Structure in Bengal 1850-1947 (Calcutta, Centre for Studies in Social Sciences, Calcutta, and Oxford University Press, 1982); for a discussion of the problem in its contemporary setting see K. Bharadwaj: Production Conditions in Indian Agriculture (Cambridge, Cambridge University Press, 1974).
2. For an analysis of the general processes involved, and for illustrations taken from Latin America and Asia, see A.K. Bagchi : The Political Economy of Underdevelopment (Cambridge, Cambridge University Press, 1982), chapters 5, 3 and 4. For an exposition of the traditional view of costless adjustment of colonial economies to expanding demands of a growing international economy, see Hla Myint : 'The "classical" theory of international trade and the underdeveloped countries', Economic Journal, Vol.68, 1958.
3. For methods of coercion used by the English East India Company in Madras in the seventeenth and eighteenth centuries, see K.N. Chaudhuri : The Trading World of Asia and the English East India Company 1660-1760 (Cambridge, Cambridge University Press, 1978), chapters 7 and 12.
4. F. Perlin has discussed this aspect of conflict between the European traders and the Asian traders, producers or rulers in his paper, 'Money use in late pre-colonial India and the international trade in currency media', Mughal Monetary Conference, Duke University, June 1981 (mimeographed).
5. Rosa Luxemburg : The Accumulation of Capital (London, Routledge & Kegan Paul, 1963), chapter xxvii-xxix, for graphic accounts of the struggle of international capitalism against 'the natural economy' and 'the peasant economy' and for the introduction of commodity production.
6. For a classic account of direct force and fiscal means used by the Dutch in Indonesia in order to procure their desired product-mix, see J.S. Furnivall : Netherlands India (Cambridge, Cambridge University Press, 1967), chapters II and V. See also A.K. Bagchi : 'A record of colonial exploitation in Indonesia, The Indian Historical Review, IV(2), January 1978, and idem : The Political Economy of Underdevelopment, chapter 4, for further references to the literature.
7. For accounts of inland trade, and of the monetary system of Mughal India see T. Raychaudhuri : 'Inland trade and I. Habib : 'Monetary system and prices' in T. Raychaudhuri and I. Habib (eds.) : The Cambridge Economic History of India (Cambridge, Cambridge University Press, 1982).

8. According to one authority, the number of 'current' coins of gold and silver, passing in different parts of India in the beginning of the nineteenth century, was no less than 994. C. J. Brown : The Coins of India (Delhi, Indological Book Society, 1973), p.103.
9. The batta or discount charged by moneylenders for changing older coins for new during the period of Mughal rule was supposed to be governed by the following principles : 'Theoretically, the value of a coin should have equalled its weight in bullion plus the minting charges and seignorage. In actual fact, the newly - minted coin usually carried a higher value, because of the time it took to get bullion converted into specie at the mints. The Mughal coins were, however, subject to certain discounts on the basis of age. Each coin bore the name of the mint and the year of issue. If it was newly minted (taza sikka), having been uttered in the current or previous year, it enjoyed the full value. The ordinary coins current (chalani) were naturally older coins and thus suffered a small discount. In comparison to these again, the coins minted in the previous reign, called khazana, were accepted at a still larger discount. The total amount of discount did not, however, exceed the minting cost and seignorage. Coins which lost in weight were accepted, simply at the value of their weight in bullion. Habib : 'Monetary system and prices', in Habib and Raychaudhuri (ed.) : The Cambridge Economic History of India, vol.I, p.361. This system had already broken down in Bengal during the reign of Emperor Farrukhsiyar. There sikka (sikka) rupees were turned sonauts at the end of three years, and recoinage of the currency every three years became a standard practice. The undervaluation of the earlier sikkas became in the hands of the Jagat Seths, who controlled the currency, an additional tax on the revenue - payers. In an attempt to bring some orderliness into a currency which consisted of coins issued in different reigns, Hastings decided in 1778 to introduce a silver rupee with the constant Mughal regnal year of that date (which happened to be the nineteenth year of Shah Alam's reign), and the rupee of the 19th San became the standard rupee. N.K. Sinha : The Economic History of Bengal, vol.I (Calcutta, Firma K.L. Mukhopadhyay, 1965), Chapter VIII. However, frequent scarcity of coins, circulation of coins minted in many different towns of India under the authority of a variety of rulers, and lack of any real machinery for regulation of the batta allowed the shroffs to charge any discount they liked to the ordinary people. Thus Francis Buchanan Hamilton wrote about coinage in Purnea in 1809-10 : 'The old unmilled coinage of rupees called Sunat or Purbis are still pretty numerous, and in many markets are current for the same value with the milled money (kaldars) lately coined at Calcutta. The reason of this seems to be that a batta, or certain allowance for the coin being worn, is taken by all persons in power, whether the rupees be of the present coinage or not. It is of little consequence therefore to the poor what rupees they take'. F. Buchanan : An Account of the District of Purnea in 1809-10 (Patna, Bihar and Orissa Research Society, 1928), p.586.

