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Banias and the British: the Role of Indigenous Credit in the Process of Imperial Expansion in Western India in the Second Half of the Eighteenth Century

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THE pressing preoccupation of the British administration in the early decades of the nineteenth century to clip the wings of the malicious Indian shroffs (Bankers) and their manoeuvres and secret dealings was in sharp and in a sense valid contrast to their earlier perceptions of the Indian shroffs and their Hundi empire. By 1807, Mr Rickards, senior member of the Bombay establishment, was urging the Governor-General in Council to establish a General Bank whose operations would extend throughout India, facilitate remittances and credit transfers from one part of the country to another, and above all 'free the mercantile body from losses and inconveniences suffered in the exchange and from the artifices of shroffs'.¹ Their 'undue and pernicious influence over the course of trade and exchange'² could no longer be treated with forbearance, and the urgency of remedy was stressed. It was both strange and ironical that such advice should stem from a quarter where in the crucial years of political change and transition in the second half of the eighteenth century, the cooperation and intervention of the indigenous banking fraternity and their credit support had proved vital to the success of the Imperial strategy. The experience was admittedly not unique to Bombay and the English East India Company (henceforth E.E.I.C) and in a sense the guarantee of local credit and the support of service groups for a variety of reasons, was clearly envisaged as a basic ingredient to state building in the eighteenth century. Almost every category of successor states had their banking clients as it were—the Jagat Seths of Murshidabad, the house of Kashmiri Mal in Oudh,

¹ *Parliamentary Papers*. Evidence before the Lord's Committee. East India Affairs 1813. Extract of a letter from the Governor-General in Council dated 30 June 1809. For the proposals of Mr Rickards see pp. 91ff. ² *Ibid.*

the firm of Hari Bhakti in Baroda, the Poddars of Ramgarh and the Hyderabad Sahukars are conspicuous cases in point. Little wonder that Law de Lauriston, the ex-Governor-General of French India, recognized the local banking community in 1777 as the decisive factor in any future alliance of the French and Indian States against their inveterate antagonist the English East India Company.³ As it transpired in fact, the latter stole a march over the French in that they succeeded, and more particularly in Western India, in aligning indigenous credit cooperation to Imperial strategy to their advantage. A combination of circumstances brought the authorities of Bombay and Surat into very close association with the Banias—the foremost trading and banking community of the region who operated a complex and well-integrated credit exchange system that had traditionally serviced the elaborate needs of the region's expanding commerce. The workings of the system were very soon recognized as imperative to Bombay's existence not to speak of its political projects for the future with the result that a relation of symbiosis—an alliance based on reciprocity and mutual advantage—unfolded between the British and the Bania. The latter would appear to have been guided by tangible notions of 'security' and 'protection' that the Company alliance seemed to guarantee against the dislocation of Mughal political authority along the West Coast. The Anglo-Bania alliance—the alignment of the indigenous credit system to Imperial strategy—became in effect the dominating factor in the history of the West Coast during the crucial half century of transition, and constituted in a real sense the prelude to the triumph of Bombay.

Structure, Resources and Functions of the Bania Community

Some preliminary observations on the Bania community of Western India and on the credit and financial system they commanded forms a convenient starting point. Contemporary documentation, which makes frequent references to the term Bania, suggests a community of Hindu and Jain merchants engaged in trade and banking, brokerage and moneylending. The term essentially seems to have indicated an occupational category drawing in a cluster of Hindu and Jain castes specializing in commercial activity, although contemporary Europeans were by no means clear whether the term Bania was coterminous with a specific caste group or with a profession. Ovington, the English traveller

³ Quoted in C. A. Bayly, *Rulers, Townsmen and Bazaars. North Indian Society in the Age of British Expansion, 1770-1870* (Cambridge University Press, 1983), p. 172.

visiting Surat in 1689 found among the Banias twenty-four castes who refrained from an indiscriminate mixture in marriages and even dining in common but whose common vocational pursuit was trade.⁴ Walter Hamilton at the turn of the nineteenth century associated the term with both Hindus and Jains when he described the Vaneeya as a numerous tribe of Hindus separated into many subdivisions in addition to the Awaks or seceders from Brahmanical doctrines, i.e. Jains.⁵ Malcolm in his exhaustive memoirs on Central India pointed to the overwhelming preponderance of the Jain castes within the Bania community in Malwa and their close affinity and social interaction with the Hindu Vaishnav sects, by virtue of their common Vaishya status. Both sections—Hindu and Jain—of the Bania caste fell under two mutually exclusive categories—Bissahs and Dassas.⁶ These social differences did not, however, constitute the deciding factor of Bania identity. The term Bania in the eighteenth century, as later, was a functional category meaning trader and one applied to members of other castes who were traders by profession.⁷ Occupation of a specialized sort was a key factor in the upbuilding of the conglomerate Bania caste structure—eighteenth-century bankers like Arjunji Nathji Tarvady and Aditram Bhat and Khatri traders like Lala Jaimal and Lala Kashmiri Mal were as much Banias belonging to the city Mahajan, a corporate body, a sort of Chamber of Commerce.⁸ An early nineteenth-century report described the term Vaneer or Vaneeya as a settled or itinerant trader applied 'to any caste following this profession and is not properly speaking a distinction of caste. The term is universal and familiar from the banks of the Ganges to Cape Comorin.'⁹

⁴ John Ovington, *A Voyage to Surat in the Year 1689*, edited by H. G. Rawlinson (Oxford University Press, 1929), p. 165.

⁵ Walter Hamilton, *Geographical, Statistical and Historical Description of Hindoostan and the Adjacent Countries in Two Volumes* (London, 1920), p. 612.

⁶ *A Memoir of Central India including Malwa and Adjoining Provinces with the History and Copious Illustrations of the Past and Present Condition of the Country. By Major-General Sir John Malcolm in Two Volumes. Vol. 2* (New Delhi: Sagar publications, 1970), pp. 160–2.

⁷ R. E. Enthoven, *The Tribes and Castes of Bombay* (Delhi, 1975, first published 1920), vol. 3, pp. 412–22. According to Enthoven the term Bania was a functional term meaning trader and one that applied to other castes who were traders by occupation. He identified forty subcastes within the Gujarati Bania community of whom six had Jain sections, namely Mewada, Narsipura, Nema, Povad, Sarvirya and Shrimali. Among Hindu Banias, subcastes were Agarwals, Agaryas, Deshaval, Kapol, Nagar, Oswal, Palival, Pushkarval, and Sorathia.

⁸ *India, Old and New with a Memorial Address by E. W. Hopkins* (New York, 1901), pp. 169ff.

⁹ Walker of Bowland Papers 1780–1830, National Library of Scotland, Acc. 2228. An Account of Castes and Professions in Gujarat. An unsigned memoir without date.

The influence of the Gujarati Bania community of Western India as elsewhere at the turn of the eighteenth century derived from the variety of commercial functions they performed, and their control of the money market and credit structure. The sustained and almost uninterrupted expansion of Maritime Gujarat's overseas trade in the sixteenth, seventeenth and early eighteenth centuries had generated both a substantial volume of circulating specie in the region as it had a wide range of profit opportunities for interrelated mercantile activities of brokerage and retail trading. The Banias, with their long trading lineage, had been adept at exploiting the situation, and very soon virtually monopolized the lucrative business of brokerage and banking. Controlling the supply trade at crucial intermediary levels from the primary production areas to the principal distribution centres inland and on the coast they accounted for a sizeable and probably the most influential section of Mughal Gujarat's commercial population.¹⁰ Of greater import was their impressive access to ready credit and their control over the local money market. The idiosyncracies of the Mughal currency practices and procedure which placed an over-high premium on the regional coin, i.e. a coin issued by the immediate ruling authorities (and recognized as intrinsically superior in terms of silver content to older coins issued in previous years and rendered inferior by wear and tear), and the influx of bullion and foreign coins necessitated the existence and availability of banking and exchange services. Essentially these revolved around the business of testing, changing and assaying old and foreign coins or bullion on payment of a discount or Batta as it was known, and commission charges for the services rendered. In theory, the official Mughal Mint authorities were expected to do the needful for all importers of bullion, foreign and used coins free of charge, but the inevitable delay at the mints during the peak season compelled them to take resort to local and informal banking and exchange facilities offered by the Bania shroffs (sarraffs).¹¹ The latter, traditionally associated with usury and in some cases deposit banking, had acquired an easy and quick familiarity with conversion procedures and assaying practices, and in course of time had arrogated to themselves the

¹⁰ *Ibid.*

¹¹ Ashin DasGupta, *Indian Merchants and the Decline of Surat 1700-1750* (Wiesbaden, 1979), for a general description of shroffs and their functions in Mughal India see Irfan Habib, 'Banking in Mughal India' in Tapan Raychaudhury (ed.), *Contributions to Indian Economic History*, vol. 1 (Calcutta, 1960), and 'The System of the Bills of Exchange in the Mughal Empire' in *Proceedings of the Indian History Congress*, 33rd Session, Muzaffarpur, 1972 (New Delhi, 1973), pp. 290-303.

exclusive right to assay and change money. Drawing dividends from trade and brokerage and sometimes administrative service, they deployed it in buying substantial stocks of bullion imports coming into the port cities—Surat in particular in the seventeenth century—and thereby controlling the money market in terms of both supply of capital and of exchange and discount rates. A communiqué issued to the Court of Directors by the English factors at Surat dated 29 April 1636 summed up the situation excellently:

Concerning the coining of your gold and silver into the species of this country, it is free for us though not safe. We should have to do with such dangerous people in the mint that we dare not adventure, nor will the most cunning merchants of these parts upon any occasion, but sell all to shroffs to whom it is most proper.¹²

The Bazar rate of exchange for any two currencies or for conversion of bullion varied in accordance with seasonal fluctuations in local coinage and with the availability of circulating specie and was enforced rigorously. This was particularly true of the Batta or discount that shroffs enjoyed in their loan and exchange transactions although influential bankers of the eighteenth century like Arjunji Nathji Tarvady and Atmaram Bhucan claimed that the preoccupation with the Batta was but characteristic of their indigent kinsmen.¹³ Loans were advanced to both Army and administration at a fairly high premium¹⁴ The other principal service offered by the Shroffs was remittance of funds and proceeds and profits of trade through the medium of the Hundi—the indigenous bill of exchange, probably the most central and characteristic credit instrument of the banking system.¹⁵ Simply stated, a Hundi was 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 at a particular place and after allowing a discount which allowed interest and insurance charges and costs of transportation. The functions of the Hundi were then apparently twofold—to enable one to get advances and or alternatively to remit funds from one place to another without incurring the risks attendant on physical transportation of specie across uncertain frontiers and insecure road-

¹² Quoted in B. G. Gokhale, *Surat in the Seventeenth Century. A Study in the Urban History of Pre-Modern India* (Scandinavian Institute of Asian Studies Monograph Series no. 28. Curzon Press. London, 1979), p. 110.

¹³ Mayor's Court Register (Bombay) of 1789, pp. 4095–156. Case of Hiranand Tesban vs Haribhai Bhaidas taken up on 3 November 1789.

¹⁴ An Account of Castes and Professions in Gujarat (see n. 9).

