

Origins of the Modern Indian
Business Class

(Excerpts)

by D. R. Gadgil

ORIGINS OF THE MODERN INDIAN BUSINESS CLASS

The purpose of this case is to lay bare the environmental forces at work in the Indian economy within which the seeds of the growth of Indian business were sown. The case also focuses attention on the elements of continuity in the evolution of modern Indian business with a view to evaluating the main characteristics of the business class so that its role in current events can be realistically appreciated and possible future trends better estimated.

In a forward to the study on "origins of the modern Indian business class", Dr. D.R. Gadgil said:

"The more I study the economic, political and social situation in India, the more I am impressed with the need to be fully aware of the continuing forces which have shaped the situation through the past. Because perhaps Indian society through recent centuries has suffered no cataclysmic or revolutionary changes, in our socio-economic structure and in all motivations, in procedures, habits of thought and patterns of conduct, influences from the past appear still to play a very large part. Hence, for an understanding of the past, for a projection of the future, or even for preparing deliberately for a radical programme of change, a careful study of these continuities seems unavoidable."

* The material of this case is drawn from a study made by Dr. D.R. Gadgil, Director, Gokhale Institute of Politics and Economics, Poona, entitled "origins of the modern Indian business class" (1959).

For the sake of convenient presentation the study of the origins of the modern Indian business class has been divided into various sections. These are:

Introduction.

The political situation about 1750.

The condition of agriculture about 1750.

Urbanisation and the size of cities.

Trade routes and trading regions.

The business communities and their regional distribution.

Social position of businessmen.

Trade and handicraft organisations.

Types of traders and businessmen.

Indian bankers

Units of business and formation of capital

British and European business.

Introduction.

We are concerned in this study with "Modern Indian Business". In this phrase, the word "business" covers all kinds of economic activity but has more particular reference to industrial and trading activity. In the rise and growth of all modern business in India a very large part was played by non-Indians. Therefore, in tracing the rise and growth of modern Indian business, very considerable attention has to be paid to non-Indian businessmen and their activities in India. This has been done throughout this work.

The term "modern" is more difficult to define. It could be used in a purely chronological sense. Modern business is business during, say, the last two hundred years. The chronological implication is not altogether absent from our treatment, but an additional element has been introduced. "Modern" in this context relates more specifically to those features and forms of economic activity which have arisen in modern times, particularly to those associated with developments following upon the Industrial Revolution in England. Organisation of economic activity after the Industrial Revolution itself gradually evolved from institutions and patterns which existed previously. In India, non-Indian and Indian business existed side by side long before the Industrial Revolution and non-Indian business had already affected, in many ways, the conditions in which Indian businessmen operated. In the circumstances, the transfer of the organisational and other features associated with the Industrial Revolution to India could be observed only through a general study of all Indian and non-Indian business in the period. And the best way to study the rise of modern business in India is to start from a point of time immediately prior to the Industrial Revolution and to trace the subsequent changes in the total Indian situation.

This has been attempted in the following pages and this is one of the reasons for placing the date of the opening picture at about 1750. Another reason for choosing the year 1750 as the starting point is that it is round this time that changes came about in the role played by Europeans in the Indian political scene. The possibility of assuming a changed role and of directly intervening in Indian political affairs with large potential economic advantage to oneself was perhaps first seen by Frenchmen, in particular by Dupleix. This happened within a decade or two prior to 1750. However, the acts of intervention, which became successful in the long period and were followed by continuously expanding spheres of political and economic influence, were taken by the British; and the beginning of this movement can be squarely placed within the first decade after 1750.

1. The Political Situation about 1750.

The political scene in India towards the middle of the 18th century was one which showed continuous shifts and uncertainties. In 1750 the Mogul Emperor's rule effectively and directly covered only a small extent of territory in the North. For the larger part of the country the Mogul Empire's place had been taken by a number of successor states. Some of these had been created by former Governors or representatives of Mogul authorities in particular regions (for example, in Oudh, Bengal and Gujarat). Others had been established by successful opponents of Mogul authority; these were represented notably by Marathas over a large part of Western, Central and Eastern India and later by Sikhs in the Punjab. The type of authority exercised by the Marathas over the different parts under their control varied. For part of the territory occupied by them (especially in their homeland in Western India) they constituted direct rulers. For other large parts (especially in Central India) they claimed merely the right to a part of the revenue collection. In effect, however, this claim led to efforts at establishing political authority, for the only effective way in practice of obtaining the part of revenue collection was to establish political authority and collect the revenue oneself. The area and the effectiveness of Maratha rule over large territories varied because of differing concepts relating to the justification of their occupation. In the South the situation was essentially fluid and the country was occupied by a number of units representing former Mogul Governors, dynasties of older Hindu Kings, local chiefs or merely military adventurers (Muslim or Hindu). By the second quarter of the 18th century an important additional disturbing element had been introduced in the political situation — the activity of the European powers.

The situation at the middle of the 18th century was thus fluid in the sense that there was considerable possibility, in most areas, of changes of regimes, of expansion of one power at the expense of another or of the rise of entirely new elements. It should be noted that this was not peculiar to the middle of the 18th century. Considering India as a whole it may indeed be described as the normal situation for most times. Ever since the invasion of the Muslims, changes had been continuously taking place in dynasties at Delhi and in the extent of the sway of the Delhi dynasty over its Governors in the Provinces. The Deccan and the South had been till the middle of the 17th century almost entirely out of the sphere of influence of the regime at Delhi and its governments exhibited a changing pattern of a number of Muslim Sultanates and Hindu Kingdoms. Parts of the regions under the rule of Akbar and his immediate successors presented a period of comparative stability for some decades. But even so, looking at India as a whole, we find that the picture in, say, 1650 is not strikingly different from that in 1750. In South India the pressure of Mogul invasions had, in 1650, completely upset the

comparatively stabilised pattern of the previous century and had ushered in a period of great disturbance and rapid change. Contemporaneously upheavals were taking place all over the rest of the country and even after the end of the fratricidal wars, out of which Aurangzob emerged successful, large parts of the country in North and East India remained in a disturbed state. No doubt in about 1650 a fairly large area around Delhi had enjoyed a long period of comparative peace. It may, however, be said that in 1750 not the total picture but its balance had altered. Only in the 18th century, it was chiefly territory in Western India (say, around Poona) which enjoyed a comparatively long period of peace, instead of the region around Delhi.

One curious feature of the situation in 1750 which was distinctly the legacy of the Moghul Empire should be noticed. Though the actual rule of the Moghul Emperor had mostly passed, the notion of its legitimacy still persisted; this fact afforded an important avenue through which the representatives of European powers in India could make effective their schemes of aggrandisement.

The impact of Europeans on Indian economic activity ante-dated the industrial revolution by centuries. However, for the purpose in hand, the importance of this earlier period is small. For more than two centuries before 1750 Europeans had dominated the seas around India and had largely controlled India's external trade by sea. The Portuguese, who had arrived in the country at the end of the 15th century, had within a few decades, by their campaigns from the Red Sea to Malacca, substantially wrested from the Arabs control of the trade in the Indian Seas. However, the Portuguese indulged largely in political and missionary activities and behaved more as conquerors than as merchants. All these roles they were unable to sustain; so that when, in the 17th century, the Dutch and the English emerged as potential contestants, the Portuguese were no longer in a strong position to defend their trading monopoly. The Dutch, the English and the French successively entered the field, but all of them limited their activities to trade in India and made no significant attempts at gaining political power till the first half of the 18th century.

The operations of the Portuguese also were confined to the West Coast of Peninsular India and the largest contiguous land territory over which they exercised jurisdiction was the territory round Goa. Whatever the permanent effects of this impact on the territories occupied by the Portuguese and their immediate neighbours, they had little influence for the most part on political happenings in the rest of India.

The technical superiority of the Europeans at this time lay chiefly in the building and performance of their ships and in the manufacture of fire-arms. This was, of course, important in securing

for the Europeans their foothold in India and their ability to maintain and defend their trading posts, sometimes against the opposition of the neighbouring Indian States. It gave them also a great advantage over the Indian traders and navigators and enabled them to fight piracy on the sea. Throughout these centuries the prevalence of piracy over large areas must be considered a normal feature. The ability of the better constructed and swifter European sailing vessels to fight pirates was increased by the practice of their being armed. The need for European ships being fitted for warlike purposes derived not only from the existence of piracy on sea but also from frequent wars between the European nations themselves and their constant attempts to dislodge one another from favourable positions held by rivals all over the African and the Asiatic countries.

2. The Condition of Agriculture about 1750.

We may now turn to a brief description of economic conditions within the country in 1750. The predominant characteristic of Indian agriculture may be defined as self-sufficiency. Self-sufficiency, in this context, is to be interpreted as that of the village or of the region and not as that of the individual household. Self-sufficiency was manifested in the extent to which agricultural production was for local needs and the extent to which consumption habits in any region were determined by what was produced by the agriculture of the region. The cereal foodgrains and pulses that formed the staple food of the people, the type of vegetable oils that they used and the extent and type of sugar or sweetening material consumed were very largely determined by local and regional agricultural production. As a natural corollary of this, the greatest possible diversity was attempted in local agricultural production. The extent of this diversity was, however, limited by physical conditions.

The relative self-sufficiency was the result of the narrow range of the market for agricultural products. The most important limiting factor, here, was transport. Ordinarily transport was costly and time-consuming. It was overland by means of pack animals; in the special circumstances of the coastal areas and of regions where, at least for part of the year, inland water transport was possible, there was a greater range of transportability. However, inland water transport was, in the main, limited to the major river systems, such as those of the Indus, the Ganges, the Brahmaputra, the Godavari and the Krishna and for the most part, the range of transportability across country from the river systems was limited. It remained true that where comparatively cheap water transport was available there could arise some fairly long distance trade even in grain. Otherwise, bulk and perishability limited greatly the range of transport and trade in all kinds of agricultural products.

At the same time, within limited regions, transport and trade were carried on in a variety of agricultural products. Many parts of India were, as compared with other countries at the same period, comparatively urbanised. The most urbanised parts were normally either those which were well served by sea or by internal water transport; this was the case, for example, with the comparatively well developed regions of Gujarat and Saurashtra and also of the region of Bengal and Bihar. However, even elsewhere in India city and town centres were fairly well developed. The existence of numerous towns postulated the emergence of a surplus in agricultural production which was available to sustain the needs of the urban population and the feeding of towns and cities required a certain level of transport facilities.