10. When the British conquered Orissa from the Marathas in 1803, the main medium of exchange and means of revenue payment there was the cowrie. The rate of exchange at the time was roughly 4 kahans or 5,120 cowries to the sicca rupee. In 1833 the rate had declined to 8 to 9 kahans to the rupee. K.P. Mitra : 'Currency in Orissa', Bengal Past and Present, July-December, 1939.
11. Upto the 1770s, copper coins in Bengal were apparently rudely minted by merchants and not by the government. (This was not so unusual a procedure as it may seem at first, for under the Mughal emperors and other rulers subordinate to them, merchants or bankers were often licensed to mint silver and gold coins of a designated standard on payment of a fee to the government). In 1780, the Government of Bengal appointed John Prinsep (the father of the great archaeologist and numismatist, James Prinsep) as Superintendent of the Copper Coinage on a six-year contract. The pies produced by Prinsep's mint was known as 'Prinsep's pice' according to P.L. Gupta : Indian Coins (New Delhi, National Book Trust, 1979), p.177. But Gupta seems to be unaware of the exact identity of John Prinsep. The contract of Prinsep was, however, cancelled by the Directors of the East India Company in 1784 and his mint was taken over by the government. India Office Library, Three Generations in India (Ms. Eur C. 97), Vol.I, Part I. The copper coinage was apparently introduced in order to accommodate Ross, who was a friend of Warren Hastings. Sinha : The Economic History of Bengal, Vol.I, pp.142-3. Copper coins then were minted at Benares and Allahabad, and were also exported from Calcutta. They were also imported into British territories from Nepal, Gorakhpur and other areas under the control of Indian rulers. But copper coins continued to command a premium in Patna and the surrounding territory as late as 1811-12, according to Buchanan Hamilton : 'Cowries are scarcely current, and the only small money in common use consists of copper Paysas, of which 56 most usually pass for a rupee. In Patna the Company's new Paysas, with a decent legend is almost alone in use; but in the country a good many of the rude masses called Gorakhpuri Paysas are still in circulation .... The Government lately sent up Paysas to the value of 40,000 rupees, and distributed them at the mint price of 64 for the rupee, for which I know no good reason, as even this great influx lowered the exchange to only 58 for the rupee, and the fair at Hajipur will probably reduce them to 54; so that the persons who took them from the Collector, for two months' interest will have above 15 per cent. This fair, and the two months of marriage ceremony, usually raise the price of the copper about 4 per cent. There is as great a want felt from the size of the copper, as from that the silver coin, and half and quarter paysas would be a great advantage. F. Buchanan : An Account of the Districts of Bihar and Patna in 1811-12 (Patna, Bihar and Orissa Research Society, n.d.), Vol.II, p.701. This last comment of Buchanan Hamilton's again underscores the poverty of the Indians and the smallness of the value of transactions in which ordinary people were involved.