¹⁵ C. N. Cooke, *The Rise, Progress and Present Condition of Banking in India* (Calcutta, 1863), pp. 82–3.

ways. The expansion of Gujarat's overseas trade coming in the wake of political consolidation of the greater part of the subcontinent under the Mughals had resulted in the emergence of widely integrated Hundi network enabling merchant, administrator, soldier or even tourist, as Tavernier's case revealed, to utilize it whenever necessary. The Gujarati Baniyas, involved as they were in internal trade and in the movement of export commodities from procurement areas and distribution centres to points of shipment had taken full advantage of the increasing demand for credit and remittance agencies in the seventeenth century to head the Hundi business as it were. The Kothis or agency houses of the Gujarati Baniyas were to be found virtually in all the principal centres of trade in the subcontinent—the most important of these being Lahore, Agra, Burhanpur and Murshidabad, not to speak of Gujarati towns like Baroda and Broach. Surat constituted in the seventeenth century the nodal point of the credit exchange system. Hundis for transmission of cash advances to any recognized urban centre in Hindustan were available in the local money market. To put it in Tavernier's eloquent style:

As all the goods produced in the Empire of the great Mughal and a portion of those of the kingdom of Golkonda and Bijapur reach Surat to be exported by sea to different places of Asia and Europe, when one leaves Surat to go for the purchase of these goods in the towns whence they are obtained as at Lahore, Agra, Sironj, Burhanpur, Dacca, Patna, Banaras, Golkonda, Deccan, Visapur and Daulatabad, one takes silver from Surat and disposes it of at places where one goes giving coin for coin at par. But when it happens that the merchant finds himself short of money on these places and that he had need of it to enable him to pay for the goods which he has bought, it is necessary for him to meet it at Surat when the bill is due which is at two months and paying a high rate of exchange [i.e the Hundi system was being used not merely to make remittances but to raise credit for long-distance trade] at Lahore on Surat the exchange goes up to 6 1/4 p.c., at Agra from 4 to 5 p.c., at Ahmedabad from 1 to 1 1/2 p.c., at Sironj to 3 p.c., Dacca to 10 p.c., at Patna from 7 to 8 p.c., at Banaras to 6 p.c.; at these last places they only give letters of exchange on Agra, and at Agra they give others on Surat the whole only amounting to the sum I have stated—at Golkonda from 4 to 5 p.c., Goa the same, Deccan 3 p.c., Bijapur 3 p.c., at Daulatabad from 1 to 1 1/2 p.c., in some years the exchange rises from 1 to 2 p.c., when there are Rajas or petty tributary princes who interfere with trade each claiming that the goods ought to travel his territory and pay him customs. There are two in particular between Agra and Ahmedabad one of whom is the Raja of Dantiwar and the other the Raja of Beigam [probably Wangaon or Wankaner] who disturb the merchants. One way, however, of avoiding passing the territory of the two princes is by taking another route from Agra to Surat by way of Sironj and Burhanpur, but these are fertile lands intersected by several rivers, the greater number of which are without bridges and without boats and

it is impossible to pass until after the rainy season. It is for this reason that the merchants, who have to be at Ahmedabad in the season for going to sea, generally take their way through the country of these two Rajas because they are able to traverse it at all seasons even in the rains. Besides it is not to be wondered that the exchange is so high for those who lend the money run for their part the risk that if the goods are stolen, the money is lost to them.¹⁶

Merchants, administrators and Companies made extensive and regular use of the credit-exchange system whose efficiency and efficacy were universally accepted. Hundis in this period seem to have been of two categories: Darshani or payable on presentation, and Mudati or payable after stipulated time or given date. Both types of Hundis are classified by Bhargava into four kinds: Sah Jog which were negotiable but payable only to a Sah or respectable person, Dhani Jog not negotiable and payable only to a Dhani, Firman Jog negotiable by endorsement of the person named to whose order it is drawn, and Dikhavankar negotiable by delivery in person only. Besides there was in this period a variant of the Mudati Hundi called Jokhami—a documentary bill of exchange corresponding to the present-day bill of lading.¹⁷ Payment of a Jokhami Hundi depended on the safe arrival or otherwise of goods for the payment of which the Hundi related. In ordinary Hundis, there was no indication for the arrival of the goods and these were normally, as a rule, honoured on presentation, but Jokhami Hundis were marked by this peculiar usage that they could be paid by the drawee only after the goods had arrived. If, after payment, it was discovered that the goods specified had not arrived or that a portion of it had been lost, the drawer was liable to compensate the loss. In other words, he took upon himself the insurance risk of the goods covered by the payment of the Jokhami, which was why the rate of exchange was higher than that of an ordinary Hundi.

The Bania shroffs who operated the money market and credit system of Western India appear to have been of different and distinct but necessarily interrelated categories. At the apex of the system stood influential banking houses like those of Virji Vora and Shatidas Jhaveri, based at Surat and Ahmedabad, the two great financial capitals of Western India in the seventeenth and early eighteenth centuries, and who dominated the bullion bazar by their extensive speculations,

¹⁶ J. B. Tavernier, *Travels in India, by Jean Baptiste Tavernier, Bishop of Aubonne*. Edited by W. Cooke, translated by V. Ball, in 2 vols (Oxford University Press, 1925), vol. I, pp. 30ff.

¹⁷ B. K. Bhargava, *Indigenous Banking in Ancient and Medieval India* (Bombay, n.d. preface Feb. 1934, Jaipur, Rajasthan), pp. 140-7.

purchases and loan transactions. They had their network of constituents and agents entrusted with their business all along the Hundi network. Below them stood intermediary bankers whose operations were relatively smaller in scale and scope but none the less important. Hundis for medium sized sums could be brought through their contacts; in fact even the principal bankers negotiated with them often for both Hundis and deposits. To quote the Surat factors' observations on such a transaction:

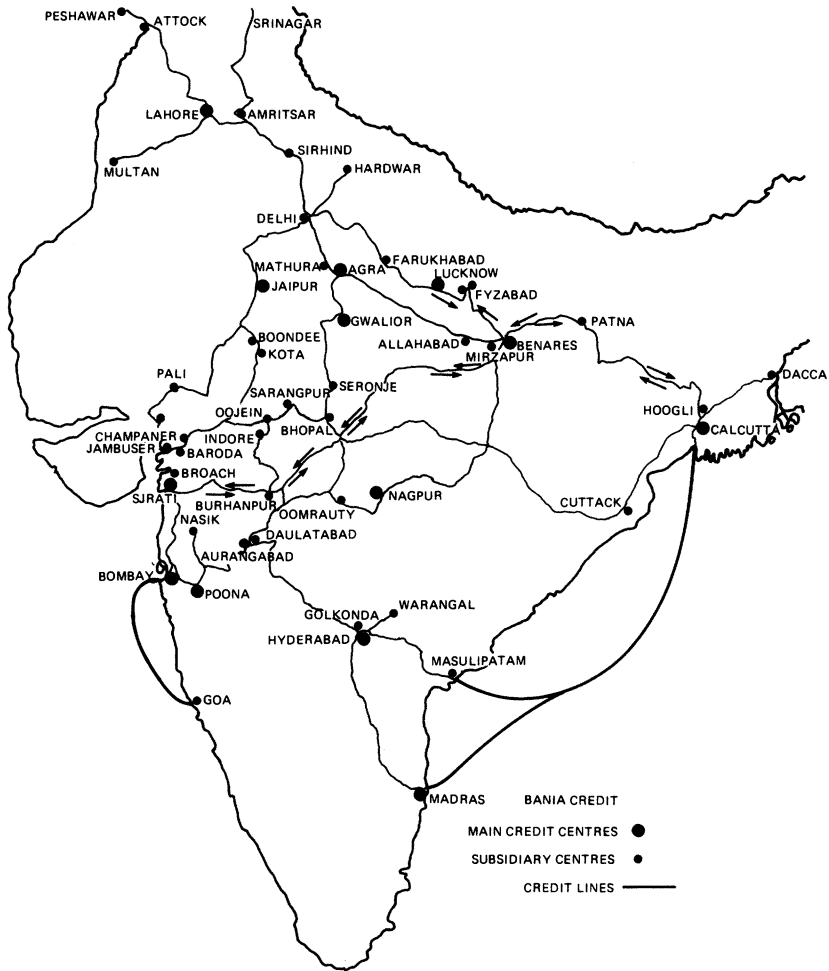
Those that are great monied men here in town and live only upon interest, receive from the shroffs no more than $\frac{5}{8}$ p.c., per month. The shroffs, they dispose of it to others at from 1 to $2\frac{1}{2}$ p.c. running some hazard for the same and that is their gain. Now when a shroff (for lucre) has disposed of great sums to persons of quality at great rates not suddenly to be called in to serve his occasions, then begin his creditors (as in other parts of the world) like sheep to run over the neck of another, and quite stifle his reputation. Thus very opportunely to our purpose, have the famous shroffs been served within a month, one of which failing for over 3 lacs of rupees, diverse men have lost great sums and others totally undone thereby which has caused men of late to be very timorous of putting their money in shroffs' hands.¹⁸

The inter-links between the two broad tiers of the credit system remained strong and operative even during the later half of the eighteenth century when the leading shroffs relied on the deposits and Hundis of their smaller brethren.¹⁹ On the lower rungs of the hierarchy were the small-time usurers and moneylenders who lent inconsiderable sums against security of jewels and property.

To sum up, the indigenous credit and banking system of Western India was marked by a degree of specialization and sophistication and had evolved in response to contemporary requirements of trade and commerce. The system serviced and sustained efficiently Surat city's expanding commerce, facilitating transactions of individual merchants and trading Companies alike. The city administration, unlike their counterparts in Bengal, did not, however, utilize the services of the Surat banking families for transmission of the Imperial tribute to Delhi. Paradoxically enough, it was left to the English East India Company authorities of Bombay and Bengal to perceive and exploit the possibilities and potentialities of utilizing the credit network system to service and finance their political projects. The success they enjoyed on this

¹⁸ Quoted in Gokhale, *Surat in the Seventeenth Century*, pp. 129-30.

¹⁹ The agent of the Benares banker Manohardas Dwarkadas in 1795 informed the English Chief at Surat that his cash reserves were made up of deposits of small and middling shroffs of the city. See Surat Factory Diary (henceforth S.F.D.) no. 687 of 1795. p. 311, Representation from agent of Manohardas Dwarkadas dated 13 August 1795.



Map 1. Credit lines in late eighteenth-century India.
 I would like to acknowledge the kind assistance offered by R.H. Grove,
 Darwin College, Cambridge, in preparing this map.

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score was both important and conspicuous and set the stage, as it were, for the Anglo-Bania alliance that would dominate the history of the West Coast over a period of five decades. That brings us to the central issues of the present paper: the inter-play and relationship between the Banias and the rising British power of Bombay.