The establishment and operation of organised governments holding sway over large areas and with fairly well developed administrative systems also pointed to the existence of surplus agricultural produce. These governments involved the existence of a court, of military and administrative personnel and urban centres which served as foci for the residence and operations of this personnel. The main sources of revenue of all governments was taxation of land. By the middle of the 18th century, in most parts of India, land revenue payments had been commuted from their original form of a share of the produce (paid in kind at harvest) to that of a money equivalent. The ability of the peasant to pay the money equivalent of a substantial part of his production in taxation involved the possibility of transporting agricultural produce and selling it for money within distances that were practicable.

To the revenue demand of the State may be added the payment of rent to the landlord. No generalisation can be made regarding the size of the class of rentiers, the volume of rental payments or the extent to which the rentiers lived in urban centres. However, in certain circumstances this may have been substantial. It should be noted that the revenue (or rental) payments induced export of agricultural produce but did not usually lead to a corresponding increase in the purchasing power of peasants or in the rural demand for non-agricultural produce. The export or sale of produce helped in paying the dues owed to the state or landlord by the agriculturist but did not usually give him resources in exchange with which he could buy significant quantities of the products of urban industry. It has to be remembered in this connection that the revenue demands of the State on the peasant were always comparatively high. The absconding of peasants, which had become a serious matter for the administration even in the early part of the reign of Aurangzeb (1665-1670), is a sign of the extent to which the burden of revenue payment pressed on the peasant. *

* W. H. Moreland, *Agrarian System of Moslem India* (1929), p.144.

Thus the consumption pattern of the agriculturist was chiefly determined by local production and any surpluses he may be supposed to have were absorbed largely by the demands of State authorities and of rent. The trading in agricultural produce was, in the main, local or regional and operated largely as the means through which the revenue was collected and the supplies of agricultural commodities needed to sustain urban centres were obtained.

For the larger part of the North India for many centuries before 1750, not only the intensity of the revenue demand but all other features connected with the operation of the system discouraged both individual personal effort and general agricultural development. This is best expressed in the following extracts from Sir W.H. Moreland's book.

"Finally, a few words may be said regarding the economic significance of the fact which have been brought together. The idea of agricultural development, progressing slowly but continuously, was already present in the fourteenth century, and probably was never entirely lost; but the political and social environment was usually unfavourable to its fruition. The high pitch of the revenue demand, approximating to the full economic rent, could be justified from Islamic texts by anyone who might care to take the trouble, but its actual motive was to be found in the needs of successive administrations and their officers; and its influence was necessarily increased by the miscellaneous exactions, prohibited from time to time, but recurring regularly after each prohibition. The direct result was to take from the peasant whatever he could be made to pay, and thus to stereotype a low standard of living; but in addition there was the further effect of requiring the peasant who was making money to conceal his good fortune from everyone outside the village, and perhaps even from his neighbours. Thus the normal position was a contest between the administration and the peasants, the former endeavouring to discover and appropriate what the latter endeavoured to retain and conceal - an environment in which agricultural development could not be expected to make much headway."

"If the land had been fully occupied, such a position could not have continued for long, because competition among peasants would have resulted in an increase of their payments to a point where either life ceased to be worth living, or the administrator was forced to change its attitude, as in fact was to happen in the nineteenth century over the greater part of India. Throughout the Moslem period, however, there was usually land to spare, and the risk of losing peasants set some limit to administrative exactions. It is, I think, probable that the risk frequently became a reality in one part of the country or other, and that local depopulation occurred from time to time, though not on a scale to attract the chroniclers' attention; but two instances stand out in history, the desolation of the River Country under Muhammad Tughlaq, and the general economic collapse after the middle of the seventeenth century. In both cases the administration strained the existing system to the breaking-point, and the system in fact broke down;

but during the longer periods when the system worked, its worst incidents were the repression of individual energy, and the concentration on a barren struggle to divide, rather than a concerted effort to increase, the annual produce of the country. This was the damosa haereditas, the legacy of loss, which Moslem administrations left to their successors, and which is still so far from final liquidation." *

This description did not necessarily apply to the South, especially before the 16th century. However, the fall of the Vijayanagar Empire and the beginnings of the Southern campaigns of the Moghul emperors which followed within a few decades of that event led to great upheavals in the South and to very unsettled conditions within the region during the 17th century.

The prevalence of general self-sufficiency in products of agriculture did not mean that there were no specialised products and that sometimes these were not traded over long distances. Even the carriage of grain for large distances overland in considerable volume was absolutely essential for all military operations of the time. As a result, we see growing in importance the special business of big pack-animal carriers who satisfied the needs of the military on the march. Apart from the carriage of produce for the military, there were also specialised products in which long-distance trade took place. Usually, these were products whose cultivation was for one reason or another limited to particular areas. The most important of such products entered also into foreign trade: indigo and pepper typified this class. However, some trading might take place even in products which were more widely grown. As an illustration of the general self-sufficiency characterising the era we may point to the comparatively widespread cultivation of cotton throughout the country. Cotton was the staple fibre for all clothing, and the spinning of yarn and weaving of cloth were carried on throughout the country. Ordinarily, local production of cotton met the needs of local industry and the cloth produced was mostly consumed in the neighbourhood or within the region. In these circumstances, regional production of cotton and regional demand for cloth would act as limiting factors on the growth of the weaving industry in the region. If by reason of special circumstances the demand for the production of cloth industry in any region increased, it would stimulate local production of cotton and even give rise to need for importing of cotton from other regions.

It would appear that during the 18th century such importation of cotton became necessary in two areas: Bengal and the coastal districts of Andhra. The demand for cotton imports in these regions has to be related chiefly to the large purchases of cloth for export by agents of foreign factories. There is little evidence, at this time, of any large long-distance trade within the country in ordinary types of cloth.

* Ibid., pp. 207-208.

All-India trade in cloth was then confined to highly superior varieties. This was luxury trade, of perhaps high value, but of limited physical volume. Such trade would not greatly increase the demand for cotton from the industry of any region. It was the greatly increased bulk demand for exports in the case of the Bengal and the Andhra industries which made the local supply of cotton insufficient in their case and led to the needs for importation.

Another important region where there appeared an equal pressure of demand for cloth from foreigners was Gujerat. However, in this case the possibility of the increase in local production of cotton appears to have been considerable and, therefore, the mounting demand for cloth exports did not result in a demand for the import of cotton into Gujerat.

Cotton appears to be the only important example of a staple agricultural product entering into internal trade over long distances in the middle of the 18th century. However, we have little knowledge of either the volume of this trade or its consequences, if any, on the economy of those regions from which cotton was exported. The trade in cotton, in this case, would represent a type of transaction differing essentially from the export of agricultural produce undertaken for the satisfaction of the revenue demand. Satisfying the export demand for cotton would involve problems such as of expansion of areas under commercial crops, of trading in and financing of the crops and the introduction through these of the trader and the money-lender into the rural economy. In short, this would lead to a commercialisation of agriculture which would be the precursor of the modern phase. Information on trade in cotton, during this period, is scanty. However, in relation to indigo, where the problems would be similar, data are somewhat ampler and show that the introduction and establishment of a commercial crop like indigo in an area introduced trading and financial practices which were strikingly similar to those in the general commercialisation of agriculture in the succeeding century. *

The main points emphasized so far are self-sufficiency of the rural economy, the lack of commercialisation, the one-way flow of surplus agricultural production to town centres and the exceptional character of the trade in such products as indigo and cotton. We may also note the comparative divorce of the urban financing and the trading system from the rural economy. To the extent that urban influences were important in the countryside these were through the

* For the indigo trade at Bayana in the early 17th century, with the practice of making advances against the crop some months beforehand binding the debtor to sell to no one else, see F. Palasart, "Jehangir's India, pp. 15-16. Buchanan, describing conditions in Malabar in 1800 notes the existence of the same practice, to the great advantage of the cultivator who had to take the advances in the marketing of both cocconut and pepper. D.H. Buchanan, "Development of Capitalist Enterprise in India" (1934), pp. 401 and 455.

state and the revenue authorities; therefore, contacts with the rural economy were established with trading or financing communities chiefly when any of these undertook the "farming" of revenue.

This account of the rural economy has to be completed by reference to the risk and incidence of crop failures. To the extent to which regions were landlocked and export of agricultural products was not possible for them the cost and difficulty of import was also great. Therefore, for the larger part of the country a serious crop failure could result in physical shortages of supplies which could not be met by imports. In such circumstances large-scale migrations of persons and cattle followed any serious failure of rains and a succession of bad harvests could have a crippling effect on the economy of a tract for a whole generation. *

It is true that from times immemorial the maintenance and extension of irrigation works was a responsibility attached to the King and the administration, and in times of comparative peace this was always attended to. In fact, the usual good acts attributed to a King included, among other things, extension of sources of water supply and irrigation. However, such extension could be undertaken only fitfully and by a few. On the other hand, the periodic unsettlement caused by wars, pestilence and famines led to frequent non-repair, disuse and disrepair of means of irrigation, so that the net advance in any period was not likely to be great.

The countryside, and in particular agriculture, were thus not in a position to make any substantial contribution, in 1750, towards the growth of modern business in India. All the elements which had the opportunities, the ability and the resources to do this belonged to the urban sector. It is thus necessary to present at this stage some salient facts relating to cities, trade and trade routes in India towards the middle of the 18th century.

3. Urbanisation and the Size of Cities.

It would appear probable that the extent of urbanisation in India about 1750 was comparable to that of England, France and Italy. It is, however, not possible to adduce firm statistical evidence for this statement. We have no estimates of the population of India or any of its major regions during the 18th century. We do not even have reliable figures relating to the size of individual cities. Detailed examination of contemporary records regarding the number of houses, etc. in Poona led to estimating the population of that city at about 40,000 in 1760; it had reached over 100,000 before the end of the century.

* See W.H. Moreland, *From Akbar to Aurangzeb*, Chap. VII, pp. 205-220.