12. On payment of land revenue in cowries, and sometimes in limestone, which happened to be an article of private trade of a particular director, see Lord Lindsay : Lives of the Lindsays, or a Memoir of the House of Crawford and Balcarres, Vol.III (1849); Henry Yule and A.C. Burnell : Hobson-Jobson, edited by W. Crooke (originally published 1903; reprinted Delhi, Munshiram Manoharlal, 1968), p.269; J.C. Sinha : Economic Annals of India (London, Macmillan, 1927), p.65 and P. Woodruff : The Men Who Ruled India, Vol.I, The Founders (London, Jonathan Cape; 1971), p.152. Cowries were also current in Central India when John Malcolm served there as a political agent. J. Malcolm : A Memoir of Central India including Malwa and Adjoining Provinces (New Delhi, Sagar Publications, 1970), Vol.II, p.86. 17.
13. On measures taken by the British government to suppress cowrie currency and introduce copper coinage. J.C. Sinha : Economic Annals of Bengal (London, Macmillan, 1927), pp.64-65, 143-44; H.R. Ghosal : Economic Transition in the Bengal Presidency (1793-1833) (Calcutta, Firma K.L. Mukhopadhyay, 1966), pp.261-64; and N.K. Sinha : The Economic History of Bengal vol.1, pp.142-44. 18.
14. For an account of the depression in north India see A. Siddiqi : Agrarian Change in a Northern Indian State, Uttar Pradesh 1819-1833 (Oxford, Clarendon Press, 1973), pp.168-78. The difficulties caused by the drain of capital in the form of bullion can be traced in the public pronouncements of successive Governors General such as Sir John Shore and Lord Cornwallis, and the members of their Council. They were, of course, also felt in every small region such as a district. Thus the District Judge of Birbhum in 1794 pleaded that at least a part of the salaries of the employees under his control should be paid in silver, since the salaries of many employees were less than a gold mohur. The Collector of Birbhum, however, pleaded his inability to pay even one-tenth of the salaries in silver. In 1814, again, the Collector of Birbhum wrote that while the sicca rupee, the quarter rupees and cowries formed the general tokens of exchange, it was only with great difficulty, and generally at a premium, that smaller denomination coins, usually made of copper, could be procured. He also reported a great fall in the rate of exchange of cowries against copper. R.K. Gupta : The Economic Life of a Bengal District, Birbhum 1793-1857 (Ph.D. thesis, Calcutta University, 1976), Chapter VI. 19.
15. K.P. Mishra : Banaras in Transition (1738-1795) (Delhi, Munshiram Manoharlal, 1974), Chapter 6. 20.
16. Gold coins were replaced by silver rupees as the sole legal tender in the Madras Presidency in several steps. First, the value of 100 pagodas was fixed at 350 Arcot rupees although people in fact demanded 400 to 420 Arcot rupees for 100 pagodas. Then in 1812 the coinage of star pagodas and their fractions was discontinued but the older coins were allowed to circulate still. Then in 1818, the Governor declared the silver rupee as the standard coin of the Presidency and all public payments were to be made in rupees and the unit of public accounts was to be converted from pagodas to rupees. Finally, in 1835, the Company's rupee was introduced as the common currency of all the Company's territories in India. C. Ramachandran : East India Company and South Indian Economy (Madras, New Era Publications, 1980), pp.97-106. 21.
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17. For a description and some analysis of the depression in south India see S. Sreenivasa Raghavaiyengar : Memorandum on the Progress of the Madras Presidency during the Last Forty Years of British Administration (Madras, Superintendent, Government Press, 1893), pp.27-33; P.J. Thomas and B. Nataraja Pillai : Economic Depression in the Madras Presidency (1820-1854) (Madras, Diocesan Press, 1933); and A. Sarada Raju : Economic Conditions in the Madras Presidency (Madras, University of Madras, 1941), Chapter XV.
18. For an explication of the concept of 'last resort subsistence' and its implications for peasant behaviour see Bagchi : The Political Economy of Underdevelopment, chapter 6.