The Crisis of the Eighteenth Century and the Bania Response

The role of local collaboration in the developing Imperial strategy of the E.E.I.C. authorities of Bombay has largely to be understood in the context of the eighteenth-century crisis and its implications for the Bania community of Surat city and the credit system they operated. Recent studies have demonstrated that the crisis assumed in Surat a dual aspect: the collapse of the Mughal political system in the city accompanied by Maratha raids against the province and the disruption of the city's traditional trade and Muslim shipping in the Western Indian Ocean followed by the phenomenal expansion of European, in particular English, private trade in the area.²⁰ Both sets of developments had serious consequences for the city's merchant population, Bania and Muslim alike. Insecurity of transportation and rupture with the hinterland—the most immediate outcome of Mughal decline—threw into shambles the inland trading and credit network, while contraction of trade dislocated both the money market and dried up business and brokerage opportunities for the Banias. To this catalogue of unending disasters, was added from the 1720s and 1730s the collapse of the urban order in Surat, internecine struggles among the ruling elite for power and position, and their ruthless pressure on the city's merchant population for revenues. The protest movement organized by Surat's merchant body against the administration in 1730–32 did not fundamentally alter matters, compelling them as a result to look for other options.²¹ For the Bania community, by and large the only viable alternative in sight was protection of the E.E.I.C. authorities of Bombay and Surat. As early as the thirties of the century, the Gujarati Banias had begun to rely very extensively on available English shipping to maintain their trading links with Bengal and the gulfs of Arabia and Persia and simultaneously to keep the Hundi line in working order.²² Likewise in

²⁰ DasGupta, *Indian Merchants and the Decline of Surat*; P. J. Marshall, *East Indian Fortunes. The British in Bengal in the Eighteenth Century* (Oxford, Clarendon Press, 1976), and Holden Furber, *Bombay Presidency in the Mid-Eighteenth Century* (New York, 1975). Furber, however, contends that the expansion of European private enterprise in the Western Indian Ocean in the 1720s and 1730s was not at the expense of Gujarati-owned shipping.

²¹ Ashin DasGupta, 'The Crisis at Surat, 1730–1732', *Bengal Past and Present*, LXXXVI, Diamond Jubilee, pt II, no. 162, 1967.

²² The Gujarati merchants were in fact by the 1730s offering the most valuable freights for English shipping, so much so that in 1731 they complained to the Nawab of Bengal that they would be very great sufferers from any interference with British shipping. See Marshall, *East Indian Fortunes*, p. 79.

the following decades they began increasingly to use Bombay as an alternative port of shipment and unloading for reasons of greater safety the island city afforded.²³ The advantages of the Company connection became more appreciable in the fifties when the Company authorities at Surat toyed with the idea of intervention in local politics and projected the image of the benevolent protector of the fair trader against Government oppression.²⁴ The diplomatic success the English factors enjoyed *vis-à-vis* the ruling administration in safeguarding the position and privileges of the Bania merchants enjoying Company protection, and the possibility of resuming commercial activity from Bombay reconfirmed the Banias' confidence in the English connection. The shroffs of Surat city took the initiative in 1758 and openly urged the Surat factors to take over command of the Castle and office of the Qiladar and thereby neutralize the powers of the ruling Muslim elite and the inquisitive Marathas.²⁵ The suggestion, however, did not materialize until the following year when the Company authorities finally took the decision to intervene in the city's politics. Backed by the unanimous support of Surat's Bania population who through their spokesman Jagannathdas Laldas declared their allegiance to the Company and urged them to take over the Government in Surat, the Company authorities moved into the city and captured the Castle on 4 March 1759.²⁶ A treaty of agreement with Meah Achan, the ruling Nawab, was signed and the English in accordance with its provisions secured command of the Castle and the Imperial Fleet with its attendant Tankha. As Qiladars or Governors of the Castle, the Company enjoyed full authority over matters of succession to the Nawabship as well as other important subordinate posts. They exercised the right to act as mediators in all disputes between the Nawab and other trading Companies—the Dutch and French—in Surat as well as the Maratha Chautetas or the agents of the Peshwa and Gaekwad who were entrusted with the collection of a fourth of the city's revenues. These were very

²³ L. Subramanian, 'Bombay and the West Coast in the 1740's', *Indian Economic and Social History Review*, vol. VIII, no. II, 1981.

²⁴ L. Subramanian, 'The Castle Revolution of 1759 and the Bania Community of Surat' in *Papers on Business History of India* organised by the Indian Institute of Management, Ahmedabad (forthcoming).

²⁵ *Ibid.*

²⁶ S.F.D. no. 4 of 1758, p. 25, Letter from Surat dated 22 January 1758 received by the Bombay Council on 27 January. Also see Public Department Diary (P.D.D.) of the Bombay Government no. 32(I) of 1759, pp. 99-102, Letter from John Spencer to Richard Bouchier, Governor of Bombay, dated 11 January 1759 and S.F.D. no. 14(I) of 1759, pp. 224-6.

substantive privileges which would henceforth enable the Company to control the administration at Surat.²⁷

The Castle Revolution in 1759 came thus as the high point of the crisis of the century with the tottering Muslim administration finally relinquishing control to the upstart English Company authorities of Bombay and Surat. Elsewhere along the Coast, too, was a time of transition; the naval superiority and success of the Bombay Marine over native semi-autonomous coastal chieftains like the Malwans, Angrias and the Desai of Savantwadi indicated a changing balance in the equations of power. For the Banias, the new political developments were not unfavourable, given the fact that these served to guarantee a minimum degree of political security and stability. This in fact constituted the overlying consideration behind their decision to promote in 1759 the political claims of the E.E.I.C. authorities in Surat—the entry point for control of the Northward (as Gujarat was known). Furthermore, it was anticipated, and not without reason, that the Company's efforts to develop Bombay as the principal mart of the West Coast would promote a general revival of trading and commercial activity. These expectations were not belied and the English association came to yield in the course of the century unexpected but substantial dividends. These arose largely from the nature of the financial difficulties the Company authorities of Bombay confronted from the 1760s onwards and the strategies they adopted to tackle them. Essentially the Company's growing requirements of credit and exchange assistance constituted a new source of business to the Bania shroffs whose intervention was made possible by the reactivation—albeit limited—of commercial activity directed from Bombay and Surat.

The Emergence of the Anglo-Bania Order—Origins and Antecedents

While the Castle Revolution of 1759 and the systematic infiltration of the English Company into the power structure of Surat was no passing fancy, it soon became obvious that the Company's triumph was being undercut by the serious pecuniary crisis the authorities faced and which precluded any possibility of future expansion and consolidation. One

²⁷ P.D.D. No. 33(II) of 1759, p. 252, Letter from Surat dated 11 November and received by the Bombay Council on 18 November 1759.

major problem the Bombay Government began to confront from the 1760s onwards was that of insufficient financial resources to support their establishments—civil and military—and to preserve their newly acquired political gains. Bombay as a trading settlement had no land revenue to speak of and in a period of languishing trade could hardly boast of substantial custom returns either.²⁸ Under the circumstances, alternative agencies of finance and revenue had to be sought if the Bombay establishment were to survive, and if its annual Gujarat and Malabar investments were to continue. The necessity became more pressing as the financial crisis of the Bombay Government worsened over the years under review: this was clearly reflected in the two estimates drawn up by the Accountant-General of the Bombay establishment, once in 1773 when he observed that nearly Rs 15½ lakhs were necessary for the requirements of the presidency, and again in 1789 when it was estimated that the presidency would need Rs 56 lakhs approximately.²⁹

Two solutions suggested themselves, both involving the cooperation of the Bania community of the region and the financial system they operated. The Bombay Government could, for one, approach the Bania bankers of Surat city for short-term loans at prevailing interest rates. Alternatively, they could request the Supreme Government in Bengal to divert the surplus revenues of the province (provided by the acquisition of the Diwani in 1765) to Bombay through the already existing remittance network of the Gujarati Bania shroffs. Any transfer of funds particularly on a large scale and on a regular basis had to be effected invariably through the Hundi network that stretched right across the subcontinent connecting Surat with Murshidabad. Direct transfer of specie was neither a viable nor an efficient proposition; for one it took time and for another there were tedious calculations to be sorted out in fixing and determining the exchange ratio of the Murshidabad Sicca Rupee to the Surat Sicca Rupee. The Bania shroffs long familiar with matters such as currency differences, alloy content and exchange rates

²⁸ The value of Bombay's overseas trade in the 1740s and the 1750s was unimpressive and the city's imports averaged in value around Rs 1,503,929. We have no figures for Bombay's exports during this period. See Commercial Department Diary (henceforth C.D.D.) of the Bombay Government no. 36 of 1803, pp. 40off for an extensive statement on the external commerce of Bombay.

²⁹ P.D.D. no. 63 of 1773, p. 395, Consultation Meeting of the Bombay Council of 17 May 1773, and no. 94 A of 1789, pp. 19–20, Letter from Fort William dated 10 December 1788 received by the Bombay Council on 13 January 1789. The Accountant-General emphasized in the Council meeting that the Government would require Rs 56 lakhs to maintain its expenses.

showed the easy way out by drawing and discounting Hundis for large sums of money and making funds available whenever and wherever necessary. The English Company authorities of Bengal and Bombay, aware of the advantages of utilizing the local credit exchange system and remittance facilities lost no time in contacting the shroffs who now appeared as a major and decisive component in their political calculations. Fort William directed their subordinates at Bombay to make arrangements with the Surat bankers to persuade them to advance money in Bombay in exchange for Company bills on Bengal issued in favour of their (shroffs') correspondents at Calcutta or Murshidabad as the case may be. At the same time, they decided to utilize the services of the Gujarati shroffs in Bengal, buy their Hundis in favour of the Bombay Government and have them despatched to Bombay. The procedure outlined above—its workings and success—depended clearly on the ability and willingness of the Banias to cooperate as bankers and financiers. The stage was thus set for the interplay of indigenous credit intervention and Imperial policies, for the emergence and fruition of the Anglo-Bania alliance.

The Bania-British partnership crystallized over a span of five decades and in two distinct and identifiable stages. In the first phase, that is between 1760 and 1780, the scope of Bania cooperation was limited as were British political and commercial objectives. During these years, the maintenance of the Bombay establishment, upkeep of the army and financing of the annual investments remained the principal concerns of the Bombay Government. Even these, however, appeared insurmountable problems forcing the Bombay authorities to make regular entreaties to the Surat bankers and to their superiors at Fort William. By the late 1770s, the attitude of the Bombay Government underwent a substantial change when in their efforts to extend Bombay's maritime hinterland they became involved in war with the Maratha Confederacy. Thereafter the situation changed perceptibly in terms of both the expanding scope of the Bombay Government's political and commercial ambitions and of the Bania resources backing it. This trend continued during the last decades of the century and the turn of the nineteenth which saw an expansion in Bombay's trade with China and with it the aggressive politics of the Bombay merchants. Underlying these developments was the overarching assistance of the Bania bankers, and for the projects of both merchant and ruler their cooperation became the deciding factor.