At the beginning of the 18th century, Poona probably could not have contained more than 10,000 persons. These figures indicate the growth of a city which during the 18th century rose very rapidly to great political importance, but was not originally, and did not become in the process of growth, an important industrial or commercial centre. *

Figures relating to most other cities are based on reported estimates of contemporaries, and wherever there is more than one estimate, they usually seem to differ widely. ** It is, however, clear that European travellers were greatly impressed by the populousness of Indian cities at this time. It is well known that Clive considered Murshidabad of his time as comparable with London. Great changes would take place in the fortunes and consequently of populations of individual cities within a matter of few years. Delhi, for example, suffered rapid decline during the first half of the 18th century and the Punjab towns passed through very troublous times. The changes in the fortunes of Indian cities in many parts of the country were also rapid during the latter half of the 18th century. We have almost no data for population of Indian cities during the 18th century and relatively little reliable information for even the first half of the 19th.

Some idea of the size of the towns in early 19th century may be gathered from the data collected and set down presumably from the most authentic and contemporary records in a publication like Thornton's Gazetteer. This gives the most reliable available estimates, usually for some years between 1800-1840. We may first cite the data for cities which may be presumed to have suffered decline in population since 1750. They are Dacca, 100,000 (round about 1814), Murshidabad 152,000 (1830), Agra 77,000 (1840) Patna 300,000 (early 19th century), Nagpur 110,000 (1810), Tanjore 80,000 (1840). In the case of all these cities, there had been some decline in political and economic importance during the preceding half century or more. The figures, however, do not enable us to estimate how large the cities had been in 1750, or even to estimate their relative ranking. For example, Dacca, Murshidabad and Patna had all been described as very large cities in the first half of the 18th century. All had declined considerably after 1750, but it is likely that Murshidabad and Dacca declined much more rapidly than Patna.

An estimate of the population of Surat in the latter half of the 19th century puts it at about 300,000. It may be noted that travellers' reports of the 17th century describe both Surat and Ahmedabad as very large cities with populations estimated at a million each. Even if these figures are heavily discounted, a period of decline after a peak in the 17th or early 18th century has to be postulated

* D. R. Gadgil, Poona. *A Socio-economic Survey* (1952), Chap. III.

** The careful account of early population estimates contained in the Gazetteer of Bombay City (1909) illustrated the nature of the data

for both Ahmedabad and Surat. The figures cited above would imply that the decline in the population and trade of Ahmedabad had taken place chiefly before 1730 and that the position had since been stabilised. The decline of Surat on the other hand, appears to have taken place chiefly after 1750. The determinants of the population of the cities are a variety of factors. Mirzapur, which in 1840 is described as the greatest cotton market in India, had at the time a population of only 80,000. There appear two important old cities in whose cases the decline, because of continued political and other importance of the cities, may not have taken place or may not have been marked: the cities of Hyderabad and Lucknow, are credited with a population in 1840 of about 200,000 and 300,000 respectively.

This account of Indian cities may be supplemented by special reference to cities that arose directly as the result of the activities of Europeans. Most of these had their origin in grants of lands or villages obtained from a Prince or a local Chief where the European Company first built some residences and warehouses, which it usually proceeded to fortify. The activities of the European traders were initially located in existing important centres of trade as in Calicut, Surat, Tatta, Agra, Patna, Masalipatam, etc. The need for an independent establishment of its own would arise chiefly in areas where either there was no large concentration of activity in particular places or where for any reason these had become unsuitable. The southern part of the Coromandel coast and the delta of the Ganges appear to have invited settlements on account of such reasons towards the end of the 17th century. In 1750, Tranquebar, Nagapatam, Pondicherry and Madras had been created respectively by the Danes, Dutch, French and English on the Coromandel coast and Calcutta, Serampore and Chandranagore by the English, the other hand, appears more as the result of a historical accident of a European royal marriage settlement than that of geographical situation or need.

The absence of large established centres and unsettled conditions in the neighbouring country both existed in the South Coromandel coast area. To these was also added the important factor of the suitability of this coast for trade further towards the East. In the century preceding 1750 the growth of activity of European companies and traders in the Southeast Asia and China trade had been very considerable and so had been the growth of their rivalry in the trade. A station on the Coromandel coast was important to

for a city for which they are unusually plentiful. For the century before 1750, we have the following important estimates: 60,000 (1670); 16,000 (1715) and 70,000 (1744). For 1764, we have two widely differing estimates (140,000 and 60,000) which are both held unreliable. For the first quarter of the 19th century, general censuses put the population at about 200,000. Rough counts in 1846 and 1864 give figures of 566,000 and 784,000 respectively, while the censuses of 1872 and 1881 put the population at 644,000 and 773,000 respectively. In common with many other places, the counts in the decades preceding the regular census, appear, as compared with its results, to be over-estimates.

these companies as the base of activities in this East and South Asia region. The need for a centre in the Hooghly region arose chiefly out of the rapidly increasing volume and value of the trade of Eastern India.

While the original establishments of the settlements by European companies on the South Coromandel coast is to be attributed to the needs of their trade, the growth of these establishments appears to have been due chiefly to the greatly unsettled conditions in this part of the country. The absence of a strong ruler enabled the European companies to establish fully fortified towns and continuous unsettlement in neighbouring regions attracted to these centres large numbers of Indian traders, artisans, etc. The total effect of this combination of circumstances was such that in 1750 Pondicherry and Madras would appear from all accounts to have been among the largest of South Indian cities. And this was in spite of the fact that they had not become important centres of any artisan or other industry and that no considerable trade in agricultural or other produce originated in their hinterland. Older estimates of the population of Madras are somewhat difficult to interpret. The census of 1871 gave the city a population somewhat less than 400,000 and that of 1881 a little over that figure; earlier in the 19th century an enumeration in 1822 returned 470,000 and in 1867, 450,000. For 1763, there is an estimate of one million and some years later of 750,000. These 18th century estimates appear excessive; even so the population of Madras city seems likely to have been about 300,000 in 1750 and this would place it in the class of the largest of Indian cities.

Calcutta was reckoned to have a population of about 10,000 to 12,000 in 1710. It grew rapidly in the 18th century, especially after the victory at Plassey in 1757. The number of its inhabitants in 1822, was, however, not estimated at much higher than 200,000. It is therefore, likely that its population was about 100,000 in 1750. The estimates regarding Bombay City have been set out earlier.

4. Trade Routes and Trading Regions.

We may next refer briefly to trade routes and the trading regions. It is necessary to emphasize in this context the comparative lack of stability in the total politico-economic situation which makes it impossible to give a description that would hold good for any length of time.

The possibilities of large changes in fortunes of cities and trades may be illustrated by reference to the situation of Sind in the middle of the 18th century. Right up to the end of the 17th century we find all European travellers writing about the great

volume of trade and shipping of the city of Tatta and it is obvious that in the 17th century Tatta was a centre not only of considerable entreport trade but also of a large artisan industry. It is true that even at this time Sind trade was important not only for itself but also as one of the channels for the trade with central Asia. The agencies and connecting links on the Indian side of this trade were in West Punjab and North Sind. Multan in the Punjab and the three towns of Bukkur, Sukkur and Rohree (in Sind) were the most important of such centres in the 17th century. The first half of the 18th century, because of disturbed political conditions and other reasons, brought about a large change. Tatta declined fairly rapidly and the connecting links in North Sind were no longer the three cities mentioned above. Shikarpur rises into prominence after 1750 and takes their place. The political changes also brought about a great diminution in the importance of Sind trade in itself and this diminution lasted for a long time. For we find Burnes emphatically recording in 1835 that what was important was not trade on the Indus but trade by the Indus.* Through all the unsettled times and through the period of declining economic activity in Sind the part played by Sind Hindu merchants in Central Asian trade remained important and Shikarpur after 1750 was an important centre not so much of commerce as of finance connected with trade "from Astrakhan to Calcutta."

The main trade artery of Sind was of course the Indus, used for the trade not only with Kabul and Kandhar but also for the trade with the Punjab and North India. However, there were also important land routes through which a certain amount of trade always flowed. There was the route from Hyderabad to Agra via Pallee and Ajmer and also that connecting Agra and Ajmer with cities of Sind via Jaissalmer.

* J. Burnes, "Narrative of a visit to court of Shinde" (1839). (With a sketch of the History of Cutch and an appendix). Appendix No. II, pp. 18-19 (Practical Notes on the trade to the Indus and the navigation of that river, by Sir Alexander Burnes). "It appears that there is much error abroad regarding the trade on the Indus. Enterprise will doubtless do much to create and improve commerce; but, for the present, it is a trade by the Indus and not on the Indus. It is, in fact, a transit trade to western and central Asia; a line, however, which ought to supersede that by Sonmeeanee to Candahar, and by Bownugger to Pallee and Upper India. If the mercantile community hope for any increased consumption of British goods in Sinde itself, they will be disappointed; the time may come, but at present, the bulk of the people are miserably poor, and there are really no purchasers."

The first half of the 18th century was a greatly disturbed period for most of the Punjab. The invasions from across the border, the rise of Sikhs, their attempted persecution and their ultimate triumph were important happenings which kept the Punjab in a highly unsettled state for many decades. The result for trade, especially through trade, was very bad. Because of frequent interruptions and the dangers involved, traders tried to avoid the established Punjab routes and trade was said to be diverted by routes either farther north through mountainous country or further south through Rajasthan. In the undisturbed times Lahore had been recognised always as an important focus of international trade from which, through Sirhind, trade routes came down to Delhi or Agra or were led through Sahranpur to Lucknow and Oude.

The political disturbances in which Lahore was involved during the first half of the 18th century were also more or less largely experienced by Delhi itself. Agra was relatively free of these disturbances and continued to enjoy the advantage of its geographical position. Agra was the converging point of routes from the West (Sind and Rajaputana), the North (Delhi and the Punjab), the East (Oude, Bihar and Bengal) and the South (Central India and Malwa). Agra was also a point up to which there was possibility of transporting goods by water from the East during at least some months in the year. It thus constituted an important terminal point of internal water transport in the valleys of the Ganges and Jamma.

Bengal, Bihar and Oude may be considered as forming together at this time essentially one trading area, the main connecting link of this area being the vital internal water transportation of the Ganges and its tributaries. This formed a very large trading area and by far the most active region at this time. Because of the facility of water transport the volume of internal trade was large and on account of the same factor seaborne trade or foreign trade could affect substantial sections of the internal economy also. It was supposed that this inland navigation gave constant employment to 30,000 boatmen * during the latter half of the 18th century.