19. Buchanan Hamilton reported that around 1811-12, cash could at all times be obtained at Patna for bank notes, sometimes without discount, and never at more than one percent (discount). The bankers would also supply bank-notes for cash, generally at a premium of  $\frac{1}{2}$  percent. See Buchanan : An Account of the Districts of Bihar and Patna in 1811-1812, Vol. II, p.700.
20. However, at different dates, the Government of Bengal and the Government of Madras had received the notes of some of the private European banks in payment of public dues. These were generally periods of financial stringency on the part of the government concerned. See Chapter 3 of my forthcoming History of the State Bank of India, Vol. I. Thus government patronage bolstered some of the private European banks also.
21. H. Sinha : Early European Banking in India (London, Macmillan, 1927), Part I; N.K. Sinha: The Economic History of Bengal 1793-1848, vol.III (Calcutta, Firma K.L. Mukhopadhyaya, 1970), chapter IV.
22. See the excerpts from the Calcutta Gazette dated 8 and 12 February 1927 in A.C. Das Gupta (ed.) : The Days of John Company : Selections from Calcutta Gazette 1824-1832 (Calcutta, Superintendent, Government Printing, 1959), pp.204-205.
23. Further discussion of the influence of the Bank of Bengal on the economy of the Bengal Presidency and beyond, is contained in my forthcoming book, History of the State Bank of India, vol.I.
24. The controversy can be followed in the correspondence excerpted in the Appendix to the Report of the Madras Chamber of Commerce 1837-1853.
25. Gazetteers of the Bombay Presidency, Vol.IV, Ahmedabad (Bombay, Government Central Press, 1879), p.73. See also Habib : 'Monetary system and prices' in Raychaudhuri and Habib (eds.) : The Cambridge Economic History of India, Vol. 1, pp.362-3. Habib treats the system of ant as simply a species of 'credit money'.
26. Gazetteer of the Bombay Presidency, Vol.VIII., Kathiawar (Bombay, Government Central Press, 1884), p.35.



27. See M.N. Pearson : "Political participation in Mughal India", Indian Economic and Social History Review, IX(2), June 1972, for illustrations of the autonomy enjoyed by Gujarati merchants in purely commercial and financial matters.
28. J. Malcolm : A Memoir of Central India, Vol.II, Chapter XIII, footnote 12.
29. For an account of the Farrukhabad currency, see E. Thomas (ed.) : Essays on Indian Antiquities. Historic, Numismatic, Palaeographic of the late James Prinsep (London, 1858), Vol.II, Useful Tables, etc.; and S. Lane-Poole : The Moghul Emperors of Hindustan illustrated by their coins (Delhi, Oriental Publishers, n.d.), pp. c i - c ii.
30. National Archives of India, Financial Department Proceedings 1864, No.28 (letter dated 22 December 1862 of J.M. Erskine, Officiating Deputy Auditor and Accountant General, United Provinces to the Secretary to the Financial Department, Government of India, quoting the note of the Treasury Officer of Mirzapur). See also C.N. Cooke : The Rise, Progress and Present Condition of Banking in India (Calcutta 1863), pp. 81-2.
31. Mirzapur itself declined as a trade centre with the further spread of railways in Uttar Pradesh and the cotton districts of Bombay and Berar.
32. L.C. Jain : Indigenous Banking in India (London, Macmillan, 1929), p.71. Jain gives a clear description of the variety of hooodees and the way a typical Indian banker's business was conducted.
33. We have in this paper not touched upon sectional conflicts among the European bankers themselves, for example, with regard to the division of territory and functions between the exchange banks and the Presidency Banks, or between the big Bombay private bankers and the promoters of the Bank of Bombay in the 1830s.
34. For a canonical statement of this doctrine, see Report of the Central Banking Enquiry Committee, Vol.I, Part I, majority Report (Calcutta : Government of India, Central Publication Branch, 1931).



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