It was in the 1760s that the alarm signals of the Bombay Government began to be sounded and preliminary agreements with the shroffs for regular transfers and tenders of money were made. These transfer

negotiations—loans for Company's bills on Bengal—were in themselves an indicator that Western India's trading links with Bengal were adequately viable and sustaining. The consolidation of the Gaekwad's power in Baroda, the quickening pace of trading activity along the coast oriented towards Bombay and the growing importance of Bombay's trade with Bengal demonstrated by custom returns implied in effect a continuing demand for transfer facilities.³⁰ Gujarati Banias who had been traditionally engaged in trade with Bengal and some Armenian families stepped forward to negotiate with the Company for Bengal bills. Most of them seem to have been medium-sized bankers like Vanarasidas Jaidas, Cushaldas Caundas, Kesavdas Vallabhdas, Atmaramdas Jagjeevandas, the only exception being Arjunji Nathji Tarvady but whose performance and participation was still inconspicuous.³¹ One interesting fact about these early negotiations was the relative strength of the shroffs' bargaining power *vis-à-vis* the Company authorities on the issue of exchange. On 11 June 1762, the Bombay Council was informed by their subordinates at Surat that the negotiations for Bengal bills (i.e. cash advances against bills drawn on the Company in Bengal) at the stipulated exchange rate Surat Rs 110 per Murshidabad Sicca Rs 100 were being disputed.³² The Council peremptorily ordered the postponement of all pecuniary transactions with the shroffs only to revoke them almost immediately.³³ With an empty treasury and with bankruptcy threatening to impede their investments, a quick and amiable settlement with the shroffs was considered by the Bombay Council in their meetings of 2 August 1763 as the only answer.³⁴ The Bengal Government took a sympathetic view of the matter and agreed to answer drafts to the tune of Rs 3 lakhs.³⁵ These drafts were promptly discharged and the money that flowed into Surat treasury from the

³⁰ L. Subramanian, 'Capital and Crowd in a Declining Asian Port City. The Anglo-Bania Order and the Surat Riots of 1795', *Modern Asian Studies*, vol. 19, pt 2 (April 1985), pp. 213-15.

³¹ P.D.D. no. 37(II) of 1761, p. 381, Consultation Meeting of the Bombay Council of 1 May 1761. S.F.D. no. 15(ii) of 1759-61, p. 323, Letter signed to Bombay on 10 May 1761, and p. 332 for letter signed to Bombay on 12 June 1761 notifying the Council of their transactions with smaller shroffs for sums ranging between Rs 6000 and Rs 9500.

³² P.D.D. no. 38 of 1762, p. 331, Letter from Surat dated 5 June and received by the Bombay Council on 11 June 1762.

³³ *Ibid.*, p. 333, Consultation Meeting of the Bombay Council of 15 June 1762.

³⁴ P.D.D. no. 41(I) of 1763, p. 72, Consultation Meeting of the Bombay Council of 2 August 1763, p. 85, Letter addressed to Surat on 13 August 1763.

³⁵ P.D.D. no. 41(I) of 1763, p. 144, Letter from Fort William dated 17 June 1763 and received by the Bombay Council on 14 September 1763.

Bengal remittances was conveyed through the medium of the Angras (native couriers) or as Hundis on the Bombay shroffs—the agents of the Surat bankers. In the following years, too, the intervention of Fort William proved decisive as the authorities continued to honour drafts worth Rs 5–5½ lakhs. Draft from Bengal also steadily increased from Rs 8½ lakhs in 1768 to 12 lakhs in 1769.³⁶

Relations between the city shroffs and the English authorities took on a discordant note once again in the 1770s when the exchange rate between the Surat Rupee and the Murshidabad Sicca Rupee took a plunge downwards compromising negotiations even further. The Government's expenses, too, by this time had registered a substantial enhancement and in the estimate of expenses drawn up by the Accountant-General and presented before the Bombay Council on 2 February 1770, it was observed that the Government would require no less than a sum of Rs 12 lakhs for the ensuing year out of which Rs 8 lakhs had to be provided by the end of May. The Bombay Council debated for a while over the feasibility of the two options they had before them for raising cash supplies: one was to borrow from the local credit market and the other to negotiate for Company bills. After due deliberation, the shroffs were approached and with considerable difficulty Rs 7 lakhs were provided for in exchange of Bengal bills to that amount.³⁷ However, this as well as an additional remittance of Rs 7½ lakhs from Fort William did not prove adequate, and on 9 September 1770 the Bombay Government wrote to their superiors at Fort William that they needed supplies to the extent of Rs 15 lakhs by the end of May 1771 and Rs 6 lakhs immediately for the current year's expenses.³⁸ On 11 October, they directed their subordinates at Surat to draw on Bengal and once again the controversy started on the inevitable issue of the exchange rate.³⁹ This was specified by the Bombay Council at Surat Rs

³⁶ P.D.D. no. 50(I) of 1768, p. 100, Advices from Bengal dated 30 November 1767 and received by the Bombay Council on 20 January 1768. The Bengal Government announced their intention of remitting Rs 5 lakhs to Bombay. Also see P.D.D. no. 54 of 1769, p. 145, Letter from Surat received by the Bombay Council of 22 August 1769, informing the latter that they had received Rs 7 lakhs from Bengal.

³⁷ P.D.D. no. 55 of 1770, pp. 88–9, Consultation Meeting of the Bombay Council of 2 February 1770; pp. 180–1, Letter from Bengal dated 16 January 1770 and received by the Bombay Council on 10 March 1770; p. 345, Letter from Bengal dated 3 April and received by the Bombay Council on 11 June 1770; p. 347, Letter from Bengal dated 24 April and received by the Bombay Council on 16 June 1770.

³⁸ P.D.D. no. 56 of 1770, p. 53, Consultation Meeting of the Bombay Council of 9 September 1770.

³⁹ *Ibid.*, p. 53, Letter to Bengal signed on 9 September 1770, p. 127, Letter to Surat signed on 11 October 1770.

99½ per Murshidabad Sicca Rs 100 and which they reckoned as a major concession to the shroffs.

This latitude as it turned out did not appear sufficient inducement for the shroffs to come forward with their help, and the Surat factors notified Bombay that they did not expect to procure in the course of one month more than Rs 1½ lakhs. Meanwhile, the exchange rate in the city had fallen to Surat Rs 95 per Murshidabad Rs 100.⁴⁰ The Surat Council, impatient with Bombay's uncompromising attitude which under the circumstances seemed otherwise, came up with a sharp and swift rejoinder. It was impossible, they pointed out in their advices of 29 October 1772, to grant bills on terms less than Surat Rs 96 per Murshidabad Rs 100.⁴¹ The Bombay Council gave in and it was on a note of resignation that orders were issued on 1 November 1772 to grant bills on terms asked for. 'Without this latitude', they confessed, 'we are convinced that they will not be able to procure any considerable sums as the shroffs give bills on Bengal at an exchange much more favourable to the remitters.'⁴² The following year saw a repeat performance, the government acknowledging the precarious state of their finances and finally acquiescing in the demands of their bankers.

The Accountant-General's report submitted on 17 May 1773 specified Rs 15 lakhs as the minimum amount required for the ensuing twelve months.⁴³ The report stressed the financial weakness of the Government and the urgent necessity of finalizing arrangements with the bankers. Even before the estimates were prepared, the Surat factors had been directed to approach the city's shroffs for Rs 4 lakhs in exchange of Bengal bills at the exchange rate of Surat Rs 96 per Murshidabad Rs 100. The shroffs adopted a line of non-cooperation and informed the factors that they were not in a position to accept Company bills, as drafts were coming on them from Bengal for considerable sums, and that unless the exchange rate was lowered, they could not consider payment. The Bombay Government was at a loss how to deal with the situation, and as they confessed to the Fort William authorities in their letter of 15 August 1773, 'We are sensible that bills drawn from here on their factory were at an unfavourable exchange rate, it had been our constant endeavour to obtain money on favourable terms, but the

⁴⁰ P.D.D. no. 62 A of 1772, p. 83, Consultation Meeting of the Bombay Council of 13 October 1772. Also see p. 96, Letter addressed to Surat on 16 October 1772.

⁴¹ *Ibid.*, p. 122, Advices from Surat received on 29 October 1772.

⁴² *Ibid.*, p. 83, Consultation Meeting of the Bombay Council of 13 October 1772 and p. 150, Letter addressed to Surat on 1 November 1772.

⁴³ P.D.D. no. 63 of 1773, p. 395, Consultation Meeting of the Bombay Council of 17 May 1773.

merchants and shroffs taking advantage of the difficulties we lay at times under want of specie had withheld their money until we complied with their terms.'⁴⁴ The advices from Surat only reconfirmed the Bombay Council's misgivings. In their letter of 20 August 1773, they maintained that the only way to raise money was to negotiate for bills on Bengal by lowering the exchange rate or to induce the shroffs to lend for three months.⁴⁵ Eventually the Government decided to give in to the bankers, albeit reluctantly. The Council meeting of 11 January 1774 summed up the situation succinctly: 'We lament', it observed 'the necessity to draw at so disadvantageous an exchange but the distress the Company's affairs continue to be in for want of specie will not permit us to revoke our orders.'⁴⁶ Their position could not have been better stated: the acute financial pressure faced by them was a harsh reality that had to take precedence in the negotiations with the bankers.

From 1773-74, remittances from Bengal began increasingly to replace Bengal bills as the principal source of finance for the Bombay Government. These increased substantially in volume from Rs 5 lakhs approximately between 1765 and 1773 to nearly Rs 15 lakhs in 1774.⁴⁷ Shroffs handling these remittances and discounting them in Surat were Arjunji Nathji Tarvady, Atmaram Jagjeevandas, Tapidas Laldas, Goculdas Brandavandas, Maya Shankar and Atmaram Bhucandas. These merchants assumed responsibility for the discharging of the bills despatched by the Fort William Council and for their conveyance to Bombay—the second stage of the transaction—in the form of Hundis drawn on their agents in the island city. The financial transactions of the English East India Company had by this time clearly contributed to an extension of the credit exchange network into Bombay. The Mayor's court registers of Bombay are replete with references to the money merchants—big and small—venturing to take up residence in the new city. The traditional credit route connecting Surat with Murshidabad and Calcutta via Burhanpur, Indore, Seronge, Agra, Allahabad, Benares and Patna was thus being made extensive use of in the broader context of renewed commercial activity in Western, Central and parts of Northern India in response to the stabilization of the Gaekwad's and

⁴⁴ P.D.D. no. 64 of 1773, p. 75, Letter addressed to Fort William on 15 August 1773.

⁴⁵ *Ibid.*, p. 95, Letter from Surat dated 20 August and received by the Bombay Council on 25 August 1773.

⁴⁶ P.D.D. no. 65 A of 1774, p. 17, Consultation Meeting of the Bombay Council of 11 January 1774.

⁴⁷ *Ibid.*, p. 71, Letter from Fort William dated 9 December 1773 and received by the Bombay Council on 2 February 1774.

Sindhia's power after the reverses of Panipat and to the directing influence of Bombay. New credit points like Bombay along the coast and Indore and Gwalior inland were emerging or in many cases reappearing to expand the contours of the Hundi labyrinth. The utility of these credit centres was soon recognized during the years of the first Anglo-Maratha war (1775–82) when Bania cooperation reached its high point and when their Hundis became the principal instruments of supplies to the British armies in the distant theatres of war.