We have no detailed information relating to internal trade such as could give us an idea of the volume of trade or its growth. However, data regarding external trade may furnish some indications in this regard. It has been estimated that during the first half of the eighteenth century imports into Great Britain from India increased more than twofold, in both value and quantity. The rate

* J. Rennel, *Measures of a Map of Hindostan*, p. 255.

of growth was particularly rapid in the opening decades; after 1735, it slowed down and, in particular years, even suffered a setback on account of disturbed political conditions in parts of the country. Among the Indian imports into Great Britain, raw silk, silk goods and saltpetre were mainly from East India and an important part of the cloth exports were also drawn from this region. All these showed large and sustained growth during the half century. The rate of increase of foreign imports into India was not larger than that of exports out of India and the imports of bullion into India for financing purchases of local production seem to have increased pari passu with the increase in the volume of trade. * These developments must have had important effects on the internal economy. And both on account of its large share and its comparatively greater internal integration, the results in relation to the economy of the Bengal and Bihar region must have been particularly notable. Contemporary records of the striking development of resources of Indian bankers in Bihar and Bengal and references to rising prices of commodities might perhaps be evidences of the prosperity and the increasing tempo of economic activity following upon the larger commodity exports and bullion imports.

Bengal had at this time a large number of small towns like Malda, Rangpur, Cossimbazar with a numerous body of artisans, particularly cotton and silk weavers. This was in addition to the large cities like Dacca, Murshidabad and the growing port town of Calcutta. Reference has been made above to the beginnings and increase of raw cotton imports into Bengal from other parts of India, which were obviously a consequence of the pressure of increased demand for cloth. In 1750, the imports into Bengal were mainly of Gujarat cotton brought by sea from Surat.

The exports within India from the Bengal-Bihar area were chiefly high grade cotton and silk cloth, raw silk and salt. Raw silk was sent partly by sea to Surat (i.e. Gujarat) and partly through Mirzapur and Benares to markets further to the North and West. Bengal salt went to Bihar and Assam. The coasting trade, chiefly in European hands, was in grain, pulse, sugar, ghee, spices, etc. in addition to the main items indicated above.

Gujarat has been since ancient times perhaps the most urbanised region of India, with larger and more continuous contacts with the outside world than any other. It was very conveniently situated for transport of goods by sea and had a long tradition of seafaring trade. In 1750 Surat was still the most important port on the

* Balkrishna, *Commercial Relations between India and England* (1601-1757), Chapters VII and VIII.

west coast of India north of Goa. This position it had held since the decline of Cambay in the 16th century. With a relatively large urban and artisan population the produce of the artisan industry of Gujarat was very considerable. Notable was its high production of cotton cloth for which there continued to be an extremely active demand from abroad. At the same time it was agriculturally a rich region producing considerable quantities, particularly, of cotton and indigo. The result of a comparatively large urban population and comparatively enhanced emphasis on production of non-food agricultural crops was the need to import food articles. Gujarat had an active import trade in foodgrains and other food articles like cocoanut, ghee (clarified butter) and spices, most supplies being obtained through coastal trade either from the west coast south of Goa or from the Saurashtra and Sind ports.

The main land routes from Surat to the north (i.e. Agra and Delhi) were first that via the valley of the Tapti and Burhanpur through Malwa, and the other via Broach and Ahmedabad through Rajasthan. The importance and volume of land trade was always fluctuating. In the 18th century the main variable factor was internal conditions, particularly the political situation along trade routes. Malwa and Central India were greatly disturbed in particular years before 1750 and the importance of the Burhanpur route, therefore, distinctly diminished through the 18th century. The position once held by Ahmedabad as a centre of entreport trade and its role of distributor of imports in the entire region served by the Gujarat ports had declined somewhat with the decline in importance of Cambay. However, Ahmedabad continued to be important not only as the political capital of Gujarat but also as a very large centre of artisan industry, particularly cotton and silk weaving, and as the centre of a rich agricultural tract noted particularly for indigo and cotton.

As a result of the rise of the Maratha power, conditions in the Maratha home country (i.e., West Maharashtra) Barar and Nagpur had been stabilised. On the other hand Maratha claims on revenue in areas which was not under their permanent occupation led to continuous expeditions and wars which proved unsettling to economic life. These were most evident in Malwa and Central India and in Chhattisgad, Orissa and the borders of Bengal and Bihar. In the absence of reliable data it is difficult to assess the extent of such disturbances, the period over which they lasted and the nature of the changes brought about. For example, while it appears that the route from Surat via Burhanpur declined in importance to some extent, that via Ahmedabad does not seem to have suffered equally.

Except for the rise of Indore as a new centre, no special feature of the trading situation appears noteworthy in Malwa and Central India. Rajasthan as a whole seems to have been less affected by disturbed conditions than Malwa and Central India.

The older trading centres of Rajasthan (such as Pali, Jaisalmer, Jodhpur and Ajmer) seem to have retained all their early importance and rise and prosperity of Jaipur under Jai Singh in the first half of the 18th century seems indicative of comparatively settled conditions. This might have been in part the result of diversion of some through trade to the Rajaputana route because of the disturbances in the Punjab.

Maharashtra, during the 18th century experienced some respite from the extremely troubled times of the 17th century. This was a period of comparative peace and prosperity for this region of India. Within the region two comparatively new cities (Poona and Nagpur) rose to considerable importance in the decades immediately after 1750. Nagpur, in the East of Maharashtra, developed because of its central position into an important trading centre, being connected with routes in all directions except the Southeast which was largely tribal country. Nagpur became the centre of trade in raw cotton and also rose rapidly to importance as a weaving centre. Poona in the West grew in size and activity chiefly as a very influential political capital. Poona through its political relations became for some time an important centre of financial transactions, though not of trade or industry.

The Maharashtra region had comparatively little share in external commerce. Its coastal strip (the Konkan) was cut off from the rest by a mountain barrier and the main region was thus landlocked. The coastal strip was narrow and infertile and was not noted for any special agricultural or industrial products. The Konkan contained a number of important but small parts, such as Chaul, Dabhol and Rajapur, but they were important only for the coasting trade and were chiefly ports of call and not important originating centres of trade such as Surat or Goa, which lay respectively at the northern and southern end of the Konkan.

Hyderabad was at this time an important centrally situated place which was also the capital of a powerful and comparatively stable kingdom. Its trade was largely oriented towards Madras and Masulipatam. The Godavari River was an important channel of trade for a part of this Hyderabad territory and important supplies such as of timber came down to the Godavari from the region surrounding its banks. The region (called by Europeans at this time the northern Circars) comprising in the main the deltas of the Godavari and Krishna, had a long coast line and a comparatively well developed system of internal water transport. Coastal trade and the operations of European traders were, therefore, active in this region. It vied with Bengal and Gujarat in the reputation of the products of

its looms and supplied a large share of the increasing volume of exports of cloth. This, as in Bengal, necessitated imports of raw cotton into the region which are much noticed in the British records towards the end of the century.

The operations of modern Europeans in India began at the extreme South of the Indian Peninsula and thus the southernmost portions on both coasts had numerous points at which Europeans had stationed themselves. This was also an area in which (during the 17th and early 18th centuries) the Europeans were not confronted with strong Indian powers. The most important European settlements were Pondicherry and Madras. Political conditions in the region were also unsettled and just before 1750 large parts of it had been involved in wars in which both the English and the French participated. The unsettled conditions in the South persisted almost till 1800, leading to a general decline in trading and other economic activities. Madras because of its protected position was an important centre in the coasting trade. It was also important centre of external commerce, especially in relation to the countries further to the east. The chief articles entering into the trade on the Coromandel coast, in which Madras held a central position, were grains, cloth, cotton, indigo and pepper.

Bangalore was the largest and most active centre of internal trade south of Hyderabad and in the region south of Madras, Tanjore was important. The Malabar coast containing such important ports as Cochin, Calicut and Mangalore had been extremely active in foreign commerce since the advent of the Portuguese and the Dutch. However, unsettled conditions affected this coast also, and in the latter half of the 18th century economic activity was at a low ebb. There was considerable coastal trade between Surat, the Konkan ports and the Malabar coast, the imports into Malabar being chiefly grains, pulses and sugar, and the exports teak wood and cocoanut.

5. The Business Communities and their Regional Distribution

In describing business activity in India in 1750 it is necessary to pay attention to the castes and communities engaged in it. The need arises out of characteristics of the traditional social structure of India. Indian society was divided into a number of sections each of which highly stratified. The society was divided, in the first instance, into regions and into religious groups such as Hindus, Muslims, etc. There was little mobility between these and no easy passage from one to another, except in some cases by conversion. Within each section, particularly among the Hindus, there were further stratified divisions into caste and sub-caste groups which were fairly rigidly separated from each other. As a result,

the ordinary practice of following the family occupation was greatly reinforced and there was little mobility between one occupation and another. In this situation, the history of rise and development of modern business becomes, to a large extent, the history of the activities of members of certain groups.

We may now briefly note the chief communities engaged in the more important aspects of business in India in 1750. In this account, attention is confined to trading and finance, little attention being paid to artisan or handicraft industry. The number of artisans, and of artisan centres, the variety of artisan industry and the great diversity of caste groups engaged in them from region to region make it impossible to pay attention (in such a general survey as this) to the artisan industry situation. Moreover, as has been suggested earlier, large trade and finance are the important fields from the point of view of our study. Accumulation of capital, innovation, etc. were much more possible and were likely to be more evidenced among the trading and financing classes rather than among the large numbers of scattered tradition-bound and relatively poor artisans.

In describing the situation regarding the trading and financing classes, it is necessary to point to an important distinction between the northwest (i.e. Punjab and Sind) and the other parts of India. In the northwest, the bulk of the population, especially the rural population, had by 1750 become Muslim. The Hindus were important only in the towns, though they controlled trade and finance even in rural areas. The rigid observance of caste divisions and rules was not, for a variety of reasons, as marked in these areas as in the others. The chief difference that this made was in the occupational specialisation among the Hindus. In the context of our discussion, this is best brought out by the case of the Khatri of Punjab. This was a vigorous urban Hindu community engaged notably in trading activity not only in Punjab but also in Afghanistan, Central Asia, etc. The Khatri took a prominent part also in liberal professional activities and to the extent that the Muslim rulers employed any Hindus as administrators, etc. the Khatri contributed substantially. This contrasts with the situation obtaining in, for example, the U.P. and Bihar, where the division of activities as between Brahmins, Kayasthas and Banias was fairly rigid.

The Khatri were the most important of the substantial traders and financiers of the Punjab. Their place in Sind was filled by the Lohanas, though the administrative opportunities sometimes available to the Khatri seem not to have been open to the Lohanas under Muslim rule in Sind. It is interesting, however, to observe that in the 18th century, Lohanas took an important part in the

politics and administration of the neighbouring Hindu kingdom of Kutch. The Lohanas seem also to have their origin in western Punjab, but they moved to the west and south chiefly through Sind and later to Kutch and still later to Saurashtra and Bombay. The related community of the Bhatias, with a similar origin and background, preceded the Lohanas in Bombay. The Khattris on the other hand moved to the east and then to the south. Both the Khattris and Lohanas continued to play an important part at the same time in the Afghan and Central Asian trade. The Lohana centre of Shikarpur was rising into importance during the latter half of the 18th century, and the Lohanas continued to be important as financiers and as traders abroad through subsequent periods.

In the Ganges valley, we are confronted with a somewhat peculiar situation. It is not possible to isolate in this area any dominant regional trading community or communities. The importance of the trading communities of Rajasthan (the Vaishnava and Jain Banias from that region) is very great in all recent Indian history. However, because of the comparative neglect of the socio-economic history of India, no properly organised account of the emigration of these communities is available. It would appear that in 1750 the main trading communities in U.P. and Bihar were emigrant Banias from Rajasthan. From the evidence of locational origin, Russel and Hiralal in their discussion of the Banias of Central Provinces argue that the important Bania groups appear to be of Rajpur stock.* The Bania communities discussed by Russel and Hiralal (such as Aggarwal, Oswals, Meshris, etc.) were all trading communities also of U.P. and Bihar. It is possible that the migration of these, especially into U.P. and Central India took place at an early period. However, their migration to regions other than the U.P. and Central India cannot have taken place much earlier than the 17th century and most probably, occurred in substantial numbers only in the 18th century. This migration took place, in the main, to the East and to the South. To the north and the west, there were predominantly Muslim areas in which important Hindu trading communities with capital resources and high skill already operated. To the southwest (in Gujarat and Saurashtra) also there already existed highly organised expert business communities.

Among the Indian business communities noticed by European travellers in the 17th century, there is little specific reference to Banias from Rajasthan. Maharashtra, after Bihar and Central India, may have received these emigrants earliest, but in this region also there is little evidence of their presence before the 18th century. The dominance of the Gujarati Banias in Peshwa times in Poona and the evidence of the occupational and locational distribution in the Poona city ward-list of 1820 suggest that the arrival of Marwadis (Rajasthan Banias) in any appreciable numbers

* Russel and Hiralal, "Tribes and Castes of Central Provinces," Vol. II, p. 116

trading and artisan communities. These Muslim communities continued to have special organisational peculiarities of their own and were sharply marked off from the rest of the Muslims. They also continued their traditional commercial activities.

In Gujarat, apart from Hindu and Jain Banias and the Muslim trading communities, it is necessary to note the emergence of the Parsis. This seems to have taken place chiefly in connection with the activities of the European traders at Surat and Bombay. From early times, Parsis established connections as brokers with European traders. A remarkable feature to be noted about the Parsis is that their traditional occupations were not connected with trading or finance. In the accounts of the 17th century travellers, they are noticed chiefly as artisans, carpenters, weavers, etc. Their prominence in Bombay was also established, in the first instance, through their ship-building activity. Though they later became a dominant trading and financing community like other Gujerat communities, their original artisan background is an important feature that deserves notice.

Excepting the Europeans, the only important non-Indian trading element to be noted is that of the Armenians. They seem to have been important already in the 17th century. Pelasart notices them in the indigo trade at Bayana and Ovington records that they are great merchants at Surat. In the 18th century, they seem to have been important everywhere. Manucci mentions them as trading at Sironj and Burhanpur. They were among the first settlers at Calcutta and at Madras (because of the special situation in the Philippine) held almost a monopoly of the trade with Manila in the first half of the 18th century. They are reported as active along the Malabar coast and at Bombay.

We may summarise this account with an indication of the regional spread of the activities of the particular communities. For this purpose, the northwest (i.e. Sird, Rajasthan), the Delhi and Agra area, and the Punjab, constituted one region. The Khattris and the Lohanas were dominant in these internally and also took a very important part in the trading activities in regions beyond the frontiers of India, such as Afganistan and Central Asia. The Khattris appear to have been more or less confined to this region. A small number of them would, however, as a natural extension of the trade in their region, operate eastward at, say Patna, Murshidabad and Calcutta. The Lohanas, apart from participating in the trans-frontier trade, would also, to some extent, go beyond the sea following their connections in South Sind and Kutch. Their banking houses and correspondents are noticed as far east as Calcutta, but they are not noted as important in any special sections of maritime trade.

The Gujarat and Saurashtra trading communities, Hindu and Muslim, apart from trading in their own regions, participated very actively in all maritime trade, both to the west with the Persian Gulf, Arabia and Africa and to the south and southeast along the coast of India to Malaya, Indonesia, etc. They were important in the trade with Malabar and before

the advent of the Europeans had played a very important part in the trade with Southcast Asia. The conversion of Indonesia to Islam is attributed to Muslim traders from Gujarat. Though the Gujarat communities do not appear to have been important in trading on the Coromandel coast, they are noticed prominently in the trade in relation to raw cotton, raw silk and cotton and silk piece goods of Bengal and Bihar.

The trading communities of Malabar participated with those of Gujarat in Southeast Asia's trading, including the trade with Burma. The Chettis of the Tamil country and Andhra Komatis apparently took some share in the Burma and Malaya trade.

The trade of Bengal and Bihar, as has been already pointed out, attracted trading communities from all regions. Barring trading communities of the South, all other indigenous and foreign communities are mentioned in travellers' accounts relating to this region. By 1750 Banias from Rajasthan were present in important trading centres in Bengal. However, they were not reported at this stage, as being prominent in maritime or foreign trade. Gujaratis (both Hindus and Muslims), Punjabis, Armenians are also all prominent. Bengali names in business are relatively unimportant and where they occur are mostly of the rising professional agent class and not those from indigenous trading elements.

6. Social Position of Businessmen

For a proper appreciation of the evolution of modern business in India, it is necessary to understand the position held in Indian Society by merchants and craftsmen. In the theoretic conceptual framework of Hindu Society, traders and artisans (together with cultivators) were included in the third category of caste Hindus, the Vaishyas. However, this category had long been broken up in a series of castes and sub-castes and the term Vaishya (or any of its derivatives) was not applied in the 16th century and after to any caste following agriculture. The terms, when used, came to be restricted to urban castes, particularly those engaged in trade and commerce. In the urban complex itself castes following trading and allied activities tended to be sharply distinguished from artisans and handicraftsmen. The designation of individual castes among artisans, etc. usually adopted the basis of industrial activity, so that weavers, dyers, goldsmiths formed separate castes with the occupational names. The merchant-trader group on the other hand was denoted by a generic term such as Baria. The formation of sub-castes among these tended to be on the basis of place of origin or other non-occupational characteristic rather than on that of type of economic activity or the particular commodity traded in.

The general trader-merchant class held a high socio-economic position in Indian urban life. In the caste hierarchy, there were theoretically two caste groups which were higher (the Brahmins and Kshatriyas), but neither of these formed fully integral parts of urban society. The Brahmins and the Kshatriyas were directly, so to say, neither urban nor rural. This was because their traditional caste occupations were not integrated with either the rural or the urban economy. They were the generalised priestly,

military, ruling and administrative classes, being found in both town and country, but having no integrated connection with the day-to-day economic life of either town or country. In the socio-economic life of towns the trader-financiers held, in every way, a commanding position.

A remarkable testimony to the respect given and value attached to the wealthier merchant is contained in an early 18th century Marathi treatise on Statecraft, which devotes a special section to traders and bankers, including foreign traders. It lays down that the prosperity of a kingdom depends on the trader-bankers. They make available non-indigenous commodities and are the source of finance in different times. The state profits from protecting them and, therefore, they should be honourably treated. Thus even though, because of the caste structure, the merchant-trader could not ordinarily move into positions of military or administration power, his ranking and influence in Indian society as a whole was far from lowly and in urban society he usually held a dominant position.

This does not apply to the artisan classes. Artisans however skilled were devoted to a single specialised productive activity which always involved some element of manual work. Because of this or other reasons they held a position distinctly lower than that of traders in caste hierarchy. Handicraft units were limited by a variety of considerations in relation to growth in size of units and, therefore, in total economic strength; the handicraftsman, however skilled and well-to-do, was confined to his occupation and could not rise to be a general merchant or trader. On the contrary, almost as a result of the same immobility, the handicraftsman was inevitably dependent on the merchant for finance and merchandising. This resulted in a position of permanent economic subordination for the artisan classes.

In Hindu society there was no mobility between the merchant-trader classes and the military, priestly and ruling-administrative classes. This immobility, induced and maintained by the caste structure of society, had very important consequences. Not only was there immobility in the sense that members of and priestly or military castes did not intermarry with those of the trader castes, but also it was only very rarely that appointees to ministerial or high administrative positions were drawn from the trading classes. Posts like those of provincial Governor were not held by them; nor had they any access to military or priestly ranks. Even under Muslim rule, Hindus holding high positions in these professions, were usually not drawn from the trading and the financier castes. Under Muslim rule most high administrative and military positions, except those held hereditarily by descendants of Hindu rulers or nobles, were confined to Muslims. All this had the effect, on the one hand, of leaving trader-financier castes completely devoted to their occupational activities and, on the other hand, of making them always dependent to a greater or lesser extent on the continued favour of the court and the big administrators.

The merchant was held in high regard in Islamic society and was not inferior to any other class. Neither was there any barrier, such as that raised by Hindu caste society, between merchandising and the military and

administrative pursuits in Islam. There was, therefore, more likelihood of mobility between the ranks of merchants, military men and administrators in Islamic society. However, it would appear that in India in the 17th and 18th centuries this theoretical possibility led to no important practical results and no important cases were recorded of Muslim traders rising to military or administrative positions.