The events leading to the Maratha war are too well known to be repeated here in detail. Strategic consideration—the growing resolve to develop Bombay's maritime hinterland by annexing the islands adjacent to Bombay (Salsette, Bassein, Elephanta and Hog) brought the Bombay Government into conflict with the Marathas. Succession disputes in Poona—the citadel of the Peshwa's power—following in the aftermath of the murder of Peshwa Narayan Rao encouraged the Bombay Government to step in. Raghunath Rao, one of the principal contenders was turned out of Poona on a charge of treason and murder and appealed to the Bombay Council for help. The Council responded to his appeals while demanding Bassein and Salsette as the price of support. On 6 March 1775 the Council concluded the treaty of Surat with Raghunath Rao by which they promised 2500 English troops to restore Raghunath Rao in Poona in return for Salsette and Bassein and the expenses of the campaign with Rs 6 lakhs in addition. The Treaty was, however, condemned in very harsh terms by the Calcutta Council and the elaborate justification of the Bombay Government for their course of action went unheeded. In 1776, the Treaty of Surat was replaced by the Treaty of Purandhar by which peace was restored on payment of Rs 12 lakhs with the retention of Surat. The cause of Raghunath was abandoned. The situation assumed yet another curious turn with the Court of Directors advocating an interventionist policy. The Surat Treaty was revived and military operations were set afoot but with no tangible gains. In 1782, both sides were anxious for settlement—the outcome of the decision being the Treaty of Salbai.⁴⁸

These years of confused diplomatic activity and military operations cost the already bankrupt Bombay Government heavily in terms of army maintenance and other related expenses. Furthermore, given the fact that war operations were conducted in several and dispersed stations, there was the added necessity of remitting funds from Bombay to the army generals directing operations there. Under the circum-

⁴⁸ *The Oxford History of India*, pt III, by Percival Spear (Oxford, 1958), pp. 510ff.

stances, the Hundis of the Bania shroffs assumed vital importance.⁴⁹ The Company authorities lost no time in making very basic arrangements for remittance of funds and the Banias on their part at this hour of need rose to the occasion. As far as they were concerned, the business of transfer and remittance of funds for political more than commercial purposes was yielding them substantial dividends and they saw no reason therefore to withhold their cooperation.

The volume of remittances from Bengal increased between 1778 and 1779 to Rs 25 lakhs—the shroffs at Surat promptly encashing them and conveying them to the military forces through Hundis drawn on their correspondents with Gujarat where credit lines had emerged and ramified.⁵⁰ Between 13 June and 16 September 1780, Rs 4½ lakhs were remitted in bills of exchange drawn on the Surat shroffs with Manohardas Dwarkadas, Arjunji Narthji Tarvady, Itcharam Jagjeevandas, Goculdas Brandavandas, Atmaramdas Bhucandas and Motichand Bhucandas taking the lead.⁵¹ On 10 July 1781 two bills of exchange for Rs 7 lakhs were drawn on Manohardas Dwarkadas and instructions issued to remit the same to General Goddard's fighting forces in Gujarat.⁵² The Hundi network was clearly working to British advantage funnelling the money supplies to the Company's armies scattered all over the province.

Local credit cooperation in the form of large-scale and intermediate remittance facilities had thus by the eighties of the century become indispensable to the existence of the Bombay Government and its politics. The Company officials were fully cognisant of the significance of Bania partnership which they could hardly afford to ignore. Consequently it was not surprising that they were prepared to give in to the demands of the shroffs on the issues of discount and exchange which were but peripheral concerns before their fundamental priority—that of maintaining their establishment. This was particularly and more acutely so in the ensuing decades when there was talk in London circles about disbanding the entire Bombay settlement. Impatient with its dismal and disappointing record, Lord Cornwallis in 1788 wrote to

⁴⁹ It was customary for Muslim Generals to take with them bankers who undertook all arrangements for ration, pay and other essentials. See Bhargava, *Indigenous Banking*, pp. 29–31.

⁵⁰ P.D.D. no. 73 of 1778, p. 135, Letter from Fort William dated 16 February 1778 and received by the Bombay Council on 20 March 1778; pp. 178ff, Letter from Fort William dated 18 February and received by Bombay on 1 April.

⁵¹ S.F.D. no. 672 of 1780, pp. 86, 110, 130–1.

⁵² S.F.D. no. 673 of 1781, p. 149, Letter from Fort William received by the Surat Council on 10 July 1781.

Dundas expressing his scepticism about Bombay's future. 'What use', wrote the Governor-General, 'was the parade of Governor and Council and a large establishment of merchants and factors supported by all and more than the surplus revenue of Banaras and Bihar when they did little more than load one ship a year and collect an insignificant revenue.'⁵³ That the settlement did not in fact go under and emerged in just under three decades as the political capital and leading commercial city of Western India was largely owing to the timely interposition of Indigenous cooperation and Imperial pursuits.

Consolidation of the Anglo-Bania Order

That brings us to the second phase in the workings of the Anglo-Bania order between 1780 and 1800—when the implications of local credit intervention became more pronounced and its ramifications more extensive. Whereas the emergence of the Anglo-Bania partnership had occurred in a period of languishing trade and depressed commercial activity, its consolidation was carried out in conditions of resurgence and revival of trade. The growing influence of the Bombay and Calcutta trading complexes and their impact on the adjacent hinterland economies reinforced credit connections permitting closer integration of inland trading channels and accelerating the flow of credit transfers. Bombay's trade with the Deccan and Poona which was impressive even before 1770 became particularly so after and as Malet remarked, 'a state of hostility with this empire very little affects the commercial intercourse which must be attributed to its being in the interests of the farmers of the customs and landholders not to impede the intercourse and as to the latter it must certainly ever be our interest to promote it.'⁵⁴ The trading connection with the Northward, i.e. Gujarat, tended to be more immediately significant and with the expansion of Bombay's trade with China in raw cotton, the commercialization of the region's economy was promoted with renewed vigour. These coincided with the emergence of a further line of trade dependency tying the Eastern Maratha domains to the Calcutta commercial pole. Increasing Bengal demand for raw cotton was met by supplies from the Maratha cotton bearing tracts in

⁵³ Quoted in Pamela Nightingale, *Trade and Empire in Western India, 1784-1806* (Cambridge University Press, 1970), pp. 46-7.

⁵⁴ Quoted in C. A. Bayly, 'Political and Economic Networks in Eighteenth-Century India', Paper prepared for the panel on '250 years of Agrarian Regimes in India', at the American Association of Asian Studies Meetings, San Francisco, March 1983.

Central India like Amrauti and Nagpur through Mirzapur. Other cross-country trade routes emerged as a result of redistributed tribute relations that accommodated commodity exchange. The annual movement of tribute payments from Baroda, Ahmedabad, Indore, Nagpur and Gwalior to Poona working simultaneously with renewed pilgrim traffic under Maratha patronage generated a variety of opportunities for merchant groups like the Banias who lost no time in moving into these networks. The rise of the Benares banking families and others of North Indian origin in addition to Gujarati Bania shroffs in the context of the new and viable credit centres like Benares, Poona, Nasik, Nagpur, Gwalior, Mirzapur and Aurangabad, to mention a few, demonstrated the conditions of revival that parts of the Indian economy were experiencing.⁵⁵ Extension of credit and commercial channels inevitably strengthened the position and bargaining powers of the Company's financiers and consolidated the Anglo-Bania order that had by this time become an integral feature of the contemporary political situation.

The politics of the Bombay Government remained until 1798 largely desultory and confined to the policing of the seas and guarding against the possible encroachments on their zones of influence by the Maratha power along the coast and inland. These were years of preparation when the Government came under the pressure of their merchant body which advocated an interventionist policy largely to foster their commercial concerns. The Government's immediate and pressing preoccupation, however, remained the running of the establishment, maintaining its political credential and financing the annual investments. Bombay's financial crisis in any case precluded even idle contemplation of ambitious schemes of conquest. Year after year, the Accountant-General's statement indicated the Government's growing deficit: their annual requirements fluctuating between Rs 20 and Rs 40 lakhs on an average. These remittances had necessarily to be funnelled through the existing credit system which by the eighties, as indicated, accommodated a number of urban centres tied to Benares, the new and dynamic financial capital of Eastern India, and Surat, which still retained its influence as Western India's capital market. Accompanying this development was the emergence of the Benares banking house of Gopaldas Manohardas and their growing participation in the cotton trade, in anticipating revenue assignments and offering remittance facilities for Company and merchant. Other banking houses to engage in similar activities were the Khatri firm of Lala Kashmiri Mal and the

⁵⁵ Bayly, *Rulers, Townsmen and Bazaars*.

Surat banking family of Arjunji Nathji Tarvady. The involvement of these large firms who very soon monopolized the remittance business of the Company did not, however, entirely dislodge the smaller and intermediary Gujarati bankers of Surat. On the contrary, there was a closer inter-locking of the various levels of the credit market. Leaving the business of large-scale money transfers to the bigger banking firms mentioned, the city shroffs concentrated on arranging medium-scale remittances to Bombay, issuing Hundis to the Surat factors against the Benares remittance on their agents at Bombay, and capital contributions to the Surat agents of the Benares bankers who among other things undertook on a contractual basis the supply of monthly advances to the Bombay Government. Furthermore, the development of Bombay's trade with China represented new business to them as they participated in the trade in the capacity of both supply merchants, brokers and bankers. Their small credit reserves in the 1790s were, in fact, almost entirely absorbed in the China trade, a fact commented upon by the Bombay Council on several occasions.

The Benares Bankers and the English East India Company

A brief résumé of the rise of the Benares banking house of Gopaldas Manohardas will not be out of place here. Dr N. K. Sinha referred to this important development in the general context of the proliferation of indigenous banking enterprise in Eastern India in the second half of the eighteenth century.⁵⁶ The irretrievable decline of the house of Jagat Seth had not caused a setback to indigenous banking enterprise. Small and medium-sized sahumkars and poddars engaged in advancing and remitting funds for trade proceeds as well as land revenue payments emerged and became 'masters of exchange from 1772 to 1792'—a period of currency confusion and official bungling.⁵⁷ The rise of the banking house of Gopaldas Manohardas was part of this general development. Beginning as small-time traders in the upcountry cotton trade, they eventually consolidated their position as specialist remitters of revenue for the local potentates and country powers not to speak of the E.E.I.C. By 1780, their skill and reputation was universally recognized enabling them to establish a line of branch houses or agencies in Calcutta,

⁵⁶ N. K. Sinha, *The Economic History of Bengal*, vol. III (Firma K. L. M. Calcutta, 1970).

⁵⁷ N. K. Sinha, *The Economic History of Bengal*, vol. I (Firma K. L. M. Calcutta, 1965), pp. 129-56.

Murshidabad, Patna, Gaya, Ghazipore, Mirzapur, Allahabad, Lucknow, Bareilly, Jaipur, Nagpur, Surat, Bombay, Masulipatam, Madras, Tanda, Phulpur, Poona and the Maratha army agencies at Agra, Delhi, Ahmedabad and Baroda.⁵⁸

From 1782 onwards, remittances from Fort William for all political purposes came to be funnelled exclusively through the house of Gopaldas Manohardas and from Surat through local bankers and their agents. On 24 September 1782, the Surat factors received fourteen sets of Hundis for Rs 634,525 with the firm of Gopaldas undertaking to pay Rs 500,000.⁵⁹ Exactly two months later, more bills were despatched from Fort William for nearly Rs 15 lakhs with Gopaldas Manohardas again taking the lead promising to pay Rs 800,000 and Arjunji Nathji Tarvady the remainder.⁶⁰ The Surat factors made prompt arrangements for conveyance of funds realized to Bombay—the city shroffs were contacted and they agreed to take charge of remitting small sums and drew bills accordingly. Shroffs coming forward on this occasion like Jeevan Tarachand, Laldas Vrandavandas, Javer Casidas, Navalram Shivshankar, Tapidas Laldas, Vrabhucandas Tapidas, Balmukund Narsidas, Pitambardas Chaturbhuj and a host of others were old citizens of Surat with commercial interests in Gujarat as well as with Bombay city proper. The following years were less encouraging when neither remittances nor loans in the form of Bengal bills amounted to very much. The city shroffs expressed their reluctance to take Bengal bills with the result that there was an undue dependence on remittances from Bengal. In 1786, Fort William remitted Rs 16,500,000 to the Bombay Government through the houses of Arjunji Nathji Tarvady, Gopaldas Manohardas, Lala Kashmiri Mal and Biseswar Beijnath.⁶¹ The Bengal Council by now began to urge their subordinates in Bombay to tap local supplies but to no avail. Capital was scarce and dear, and the shroffs refused outright to come to any settlement except on terms thoroughly disadvantageous to the Company. Their attitude left the Bombay Government with little choice, and as they wrote to their superiors on 8 February 1788,

⁵⁸ *Calendar of Persian Correspondence*. Being letters referring mainly to affairs in Bengal which passed between some of the Company's servants and notables, vol. VII of 1785–87 (Calcutta, 1940), p. 326, Letters nos 1180 and 1192 dated 9 March 1787 from Babu Manohardas.