Also, among Muslims the caste barrier between artisans and traders would not operate. Therefore, amongst them there might be cases of persons rising from artisan elements into merchandising and trading. However, it has to be remembered that in very few parts of India was there established a complete and homogeneous Islamic society. In a number of regions (for example, Sind) the bulk of the peasants, artisans, etc. as well as of rulers were Muslims while the traders and merchants were all Hindus. On the other hand, in other regions where Muslim trading classes operated, the artisan classes might be Hindus. Therefore, even in this case the dominant pattern in society was that flowing out of the Hindu structure. This is apart from the consideration that in a number of instances converts to Islam kept up in practice the restrictions on marriage arising out of their original caste membership.

7. Trade and Handicraft Organizations

There is little contemporary information on the early constitution of Indian trade and handicraft organisations. The main sources regarding the organisation of guilds and trade associations are the Gazetteers and other publications describing conditions of industry and trade during, for the most part, the latter half of the 19th century. Two points have to be noted relating to this material: first, that ordinarily it does little more than note the existence currently or in the recent past of guilds, etc.; second, that the detailed descriptions which are available refer almost entirely to conditions in Gujarat cities. A number of hypotheses may be put forward to explain this phenomenon. In the first instance, there might be some regions in which such organisations did not evolve. This might have happened especially in areas where there was a Muslim majority and Muslim Kings ruled but in which trade was in the hands of Hindus. This might also be the case in commercially retarded regions like Maharashtra. In some regions destruction of cities or their rapid decay may have led to collapse of the older organizations; this might happen in cities like Delhi or Agra or even in Murshidabad and Dacca. There might again be regions in which, either because of the overwhelming strength of caste organizations or because business was highly confined to some communities, there might be little distinction between caste and business organizations. This might have been the case largely in the South. Buchanan's careful descriptions of the organizations of castes like Banigars, Panchalas and Komatigas at Bangalore give no indication of trade or industry organisations transcending the caste organizations.* In Gujarat alone all factors appear to have been favourable for elaboration of forms and for their survival. The Gujarat Gazetteers contain some description of the guilds of artisans also. The generally inferior economic position of the artisan castes is made clear by these accounts.

* F. Buchanan, Vol. I, p. 236.

In view of this partial availability of material, we begin with a description of the position as it appeared in Gujarat in the latter half of the 19th century. The essentials are presented in the following quotations: "In every town not only among the merchants but among the goldsmiths, the carpenters, the metal workers, the masons, the dyers, the potters, the oil-pressers, and almost all other craftsmen there is a guild prescribing trade rules and settling trade disputes under the guidance of its aldermen. The growth of these associations was made all the easier if all persons following the same pursuit belonged to the same caste. Even without this bond the faculty for combination so strong in the Natives of India would enable them to unite without difficulty for the promotion of their real or supposed interests. The corporate authority was further strengthened under native rule by the policy of the officers of Government to whom the system supplied a convenient agency for distributing and enforcing their irregular exactions. 'In former days,' says an old Virangam dyer, 'if a Government officer wanted cloth dyed, he sent it to our aldermen who got the work done and either paid all expenses out of the common fund, or levied a special contribution for the purpose from the whole craft. In return the Government was always ready to give ear to a complaint against any one, who, while carrying on our trade refused to share in the joint burdens or obey the head-man's order. Any one who misbehaved in this way would probably have found himself called into court and, until he yielded or left the town, saddled with the whole weight of the next and every further requisition.' Even under British rule trade organizations were for a time utilized in collecting kasab veras or trade cesses. These imposed in lump sums on each craft or calling were realized by the aldermen whose authority it was, in consequence, to the interest of Government." Theoretically the trade council is distinct from the caste council; for example, in Ahmedabad there are four castes of carpenters and therefore four assemblies for caste purposes, but only one carpenters' mahajan. So the silk, mashru, weavers mahajan in the same city contains both Kanabis and Vantias. Many more instances might be cited. It is important to note this because, especially in the smaller towns, a particular trade and the rules and penalties of both are enacted and enforced indiscriminately by the same body. Even in the mahajans of mixed castes the line between the secular and the religious is, as might be expected, not scrupulously observed. For example; not long ago a Visashrimali Vania of Ahmedabad, who offended his caste by marrying a widow was expelled from the cloth dealers' mahajan to whom he belonged and was in consequence obliged to close his shop and leave the town." "An association among the higher classes is termed in the vernacular a mahajan. Among the lower classes, more especially if it happens to be coextensive with caste, it is called a panchayat. Both words are in this account translated 'trade guild' not because the expression accurately conveys their meaning but because it is on the whole the most convenient that could be chosen."

In applying these statements to other parts of India some reservations may be made. In the first instance the word mahajan is not of common occurrence elsewhere and the word Panchayat is generally used for organizations of all castes, high or low, and the distinction between a caste or social organization and a trade or economic organization appears even less marked elsewhere than in Gujarat. The prevalence of organizations prescribing

trade rules and settling trade disputes also appeared much less universal among artisan and traders in other parts of India than in Gujarat. In most other parts of India, trade organizations embracing more than one caste appear to have been uncommon in the 18th century and the social and economic functions were merged in and managed by the caste unit. For example, in Poona during the latter half of the 18th century, there was considerable immigration of artisans like cobblers, potters, carpenters, etc. from regions outside Maharashtra. The local artisans in these occupations continued also to ply their crafts. The immigrants came and established themselves chiefly because they either specialised in certain products which members of indigenous castes did not ordinarily produce or because they brought in greater skill. There is no evidence, contemporary or later, to indicate that the two caste groups engaged in the same craft were brought under one craft or trade association. Description of the elaborate organization of the Benares Silk Weavers' Guild as it existed in the first decade of the 20th century also emphasizes the practice of restricting the organization to a single caste or community. The description gathers special significance from the fact that those Benares weavers were Muslim.*

The situation regarding the organization among merchants and financiers should be different from those of artisans. Those plying a craft in a centre would ordinarily belong to one caste or community and there might be little need or occasion for craftsmen of different places and belonging to different castes to form an economic organization among themselves. The position of the trader-merchant would always be different from that of the craftsman. As indicated above, the castes among the trader-merchant group were not based on particular specialised economic activity. Hence at all times the trader merchant group in the larger centres would include members of more than one caste or community. The long distances over which trader merchants often travelled and the existence of correspondents or branches of big indigenous financial houses in all main trading centres made for a somewhat mixed caste composition of the merchant group in central locations. Thus in the case of merchant traders congregated in large centres of trade the problem of a group organisation for economic purposes would necessarily arise.

In the circumstances, it is remarkable that we should not have for the 18th or 19th centuries any descriptions of traders' associations, excepting those from the cities of Gujarat. This may be explained, in part, by what appears to have been the progress of disorganisation. Evidence from accounts, inscriptions etc. has been interpreted to indicate that in the greater part of South India there continued to exist in the 15th century a traders' association with a jurisdiction over large areas and with membership spread over not only different castes but also different religions.** Nothing in the evidence of contemporary

* "Trade Guilds in India," Modern Review, March 1911.

** Appadorai A., Economic Conditions in Southern India, 1000-1500 A.D., Chapter III.

the perpetual right to levy a quarter per cent on all goods stamped in the municipal weighing yard.

It will be noted that the organisation of the Panchayats and guilds was almost entirely autonomous. The Government recognised them in relation to their sphere of authority and lent the support of its power for its proper exercise; it also used them for the purposes of the prince, the state officials or general public occasions or emergency. There appears to have been no interference by the State in their organisation or its internal working. This autonomous origin and operation may be brought out by observing the working at new centres.

The extent and type of developments in Poona city in the latter half of the 18th century provide a good illustration of the operation of the forces at work. Till about the middle of the 18th century Poona was a relatively small place. Its size and political importance grew rapidly in the latter half of the century and this led to an increase in trade and finance. In the absence of any developed indigenous commercial communities in West Maharashtra, there was an immigration of trading and banking elements from outside, chiefly from Gujerat. The Hindu immigrants from Gujerat were all Banias, but belonged to different places and different sub-castes. As none of the sub-caste groups were numerous enough, members of the various sub-castes formed a common social organization or mahajan. This mahajan differed essentially in many respects from the Gujerat mahajans. In the first place its basis was not any particular branch of trading or industrial activity; secondly it performed -- could perform -- no economic functions. It would appear that at no time did any trade organizations embracing all castes and communities come into existence in Poona. At the same time, when the Gujerat Wania group, in the last quarter of the century, rose to great importance in Poona and became organized, the chief of the group, Dullabh Das Govindji, assumed the title of Nagar Seth of Poona evidently with general acquiescence. The social character of the headship of Dullabhdas is clear from the belief traditionally held by members of the (Bar Nat) Mahajan that in the early days of the Mahajan permission for holding social functions like caste dinners had to be obtained from Dullabhdas.* While thus on the one hand an important immigrant trading community called its social head the Nagar Seth and was allowed to do so, the title did not lead to influence or position comparable in any way to that of the Nagar Seths of Gujerat cities. This is made clear by a letter from Dullabhdas to the Peshwa's chief minister, Nana Fadnavis. The occasion of this letter was the fear entertained by Dullabhsheth that an intrigue was going on to take away from him the conduct of certain minting operations which had been entrusted to him. Dullabhsheth in this letter avows that it was the patronage of the Minister that had brought Dullabhsheth to his present high reputation. It was on that account that bankers from Pameshwar to Lahore recognized that Dullabhsheth was the Nagar Seth of Poona. In order

* See G.G. Shah, Barnat Mahajane Itihās (1957).

to keep up this reputation, it was necessary to provide that, when Sahukars from other parts arrived in Poona or stayed there, they were treated with due respect according to their rank and that all transactions and disputes were settled so as to give general satisfaction. The minister having observed that this task was being performed disinterestedly had been pleased to confer on him the mint privileges to provide some income. This income was just sufficient to meet the expenses of the honorific office.

Mahajans on the lines of Gujerat cities never seem to have emerged in Poona and the title of Nagar Seth, stripped later of any meaning, quietly dropped out of existence. The Poona Gazetteer dealing with conditions in 1280 says

"There are no trade-unions or Mahajans in the district nor is there any Nagar Sheth or recognized head in matters of trade. Dayaram Atmaram, a Vani who died fifteen years ago and was the recognised head of the banking business, was the last Nagar Sheth of Poona."