⁵⁹ S.F.D. no. 674 of 1782, p. 134, Letter enclosing bills of exchange received by the Surat Council on 24 September 1782.

⁶⁰ *Ibid.*, p. 162, Letter and enclosures from Fort William received by the Great Council on 25 November 1782.

⁶¹ S.F.D. no. 678 of 1786, pp. 103–4, 431–2, 452 for sets of bills received from Fort William on 21 February, 1 September and 5 October respectively.

We are fully sensible that shroffs on our side of India have taken advantage of our pecuniary difficulties, but our exigencies have been such that we are compelled to have recourse to them as our only alternative. It would afford us great satisfaction to adopt the plan you have suggested in raising funds for our resources by drafts from hence, instead of putting you to the necessity of continuing your remittances to us from Benares. We are, however, helpless of effecting it—there is no money procurable from bankers here.⁶²

A clearer expression of the Government's dilemma could not have been made as the apprehensions of the Bombay Government came to pass. The very next day, they received word from the Surat factors that hardly a lakh had been negotiated for at the rate of Surat Rs 92 per Murshidabad Rs 100.⁶³ The situation threatened to become worse with the shroffs refusing to negotiate even at the rate of Surat Rs 90 per Murshidabad Rs 100. Money was in short supply—the general decay in trade with Bengal and the Gulfs was not yet offset by the China Trade aggravating the situation. In their negotiations with the English Chief at Surat, the shroffs pointed out that because of acute shortage of cash in the city they had declined buying bills granted at Bombay under Surat Rs 90 per Murshidabad Rs 100. Clearly the shroffs were working amidst constraints and it was only the larger business houses involved in large-scale remittance operations from Benares and Bengal to Surat who were in a position to offer substantial help.⁶⁴

The Council at Fort William soon came around to the Bombay Council's arguments. The latter in their advices dated 17 April 1788 stressed the urgent necessity of remittance to pay the army and other departments of Government.⁶⁵ Even before receipt of these advices, however, Fort William had empowered the Resident at Benares to remit an adequate supply to the Bombay Government in bills 'at as short a sight and as great an amount as shroffs would be disposed to grant them'.⁶⁶ Bills worth Rs 200,000 drawn on the house of Manohardas Dwarkadas were received by the Surat Council. The Resident's letter

⁶² P.D.D. no. 92 A of 1788, p. 101, Letter addressed to Fort William on 8 February 1788 by the Bombay Government.

⁶³ *Ibid.*, p. 105, Letter from Surat dated 4 February and received by the Bombay Council on 9 February 1788.

⁶⁴ *Ibid.*, p. 146, Letter from Surat dated 14 February 1788 and received by the Bombay Council on 19 February. Also see pp. 155–6, Letter from Surat dated 22 February 1788 and received by the Bombay Council on 26 February 1788. S.F.D. no. 680 of 1788, p. 54, Consultation Meeting of the Surat Council of 21 February 1788.

⁶⁵ P.D.D. no. 92 A of 1788, p. 264, Letter addressed to Fort William on 17 April 1788 by the Bombay Council.

⁶⁶ *Ibid.*, p. 266, Letter from Fort William dated 17 March 1788 and received by the Bombay Council on 21 April 1788.

accompanying the bills noted that although the House of Bhyaram Gopaldas had not agreed to draw the bills at a shorter rate than 61 days after sight, his chief partner Manohardas Dwarkadas had reassured him that bills would be discharged sooner than the date specified by his brothers at Surat who had already been informed of the transaction.⁶⁷

Remittances from Benares flowed regularly hereafter—by mid-May nearly Rs 9 lakhs found their way into the treasury of the Bombay Government and the Surat Council and from June to December remittances amounted to Rs 19,00000 with bills drawn for the greater part of Manohardas Dwarkadas and Arjunji Nathji.⁶⁸ Other 'respectable shroffs' to quote the authorities assisting in the transaction were Gopaldas Moolchand Dube, Hari Prasad, Ratanji Chovarji and Ramkisan Malik. The following year saw remittances on an even larger scale. The Company authorities were now openly appreciative of their services and referred to them in glowing terms. There was a small flutter in May 1789 when the Surat Chief found that three bills drawn on the house of Gopaldas Manohardas had not been honoured. The Resident at Benares dismissed the information as incredible, as he observed:

The House of the late Gopaldas stands too high in mercantile repute to admit even of a doubt of its good credit. I am inclined to place much confidence in what the partners have pleaded for their defence viz. non-acceptance by their agents must have arisen from some unaccountable misapprehension or direct disobedience to orders.⁶⁹

The Resident urged the Surat factors to look into the matter carefully as it was greatly inexpedient for the Company to alienate the shroffs who were 'of great resource to the Company'.⁷⁰

The mystery was cleared in no time with the Surat factors apologizing elaborately for their haste. A major omission in the Resident's letter relating to the place of payment had resulted in the impasse. It was certainly not a lapse on the part of the agents of the Benares bankers that prompt payment had not followed. 'We had not the smallest reason', the Surat factors confessed, 'to reflect on the conduct of men who have ever evinced the strictest punctuality in all their transactions with the Company well knowing that although bills were not accepted here, they would not fail to be honoured at Bombay.'⁷¹

⁶⁷ S.F.D. no. 680 of 1788, pp. 128-9, Letter from the Benares Resident dated 5 April 1788 and received by the Surat Council on 27 April 1788.

⁶⁸ *Ibid.*, pp. 170, 196, 241, 252, 260, 292, 340, 467 and 484.

⁶⁹ S.F.D. no. 681 of 1789, pp. 29ff, Letter from the Resident at Benares dated 4 June 1789 and received by the Surat Council on 22 July. ⁷⁰ *Ibid.*

⁷¹ *Ibid.*, p. 349, Letter addressed to the Resident at Benares by the Surat Council on 27 July 1789.

Thus by 1789, two identifiable strands in the Bombay and Bengal Governments' financial transactions with the Bania bankers of Benares and Surat had become perceptible. The bulk of the Bombay Government's financial supplies was being channelled through the medium of the Benares bankers and the Surat banking family of Arjunji Nathji. Their local agents discounted and encashed the Hundis and relied for this on their cash reserves. When these reserves threatened to run out they dipped into the local money market, borrowing from the city shroffs to make up the monthly advances of the Bombay Government. The Surat bankers constituted the important middle level in the operating credit and financial network. In July 1789 one important modification was introduced in the procedure of financing the Bombay Government. Arrangements for monthly supplies by contract were finalized. July 1789 saw the first of the annual contracts made by Government with the house of Manohardas Dwarkadas. By this agreement, the latter's agent at Bombay, Nagindas Golabdas, undertook to supply the Government with Rs 40,000,000 over a period of twelve months in exchange for Company bills on Bengal at the exchange of Bombay Rs 93 per Benares Sicca Rs 100 at fifty-one days' sight. The Company authorities on their part promised not to use the services of any other banking firm for the year covered by the loan. The Surat factors were accordingly instructed on 6 August 1789 to receive into the treasury such sums as Nagindas' agent at Surat tendered.⁷² The agreement, notwithstanding its apparent advantages, was received with mixed feelings by the authorities at Bengal and by the Resident at Benares who strongly urged their colleagues at Bombay to keep their options open. The overbearing importance of the local banking community seems to have disturbed the Bengal Government at this stage as their terse and somewhat peremptory summons to Bombay explicitly demonstrated.⁷³ Necessity eventually outweighed these sentiments and contracts with the Benares banking house of Manohardas Dwarkadas supplemented by agreements with the Surat banker Arjunji Nathji became a regular and integral feature of Bombay's financial arrangements.

⁷² P.D.D. no. 95 of 1789, p. 64, Letter addressed to Surat by the Bombay Council on 6 August 1789.

⁷³ P.D.D. no. 113 A of 1795, pp. 122-3, Letter from Fort William dated 28 April 1795 and received by the Bombay Council on 26 May 1795. The Bombay Council was directed to find a means to reduce the influence of the shroffs in determining the rate of exchange.

Banias and the China Trade

If indigenous credit and assistance had helped sustain the running of the Bombay establishment and enabled it to break even and exercise a degree of control over coastal and Surat city politics, its validity was even more pronounced in determining Bombay's commercial future and fortune. Although the trade of the West Coast admittedly remained unspectacular until the 1780s the beginnings of the China Trade held out promising prospects for the future. Regular trading voyages to China by the English East India Company and private merchants had begun sometime in the 1770s from both Bombay and Calcutta largely in response to two factors: increasing need of the E.E.I.C. for funds at Canton with which to purchase cargoes of tea for London and the inevitable problem of the private European merchants in remitting their proceeds to Britain. The latter found it to their advantage to accept Company bills which would be discounted at London at a reasonable rate of exchange offering in return their funds to realize the Company's annual investment of tea. The Calcutta and Bombay fleets stepped up their activities in the mid 1780s and carried into Canton raw cotton, tin, pepper, and later opium—cotton at this stage constituting the staple export item. The Company authorities, too, sent a couple of vessels to China undertaking at the same time to provide tonnage to interested merchants.

It was in 1784–85 that the China trade of the Bombay merchants began to show signs of considerable growth. An unprecedented increase in the demand for raw cotton in the China market encouraged the Bombay merchants to cash in. Bombay's customs from the trade increased to Rs 2½ lakhs annually between 1787 and 1789 which placed the value of trade between Rs 4 and 5 million.⁷⁴ In 1790, the Bombay merchants informed the Council that their trade was yielding to the Company a revenue equal to all customs on other trades of the port. Nearly 100,000 bales of cotton were exported every year and for purchases of which no less than Rs 40 lakhs were annually employed.⁷⁵

⁷⁴ P.D.D. no. 94 A of 1789, pp. 85–93, Letter from the Cotton Merchants of Bombay read at the Council Meeting of 24 February 1789. The Commutation Bill introduced by Pitt in 1784 reduced the duty on tea to 12 p.c. As a result, the company was able to price its competitors out of the European market and its Chinese Trade leapt in value.

⁷⁵ P.D.D. no. 96 of 1790, pp. 209ff, Petition of the Bombay Merchants read at the Council Meeting of 23 March 1790. P.D.D. no. 104 of 1793, pp. 152ff, Consultation Meeting of the Bombay Council of 1 March 1793. Exports from Gujarat estimated by John Griffith of the Surat factory in 1785 averaged around 20,000 bales. In the 1790s

In 1795, the Bombay Government reduced customs duties from 6 to $2\frac{1}{2}$ p.c.—the effects of which were dramatic.