In the circumstances, it would be correct to hold that the conditions of organisation of trades in Gujerat cities sketched in the Gazetteer of the latter half of the 13th century were the most highly evolved in the country. There is also no reason to believe that the structure and organization of trades in Gujerat cities in 1750 were significantly different from those sketched in the Gazetteer. In most other parts such elaborate organization of craftsmen and traders did not either exist at all or were indistinguishable from particular caste or community organizations.

8. Types of Traders and Businessmen

J.C. Van Leur in describing the trade of Southeast Asia in the 16th and 17th centuries draws a sharp distinction between two classes engaged in it: "Pedlars" and "Merchant Gentlemen."* In Indian conditions, there seems little justification for postulating a sharp distinction between any two such classes. There was no doubt very considerable difference in the scale of operations of a few of the largest merchants and the large bulk of the smaller men; but this did not lead to any marked difference in types or methods of business. Individual merchants rose to great wealth but even these indulged in a large variety of businesses. This is fully brought out by the following description by Moreland of the scale and diversity of operations of two outstanding merchants of the 17th century about whom the

* J. C. Van Leur, Indonesian Trade and Society (1955). Chapter Two.

English records testify.

"Virji Vora was eminently a merchant, that is to say, a buyer and seller of commodities, and his business extended to any class of goods in which there might be hopes of profit; but at the same time he freighted ships, he acted as a banker, he received deposits and he arranged remittances by means of bills or letters of credit on his branch houses. The activities of the firm of Malaya were equally multifarious, and I have not noticed any record of a banker as distinct from a merchant, or of a prominent merchant confining his transactions to a particular line of goods."*

Numerous references are contained in account of contemporary European travellers to the wealth and large operations of individual Indian merchants or merchant families. Of this class the outstanding representative in 1750 was the premier banking houses of Jagat Seth of Murshidabad and Patna. But even the Jagat Seths were engaged in the retail trade business of the four main kinds of spices outside European establishments.

In India, in 1750, there existed little difference in kind in the types or methods of business between the large and the small businessmen. In particular, there was no difference in social status or origin such as might be conveyed by Van Leur by the term "Gentlemen" affixed to "merchant." Both the small and the large traders belonged to the trading castes of Hindu and ordinarily to the dominant trading communities even if Muslim. In the same way, homogeneous immigrant groups such as Armenians included both the large and the small among them. Moreland's description of an earlier period would appear to apply equally to the situation in 1750. He writes, "We may thus regard an Indian commercial centre of our period as comprising an indefinite number of men of business, not subdivided into numerous branches, but graded in accordance with their ability and command over capital."**

At the same time, the contention of Van Leur that trade was carried on, in the main, by a large number of small traders who together with their small stock undertook, in person, the risk of long distance travel appears to hold good of Indian conditions also. This applies to long distance trade both by sea and by land. The pack-animal caravans of companies of numerous traders engaged on long distance trade by land had been traditional in India and to these references are to be found from the time of the Jatakas.

The emergence of the Vanjaras or the Lamans in the 17th and 18th centuries may be considered a special type of such trade caravan.

* Moreland, From Akbar to Aurangzeb (1523), p. 158.

** Moreland, op. cit., p. 158.

Instead, however, of being chance collections of large number of individual traders, formed separately for each journey at each important point on the routes, the Vanjara caravans represented large bodies of persons bound together permanently in a kind of tribal organization, always on the move and continuously engaged in itinerant trading activity. Their origin is usually credited to the times of the Mughal Emperor's invasion of the Deccan and especially of Aurangzeb's campaign in Maharashtra. Their chief characteristics were the large number of pack bullocks which moved in one impressive formation and the vast area which their operations covered. They seem to have covered the larger portion of Central and Southern India. They traded chiefly in grain and salt, but also carried other important commodities. They were particularly useful in making supplies to large armies on the march, but also provided normal supplies to settled populations. They appear to have been accorded, for the most part and by general understanding and convention, a position of special protection and privilege, so that princes over whose territory they passed or armies whom they met would not molest them and they would ordinarily be accorded special transit duty privileges.

Van Leur refer to Lords of the Land as taking a part in the large-scale trade or adventure. The ruler or his representatives would, of course, in ordinary course, impose levies, regular and irregular or occasional, on trading and other transactions. This process could become vexatious. Even in spite of some influence at the Imperial Court, European traders found it difficult to meet these levies and found it preferable sometimes to close their activity completely in particular centres. Apart from this, the prince, the governors, courtiers or nobles might themselves wish to participate in trading ventures. Moreland mentions Virjee Vora's apprehension of the Surat Governor's intention to join him in a partnership in particular transactions and among instances given by Van Leur is that of a pilot of Prince Khurram accompanying merchandise for trading sent by the Prince in an English ship.* Most of this business would, however, be no more than taking advantage of one's position to share part of the gains of activity which had been initiated and conducted by the professional traders. There are hardly any instances in India of persons from among the ranks of rulers, nobles, administrators, military men, etc. using their positions to promote trading ventures actively or to establish their relatives, etc. in business. The one important recorded exception seems to be that of the career of Mir Jumla as a minister of Golconda. It may be noted that even Mir Jumla, who was a self-made immigrant merchant from Persia, does not appear to have been able to operate in the trading field after he joined the services of the Moghul Emperor. There are no instances of Maratha or Brahmin nobles in any part of the Maratha federation entering into trading ventures, though a number, especially Brahmins, did take to trading and financing activities under Maratha rule.

* Van Leur, op. cit., pp. 206-207.

The main reason for this phenomenon appears to have been firstly the specialisation of trading castes and communities, to engage actively in trading. There were special reasons preventing this in the Moghul Empire. Firstly, there was the practice of frequent transfers of the provincial dignitaries and secondly the rule that the property of all Mansabdars reverted to the Emperor at death. The latter fact effectively prevented the building up of a family fortune and the possibility of continuing in particular activity generation after generation.

It is natural to refer in this connection to the influence wielded by the trading classes or by individual rich traders on government or administration. This does not appear to have been large. In the conduct of their own affairs, the traders would be largely self-regulated. This autonomy was a general feature of Indian social arrangements. However, the traders do not seem to have wielded much political influence. The position of Hindu trading communities under Muslim rule would obviously not be strong, but even Muslim traders or trading interests, wherever they existed, do not seem to have exercised influence on administration. Under most Muslim dynasties in all parts of India, power was exercised chiefly by immigrant elements of Persian, Arabic, Turkish, etc. origin. They rose to power not on the basis of fortunes made in trade, but through service of the State. Among the Marathas also, though the Peshwa and all the big chiefs were chronically in debt, there is no evidence of political power or participation in political intrigue by members of the older trading communities or even of the new Brahmin entrants in trade and finance. Neither can any influence emerging from local trading and financial interests in the Deccan and the Karnatak be traced in the intrigues and wars of the French and the English in that area around the middle of the 18th century. All concerned were beset with financial difficulties in these wars. Dodwell refers to Bussy's obtaining loans, during their course, from Bikanji, "the great banker of South India."* However, among the large number of persons and bodies influencing the course of events at this time no mention is made of traders or trading interests.

The part played by the Jagat Seths in the affairs of Bengal must, therefore, be considered as exceptional. The house was intimately connected with the Government as receiver and treasurer of State revenues; it had gradually become security for most of the renters of revenue and it found itself in a position of having to finance each successor to the Nawabship as the process always involved some trouble and outlay. The house was also a frequent lender to the European companies and private traders. Its unique position in the country and its connections with government, administration, finance and trade in all directions carried it naturally into the midst of political affairs. It should be noticed, in this connection, that the share of Hindus in the higher administrative ranks in the decades before 1750 in Bengal was much higher than was usual under Muslim rule anywhere in the country.

* H. Dodwell, Dupleix and Clive (1920) p. 92.

9. Indian Bankers

While it is true that there was comparatively little specialisation among the trader classes as a whole, there are two groups deserving some special attention. The first is the class of bankers and banking houses described below and the second that of brokers which is noticed in connection with European trade.

Among the trader financier classes, special attention must be paid to the somewhat specialised, small but overwhelmingly important, class of bankers. There were essentially three functions that Indian bankers or banking houses (Polhis) performed at this time. The first was money changing. The number of governments in the country was very large and they were unstable. Coining was not highly centralised and there were large numbers of local mints. The variety of coins put into circulation was thus large. Moreover, coins were liable to deteriorate and new issues of even the same mint were usually at a premium. Large transactions, therefore, involved operations with a variety of coins and the fixing of their mutual values in exchange. This led to creation of agencies ready to accept payment in a variety of coins or ready to exchange one type of coinage into another. Sometimes the money-changers were specialised as such, but usually money-changing was combined with other financial or banking business.

The second function was that of providing bills of exchange. These usually arose out of commodity trade and were the means by which trade was financed or money remitted for purposes of trading. These operations depended on the existence of a system of banking houses with either branches or correspondents all over the trading area. Such a system was in fully developed operation in India before the beginning of the 18th century. The system obviated the need for carriage of large amounts of coins over long distances, which in view of contemporary transport and political conditions would have been both risky and costly. Highly developed forms of bills of exchange had been evolved with elaborate security practices and a number of banking houses in important centres of trade in India were in a position to provide bills drawn on branches or correspondents throughout the country. The resources of the largest among these banking houses were very large* and some of them maintained independent courier services of their own.

The third function was connected with government finance. This had various aspects of which the chief were revenue receipt and remittance, revenue collection and loans to governments. Banking houses might be authorised to receive revenue payments made either by local officials or functionaries and remit them to headquarters. Even where they were not so directly authorised, exchange business would arise out of needs

* The Jagat Seths were reputed to be able to draw bills amounting to a crore (ten million) of rupees at a time. See H. Sinha, Early European Banking in India (1927), p. 2, quoting Seir Mutaqherin: Cambray's edition, Vol. II, pp. 457-8. See also N.K. Sinha: Economic History of Bengal (1956), p. 140.

of remittance.* Where revenue farming was practised, the banking houses might act as financiers of the tax-farmers.