The implications of the expanding China Trade were far-reaching. For one, the Bombay establishment could at last provide a rationale for its continued existence. Furthermore, the success of the Bombay merchants affected the course of policy making in the official circles in both London and Bombay precluding the possibility of winding up the settlement. On the contrary, the merchants themselves to pursue their trade interests became politically active and began to advocate an expansionist policy to extend the Company's political influence in Gujarat—the principal supply area of their export item, i.e. raw cotton.⁷⁶

The Bombay merchants on their part worked in close contact with the Bania traders and bankers for the vigorous prosecution of their trading concerns. This arose from the nature and scope of Bania participation in the cotton trade of Gujarat.

The staple export item of the China trade was raw cotton which was grown extensively in Gujarat and Kathiawad. The best variety of cotton was produced in the districts of Jambuser, Ahmood and throughout the other parganas of Broach.⁷⁷ Cotton was collected at the production centres by petty dealers who undertook the cleaning of the cotton. It was at this stage that frauds multiplied and the article was mixed with one of an inferior sort or packed when only imperfectly cleaned. Cotton was even on occasions adulterated with a mixture of salt and water doubly to increase the weight. The dealers frequently took advantage of a season of brisk demand to put into practice all their arts to adulterate the article and thereby enhance the price. These dealers negotiated with the Bania supply merchants who were generally agents of the Surat cotton merchants with connections in Bombay. They normally undertook to provide for the European merchants of the city and the Company. Their close links with the dealers and markets up country enabled them to improve their bargaining position and to gain recognition in Bombay's commercial society.

The role of Bania finance and credit in the organization of the China trade was even more striking. The Bombay merchant soon found himself

annual exports of raw cotton from Bombay were reckoned at 21.6 million pounds. See Amalendu Guha, 'Raw Cotton of Western India. Output, Transportation and marketing, 1750-1850'. *Indian Economic and Social History Review*. vol. IX, no. 1 (1972), pp. 1-31.

⁷⁶ Nightingale, *Trade and Empire in Western India*.

⁷⁷ For a contemporary report on the growth and cultivation of cotton in Gujarat, see P.D.D. no. 4 of 1789, pp. 138ff.

up against two major constraints impeding his trading ventures and which had to be effectively dealt with. He had in the first place to muster and mobilize adequate funds to purchase cotton from the Bania suppliers. This was not easy in view of the fact that they did not have ready access to cash at all times of the year. Secondly, and this was even more serious, the Bombay Rupee, the circulating medium in the island city, was largely unacceptable outside city limits, not to speak of the important cities of Gujarat from where cotton consignments were expected to come. What this meant in effect was that not only had the Bombay merchant limited access to mobile credit, he was also not in a position to use his money to make purchases from outside. The inevitable consequences of this were twofold. Firstly, the shroffs of Bombay and Surat were approached to lend ready money at prevailing rates of interest to enable purchases to be made. Secondly, the shroffs were also approached to draw bills on their houses and agencies in Surat and inland Gujarat. The Bania shroffs with extensive interests in the cotton traffic had the means and credit to draw bills on their correspondents at important market centres and towns like Broach and Baroda where cotton consignments were assembled. The correspondents encashed these Hundis, paying the stipulated amount to the Bombay merchants or their agents to enable them to make their cotton purchases. These bills became in effect the principal instrument in all cotton purchase negotiations.⁷⁸

The interplay of a variety of circumstances worked to the advantage of the Bania financier enabling him to meet the essential requirements of the Bombay merchants. The expansion of Bombay's cotton trade had necessarily reactivated and extended the Bania-operated Hundi network into inland Gujarat generating opportunities for brokerage and remittance. Given the fact that the Bania merchants and shroffs had always dominated the supply trade and its financing, it was not unusual that they would be considered essential intermediaries by the exporting merchants. Further, the shroffs were familiar with currency differences and had long exercised the right to fix exchange rates between coins of different denomination, and issue bills accordingly to the merchants after appropriating a lucrative discount or Batta for themselves. The Bombay merchant, on the other hand, had neither the requisite cash

⁷⁸ Returns and statements, External and Internal Commerce of 1802-03, pp. 502-03. This contains an exhaustive report on the want of a sufficient circulating medium to answer the accumulated wants of an extensive commerce. Also see P.D.D. no. 114 A of 1795, pp. 109ff, Petition of the Bania Mahajan to the Surat Council dated 22 August 1795. The petition emphasized the Merchants' reliance on the shroffs' Hundis.

supplies to finance extensive purchases nor indeed the necessary familiarity regarding the exchange ratio between the Bombay Rupee which he owned and the Surat/Broach/Baroda/Jambuser Rupee that he and his agents needed for purchases. Under the circumstances he naturally preferred to strike a bargain with the Bania banker, to persuade him to give bills for a fixed sum to be paid at Surat or elsewhere rather than run the risk of what he might sell the debased currency of Bombay for. The shroff issuing Hundis was familiar with two essentials—how much of the Bombay coin would be realized at Surat, and which in fact constituted the real difference of the value of the two coins, and how much was to be added to this by way of expenses of conveyance, insurance and profit. The net total of these items constituted the rate of exchange between Surat and Bombay which the shroffs were in a position to determine.⁷⁹

From the very beginning, the Bombay merchant depended on the Surat money market for the financing of his China ventures. The Banias responded only too favourably to the growing demand for their Hundis and brokerage services with the result that by the early 1790s of the century, Hundis became the principal if not exclusive instrument of all cotton purchases in Gujarat; approached by the European and Parsi merchant firms of Bombay, the city Bania drew bills on his principal at Surat and most often these were issued without receiving money deposits. The bills were despatched to Surat, where on the strength of these securities further bills were contracted for on their agencies at Broach, Jambuser, Bhavanagar or wherever needed. The demand for bills grew apace in the following years, fortifying the position of the shroffs in the new trade system that Bombay's growth represented and augmenting the rate of exchange between the Surat and Bombay Rupee to the decided disadvantage of the Bombay merchants. At the turn of the nineteenth century, the rate of exchange between the two Rupees fluctuated between 8 and 12 p.c. against Bombay and was attributed quite perceptibly by an author of a contemporary report to the general scarcity of circulating specie in Bombay city and to the fact that it did not enjoy extensive circulation outside, facilitating thereby the manipulation and manoeuvre of the shroffs.⁸⁰

Thus by the end of the eighteenth century, the Banias' role in sustaining Bombay's trade and politics was explicit. Both Government and merchant had come to rely fundamentally on local credit assistance and cooperation to keep their ventures afloat, consolidate their position

⁷⁹ Returns and Statements of 1802-03. ⁸⁰ *Ibid.*

before initiating an extensive project of territorial conquest. Given the precarious state of the Bombay establishment for the greater part of the century, it is difficult to imagine how the Company authorities would have maintained their establishments, controlled coastal and Surat city politics and even embarked upon an expedition—albeit tentative and limited in scope—against the Marathas, had it not been for the sustained support and collaboration of the local Bania community. The latter were by no means unaware of the importance the Company attached to their cooperation or of the fact that they had emerged as an identifiable power group in the newly emerging political and commercial order under Bombay's direction. They capitalized on the situation making full use of the opportunities inherent in it, and did not hesitate to bring the attention of the E.E.I.C. authorities to their demands whenever the occasion warranted it. The August Riots of 1795 in Surat provided such an occasion when the Bania Mahajan protesting against the city's lower orders who had rioted against the city's Bania population,⁸¹ issued an elaborate petition to the Company authorities. The petition outlined in very precise terms the pivotal position of the Banias in the politics and trade of Bombay and threatened to withhold their cooperation if security of their person and property were not guaranteed. Extracts of the petition are worth quoting, highlighting as they do the crucial role played by indigenous credit in the process of Bombay's political and commercial expansion.

The necessity of this [i.e shroffs'] credit and of the aid of the shroffs to the merchants is too well known to be dwelt upon. The time of the arrival of the ships from China with merchandise is precisely the time at which merchants of Bombay must find means to make advances in actual cash for the provision of their cotton to the Northward, and it is therefore the time the most distressing to them for actual resources—by means of the credit of the houses at Bombay, bills are granted by the shroffs' shops there, on their houses at Surat and very often without any money being paid in at the time—with these bills in hand, other bills are negotiated at Broach, Jambuser, Bhavnagar which negotiation again very much depends on the credit of the shroffs' houses at Surat with the houses in these different places and this credit again depending on the belief of total safety in every shape, the whole connection of the commercial system will be destroyed without the visible protection of Government and instead of the credit of the shroffs and the cheap conveyance of money by their bills, the Bombay merchants if they can raise it by the time which they generally cannot must send specie at their own risk and expense. . . . Surat is indispensably necessary to the Company as a means of supplying Bombay with money for bills on Bengal, about three-fourths of the sum raised by contractors for this supply

⁸¹ For a study of the Surat Riots see Subramanian, 'Capital and Crowd in a Declining Asian Port City', pp. 205–37.

being raised by means of shroffs and merchants at Surat, for bills which the said contractors grant on their agents at Kashi, Calcutta and other places to the said shroffs for money paid here and by the said contractors remitted to Bombay.⁸²

The message was clear. The Mahajan was baldly stating a fact that neither the Bombay Government nor the merchants of the city could ignore. It was the Baniyas' funds and credit transfer facilities that were keeping afloat their ventures and had it not been for their sustained support and cooperation during the crucial decades of transition, when Bombay's very existence was in doubt, the establishment would probably have been disbanded and the merchants deprived of the opportunities for power and profit. Indeed, the emphasis on the politics of the Bombay merchants as the motivating factor in the Company's forward policy seems somewhat misplaced, and it appears worthwhile to try and appraise the importance of the indigenous banking fraternity's participation in Company politics and the impulses underlying it.⁸³

Bania Finance, the Bombay Merchants and Company Success. A Reappraisal

The turn of the nineteenth century witnessed the emergence of the Bombay merchants as an active pressure group capable of influencing the politics of the Bombay Government. Their advocacy of a more forward policy in the region was in response to three clear-cut requisites which they envisaged as essential for the success of their business ventures. These were accessibility and availability of the export commodity (raw cotton), a viable financial system to support the financing of their trade, and uninterrupted transportation on the high seas. The existing political order along the West Coast did not offer any of these guarantees; on the contrary, the Maratha occupation of the greater part of Gujarat, incomplete control of Surat's administration by the E.E.I.C. and the resumption of piratical activity by the Cooley rovers and other semi-autonomous coastal chiefs rendered their ventures exceedingly vulnerable. Sufficiently impressed by the merchants' arguments the Bombay Government set the ball rolling in 1800 when after the unexpected death of the Surat Nawab, they took the important decision of taking over the entire government of the city.⁸⁴ From Surat,

⁸² P.D.D. no. 114 A of 1795 pp. 109ff.

⁸³ Nightingale, *Trade and Empire in Western India*.

⁸⁴ S.F.D. no. 695 of 1795, pp. 102ff, Articles of Agreement between the English East India Company and Nawab Nasiruddin and his heirs for the better administration of Government of the city and its dependencies.

the thrust to the north was not long in coming—this fortuitously coinciding with the Supreme Government's decision to break the Maratha Confederacy. The outbreak of the second Anglo-Maratha War (1802–06) came as the turning point: its conclusion yielding to the Bombay Government decisive control over the mainland of Gujarat and establishing its reputation as the supreme political arbiter of the region. In contrast, the Company did not make much headway in coastal politics in terms of territorial annexation or even decisive elimination of piracy.

To what extent was Bombay's success at the turn of the nineteenth century determined by indigenous assistance? The question is of some relevance in view of the fact that the Bombay Government had during peace-time been barely able to support itself without Bengal's surplus transfers and Bania credit cum remittance facilities, and also because the Company authorities had from the 1790s begun to contemplate alternative financing agencies to feed their treasury. These were sale of Government promissory notes with interest at the rate of 6 p.c. per annum, and public loans floated by the Government. These efforts to bypass the shroffs were, however, not immediately successful with the result that between 1795 and 1800 the Benares contract and local supplies from Surat continued to support the Bombay Government in a major way. In 1796–97 nearly Rs 36,000,000 by contract with Gopaldas Manohardas and Rs 10,000,000 from the Surat shroffs provided the bulk of the Government's resources.⁸⁵ The Fort William authorities were by now beginning to feel the strain of answering drafts and urged the Bombay Government to float a public loan at 12 p.c. Under the terms proposed, the Government was to keep the loan open for a year and the creditors to receive their principal along with an interest at 12 p.c. at the end of the year. This order given in 1797 was blissfully ignored by their subordinates who argued that the proposed loan could not be expected to yield more than Rs 10,000,000 leaving an unprovided residue of Rs 20,000,000 which would reduce their investments in Gujarat and Malabar.⁸⁶ They had their way eventually with the result that the Benares contract and local funds continued to provide for their mounting expenses. Between January and September 1799, nearly Rs 40 lakhs were borrowed by the Bombay Government from the Benares and Surat bankers (see Table 1).

⁸⁵ P.D.D. no. 119 of 1796, pp. 364–5, Letter from Fort William dated 11 July 1796 and read by the Bombay Council on 11 August 1796.

⁸⁶ P.D.D. no. 134 of 1798, p. 213, Letter addressed to Fort William on 27 July 1798.

TABLE I
Loans to Bombay Government, January–September 1799

Date Received	Drawn from	Amount
8 January	Surat	Rs 53,000
8 February	Poona	Rs 50,000
8 March	Surat	Rs 53,000
29 March	Surat	Rs 104,000
9 April	Surat	Rs 53,000
12 April	Surat	Rs 75,000
19 April	Surat	Rs 53,000
14 May	Surat	Rs 280,000
6 June	Surat	Rs 147,000
13 August	Surat	Rs 300,000
16 August	Surat	Rs 75,000

Note: the above was in addition to the contract with Manohardas Dwarkadas, Gopaldas Manohardas and Arjunji Nathji Tarvady for a monthly supply of Rs 236,000.

Source: Public Department Diaries of the Bombay Government, Relevant files.

The concern among official circles to develop alternative financing agencies did not, in fact, immediately make a dent in the operations of the Bania shroffs. On the other hand, substitutes contemplated by the Government were largely in the nature of additional supplies in a situation whose pressures were becoming too severe for the bankers. Even in 1803, when an important agreement was concluded between the Bombay Government and the leading merchant houses of the city—Forbes and Co., Fawcett and Co. (by which the latter agreed to deposit in the Government Treasury a stipulated sum to be repaid within a year), transactions with the shroffs continued on an extensive scale, amounting to Rs 56 lakhs in exchange of Bengal and Benares bills.⁸⁷ There was clearly no question, as yet, of bypassing the agency of the shroffs despite Government intervention to that effect. The latter not merely undertook the responsibility of transferring funds for the use of Company forces but also urged them in Surat in 1800 to take over complete control of the city administration.

The pressures of the military campaign during the years of the Anglo-Maratha War increased predictably the expenses of the Government.

⁸⁷ P.D.D. no. 172 of 1803, p. 278, Letter from Court of Directors dated 4 February 1803 read in the Council Meeting of 11 June 1803.

On 9 February 1804, the Fort William authorities provided their subordinates with a detailed set of instructions. They promised to supply them with bullion valued at 29 lakhs and agreed to answer bankers' drafts to the amount of Rs 50 lakhs per annum. For expenses beyond this, the Bombay Council was to rely on a public loan.⁸⁸ The Government was not very enthusiastic about the loan, and it was on the shroffs and later the Agency houses that the onus fell. Tenders from the shroffs continued as ever to sustain the Government's expenses, but it was becoming increasingly clear that they, too, were functioning amidst constraints. Their loans, although considerable, were proving inadequate to support the Company's wars, added to the fact that a good portion of this specie was absorbed in the China Trade. The inevitable outcome of this was that the Government was compelled to borrow at very unfavourable exchange rates from the house of Manohardas Dwarkadas alone, there being no competition in the market. Alternative solutions were sought, this coming in the form of the Northern Loan of 1804 that the Company contracted with the Agency houses of Bombay. By this agreement, the Company promised to make over their intended provision of cotton for the current year, i.e. 1804, to the Agency houses who in return agreed to pay freight charges for cotton at the rate of Rs 30 per ton together with the net proceeds thereof into the Company treasury at Canton for bills on the Court of Directors and to pay into the Bombay treasury on or before 31 May 1804, a sum of Rs 10 lakhs.⁸⁹

The Northern loan was undoubtedly a transaction of major significance. It filled a vital gap in the Company's deficit and enabled them to conduct their military operations vigorously and successfully. It indicated at the same time the growing influence of the city's merchant houses, who had intervened in favour of the Government for the first time. Hereafter it could be expected that the Government would try and restrain the influence of the shroffs and develop a viable financing system. To quote Duncan's views on the occasion, 'You must be sensible of the great assistance afforded by Messrs. Forbes and Co., Fawcett and Co., during the period of our pecuniary difficulties... had these resources been carried over to the other side and united with the shroffs in lowering the exchange and depreciating the Company's paper, our situation should have been desperate.'⁹⁰

Duncan's eulogy on the services of the merchant firms did not, however, impress the Fort William authorities, nor indeed did the

⁸⁸ P.D.D. no. 183 of 1804, pp. 416ff, Letter from Fort William dated 9 February and received by the Bombay Government on 9 March 1804.

⁸⁹ P.D.D. no. 201 A of 1805, pp. 313-32. ⁹⁰ *Ibid.*

Northern loan deflate the importance of the shroffs' assistance during the years of conflict. The latter's advances continued at a substantial level—Rs 42 lakhs per annum in exchange of Bengal and Benares bills, a point that the Bombay Government reluctantly conceded to their superiors. The latter urged them to introduce, and put into operation, a public loan bearing an interest of 8 or 10 p.c. with an added provision for transfer of promissory notes to Bengal at 2 p.c. above the exchange rate. The Bombay Council argued that the introduction of such a loan was unnecessary and would not yield substantial dividends and that the financial cooperation of the Bombay merchants was essential to complement the assistance of the local shroffs. The latter's contribution to the successful running of the war effort had been decisive—their cash reserves had constituted the bulk of the Government's resources and their credit connections the principal artery through which money had moved to the dispersed and scattered theatres of war. Fort William remained unconvinced and the loan went into effect, and subscriptions remained predictably low. Indeed, it was the agreement concluded with Arjunji Nathji Tarvady and his agents in Gwalior, Ujjain, Baroda and Indore that remained the life-line of the Bombay armies.⁹¹

The end of the war, however, brought about a perceptible alteration in the equations of the Bania-British alliance. The interruption to inland trade caused by the prolonged state of hostilities disrupted the credit exchange network connecting Western India and the Deccan with Central India and Benares and dislocated the business of the Gujarati Bania shroffs. This coincided with the success of the Bombay Government whose financial position after the war was considerably stronger. Territorial acquisitions in Gujarat guaranteed the Company authorities a permanent source of revenue and the Bombay merchants greater access to supply areas. The expansion of the latter's China Trade had important consequences for the Company. Increasing revenues from Customs on the trade was one. Expanding trade also relieved conditions of specie scarcity in the city and augmented the necessity of remitting funds to Bengal and profits and proceeds of trade to London and Canton through the agency of the Company. The latter was, in other words, taking over to a limited extent the business and channels of remittance hitherto almost exclusively controlled by the shroffs and thereby tidying over its pecuniary requirements. Subscriptions to public loans after 1807 increased rapidly; when the 1808 loan was closed in the

⁹¹ Board's Collections (IOL) F/4/269, 5907-18, vol. 269 of 1809-10, copy of agreement between the English East India Company and Tarvady Arjunji (extract of a military letter from Bombay dated 22 February 1806).

following year, subscriptions to the tune of Rs 72 lakhs had been raised. The sketch estimate of the government's expenses for the ensuing year stated that Rs 92,000,000 would be raised from loans and Rs 40,000,000 from drafts on the Court.⁹² The fifty-year-old connection of the Company with the Bania bankers had clearly ended.

The emergence of Bombay as the political capital and the leading commercial city of the West Coast was by 1810 an accomplished reality. The struggling settlement had after half a century of conciliation and confrontation effectively challenged the mighty Maratha Confederacy and taken over the leadership of the region. The achievement was by no means inconsiderable given the chronic shortage of funds and resources that the Government had to cope with for the greater part of the century. That it had materialized at all was due largely, if not entirely, to the sustained support that the Company had succeeded in mobilizing from the Banias. If the European merchants of Bombay city had provided the ideological rationale behind expansion, it was Bania capital that fed the fighting armies, clothed the men locked in battle and kept them in good humour. The Banias struggling against severe odds in the wake of the so-called eighteenth-century crisis had astutely recognized the advantages of the Company connection which, as it turned out, had not merely enabled them to stabilize their waning trade but also generated a new range of opportunities. The pressures of the fluid political situation with its attendant requirements made it possible for them to assume a position of central importance in the financial strategy devised by the English East India Company authorities to realize their projects. This encouraged them to support Company expansion at the expense of native powers, particularly the Marathas. The Company's policy of protection of the 'fair trader' yielded evident results: whether it was in Bombay or in Benares or in Hyderabad, it was the same story of local merchants and sahlukars pinning their hopes on the Company connection and using it to back its programme of forward expansion. The sentiment was probably best expressed by Tarvady Shankar, one of the victims of the Surat Riots of 1795, 'I have seen Benares, the people are all happy there under the English Government. Nowhere have I seen such a thing happen where you English are.'⁹³

⁹² P.D.D. no. 261 A of 1809, pp. 20ff, Letter from Fort William read by the Bombay Council on 19 January 1809. pp. 48ff, Letter from the Accountant-General received by the Bombay Council on 27 January 1809.

⁹³ P.D.D. no. 115 A of 1795, pp. 61ff, Report of the Enquiry Committee and declaration of Tarvady Shankar.

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Lakshmi Subramanian

Modern Asian Studies, Vol. 21, No. 3. (1987), pp. 473-510.

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[Footnotes]

³⁰ **Capital and Crowd in a Declining Asian Port City: The Anglo-Bania Order and the Surat Riots of 1795**

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⁸¹ **Capital and Crowd in a Declining Asian Port City: The Anglo-Bania Order and the Surat Riots of 1795**

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