Lastly, as a natural corollary banking houses, large and influential enough to undertake any revenue functions, would be expected to make loans to governments. These loans would be either "ways-and-means" accommodation or long-term financing of military expeditions or other ventures. In the latter contingency, the banking house would expect to be compensated by special privileges or to obtain the security of revenue collections of specific regions, etc. These remarks apply to finance of government in a large way. However, even those banking houses, as well as traders and other substantial parties, who were not connected with any aspect of government finance might be expected to and be called upon to make term loans of reasonable amounts to governments. Such loans carried interest usually at a substantial rate.**

Apart from these functions, banking houses also provided trade and other finance to private parties. European factors at most centres in India found it possible and necessary from the earliest time to borrow from time to time funds from Indian banking houses to finance their purchases.

The large banking houses would devote themselves chiefly to financial operations. However, all of them were in origin combined traders and financiers. The largest of them at all times seized opportunities of lucrative trading, and most large traders performed some of the functions of banking houses.

10. Units of Business and Formation of Capital

The unit of establishment was ordinarily everywhere the family. It was also usually the traditional Hindu joint family operating in the economic sphere on a more less uniform pattern, though the accepted legal concepts regarding the joint family were not necessarily the same all over the country. There was also the Hindu device of perpetuating

* "Under the Maratha Rule owing to the irregular manner in which their revenue was collected and the constant transfer of money to the Deccan, there was a considerable traffic in bills, hundis, which was shared by the Viramgan merchants with those of Ahmedabad." Ahmedabad Gazetteer, p. 65.

** A list giving details of the numerous loans taken by the Peshwa from 1740-41 to 1760-61 shows rates of interest varying from about twelve annas per month per cent to Rs. 2-8-0 per month per cent. The most common rate for the period after 1755 appears to be Rs. 1-2-0 per month per cent. Selections from Peshwas' Diaries: Rajaji Rajwade, Vol. II, pp. 170-180.

the family by adoption when there were no male heirs and this was widely practiced. No forms like that of a continuous joint stock venture appear to have emerged, though ad hoc or short-period partnerships for business purposes was common. At the same time the large joint family embracing many collaterals, together with the practice of adoption, secured uninterrupted operation of the individual family house or firm over generations. And such continued successful operation over generations could lead to accumulation of large resources in the hands of some individual families. Thus the fact that the unit was ordinarily that of the family does not appear to have acted as a bar against the accumulation of large resources in the hands of a single family.

This leads naturally to the question of forms of capital formation. As indicated above, the atmosphere was not favourable for continuous investment in agricultural development and there was also little connection between the agricultural economy and the urban mercantile classes. In the economy of the town the rational economic calculus held sway and for long periods of time it was possible to save considerable resources. In part these resources would be required to operate the financial, the banking and the trading system itself. The financial system specialised chiefly in money-changing and remittances of funds through Hundis, or bills of exchange. With a wide network of branches and correspondents for the remittances of funds, resources utilised in operating the system would be quite large. With delays in transportation the funds at different centres would be comparatively immobilised; therefore, there would be need of very large cash resources in the system. Money-changing was also a lucrative business but one that required large and varied resources of stocks of metallic coins. The trading ventures would also require relatively large amounts of capital in the holding of stocks and carrying them over time.

What would be the type of capital formation apart from these essentially working capital resources? It has been indicated above that the merchant traders had little connection with industry. They would undoubtedly finance artisans engaged in production of goods which the traders handled, but ordinarily they would provide loan capital and not risk capital. Therefore, accumulation of capital in hands of trader-merchants did not augment in any way resources invested in capital equipment for industrial production. The unit of industrial artisan production was the small individual workshop. It was only when the prince or powerful noble organized production chiefly for personal or official use that larger units came into being. The most important examples were the Karkhanas for the production of a variety of useful or luxury goods maintained by the Moghul Emperors.* These were maintained at Delhi as well as at centres like Lahore, Agra, Ahmedabad and Burhanpur. However, by 1750 such royal Karkhanas seem to have passed largely out of existence in North and South India. The Maratha Karkhanas were concerned chiefly with supplying military equipment such as ammunition and saddlery.

* See J. Sarkar, Mughal Administration (1924), Chap. X.

Apart from commercial and financial capital, investment by the merchant-traders would be chiefly in houses and gardens etc. and other real estate or property round the city. Thus mercantile accumulation did not affect productive activity either in agriculture or in handicraft industry. The growing fortunes of merchants of cities would be exhibited outwardly, where such outward exhibition was not considered unsafe, in such features as the rich carved frontages of merchants' houses as in Gujerat cities; or they would be exhibited in acts of religion or charity by way of building temples, tanks, Dharmashalas, etc.

On the part of the State capital formation in the public sphere during the times of certain rulers also took the form of building roads, canals, tanks and setting up, say, the postal system. However, it would appear that capital expenditure in the public sector mainly took the form in the 16th and 17th centuries of construction at very great cost of public edifices which served no real economic or social function. The mosques, mausoleums, palaces and pleasure gardens are all examples of this and the expenditure on these was overwhelmingly the most important type of capital expenditure undertaken by the State. Inevitably this tended to be concentrated at the main centres of political government or the locations or seats of powerful nobles.

It is not surprising that bullion and jewellery should play a very important part in the economic life of these centuries. They had advantages of easy concealment (which was important in times of political insecurity), of comparatively little risk of depreciation of value, and of being easy to transport. In the absence of avenues of capital investment for productive or development activities accumulation of resources in these times logically became tantamount to hoards of bullion and jewellery.

11. British and European Business

In a review of foreign modern business in India we are concerned chiefly with the activities of the British. The methods and procedures -- political and economic -- of the British in India were themselves shaped, in part, by the activities and experience in Asia of other Europeans through the previous two centuries or more, particularly those of the Portuguese, the Dutch and the French. The activities of Europeans in Asia were guided and controlled for the most part, by strong organisations which had close connections with the government of the home country. The Portuguese kings did not obtain sufficient response to their attempts at formation of companies of private traders to exploit the new opportunities of foreign trade. Hence this trade always remained a Royal Portuguese monopoly. However, from very early times officers and members of the crew were allowed some space in the ships for trading on their own account and also given a small percentage of the profits of the voyage. These privileges were later extended to port-to-port trade in Asiatic waters also. In this manner, there arose a sharp conflict of interest which presented a serious chronic problem to Portuguese Kings. A counterpart of this problem also troubled British administrators in the decades following 1750.

The Portuguese sought to establish for themselves a monopoly of trade with the East. The Muslims, chiefly Arabs, controlled Asiatic trade before the advent of the Portuguese. The Portuguese were intent on driving them out and keeping them out. This they succeeded in doing, but not content with driving out the Arabs, they insisted on maintaining the monopoly complete, not tolerating even private Portuguese traders and/or other Europeans. The desire to establish a monopoly may be taken to have arisen out of the high cost of a voyage and the great risks attendant on it. These could not be undertaken without the prospects of gains of monopoly profits; and once these were realised, their size led to efforts at making the monopoly permanent. The Portuguese, and the Dutch who came after them, both attempted to establish national monopolies of Asiatic trade. The Dutch and the English together effectively broke down the Portuguese monopoly; so that after the end of the 16th century the Portuguese no longer held even the dominant position in the trade of the Indian Ocean. The Dutch attempts at establishing a monopoly met with partial success in the area of Indonesia but could not succeed in any part of India. The English coming into the area after the Portuguese and the Dutch and having to counter the opposition, never pursued the idea of a national monopoly over an area, but even they operated with the then universally accepted idea of restricting, among the nationals of a country, the privileges of trading to a limited number of licensees.

By the 17th century the form of the main organization conducting overseas trade of European nations had become established as that of a national, chartered or privileged company. To the extent that the company was successful and its business proved profitable its monopoly might excite envy and create internal organised group opposition. The history of the opposition to the British East India Company during the seventeenth century has been summarised as follows:

"Under the first Stuarts the conflict was waged between the Company and individuals or associations licensed, in infringement of the Company's charter, by the king. Under the Commonwealth it widened into a struggle between the conservative section of the Company and a forward party within itself, but allied to the outside capitalists who claimed an open trade to India. Under the Restoration it became a war of law-suits between the Company and the independent mercantile community at large; a war only ended by the great Parliamentary amalgamation after the Revolution."*

Where the collaboration of the Government of the State with the national company was closer (as in France), the opposition might not appear as openly as in England. However, even here an element of court opposition was often present and the companies very closely associated with, or dependent on, national governments suffered the additional disadvantage of being affected by the weakness and troubles of that government.

* W.W. Hunter: A History of British India (1900), Vol. II, pp. 120-121.

The form of the organization was that of the Joint Stock Company. It is interesting to watch the evolution of the joint stock principle through the history of the East India Company. The changes in the formulation and operation of the joint stock principles were, in many instances, connected with the process of incorporating opponents and broadening the base of the organization noticed in the above paragraph. Hunter divides the early period into two. The first, from 1600 to 1612, was the period of so-called separate voyages each of which was theoretically complete in itself and was to be wound up on the return of the ships by a division of the profits. The second period, from 1612 to 1661, was known as the period of joint stocks. Each subscription was raised not for a single voyage, but for several, or to carry on the trade during a certain number of years. The idea was still present, however, that each joint stock would be wound up after a time and its profits finally divided. Operationally, the concurrent separate voyages or periodic joint voyages were made possible only through the unifying effect of the higher permanent officials of the company and by the fact that the governing bodies of the successive joint stocks and particular and general voyages consisted to a large extent of the same men and that the capital for the different ventures was in part found by the same subscribers.*

The early period was brought to an end by the settlement made by Cromwell and ratified by Charles II. Two basic changes were effected at this time. In the first instance, there emerged the idea of a united and continuous joint stock. Instead of the stock being always dissolved, after a few years a periodic appraisal of the property of the company was provided for, so that any shareholder who wished to retire might do so and receive the current value of his original subscription. But the joint stock was to continue as the common capital of the company and the money drawn out by retiring members was to be made good by any other persons who chose to join the Company. At the same time the new settlement threw open investment in the Company to the public. As a result, there were admitted not only members of the various groups who made up the old companies, their servants and apprentices, but also Merchant Adventurers and private traders in India who might be willing to join. While thus amalgamating the various conflicting interests into one permanent joint stock, the new company provided ample safeguards for its own monopoly and there was to be no mercy for the private trader whether inside the company or outside it.

The closing decades of the seventeenth century proved very prosperous for the company and after the Restoration there were renewed complaints of the Company passing into a smaller number of hands. Opposition of outside capitalists and interloper trader interests became strong enough to obtain parliamentary support for a new Company. There was a short period of bitter struggle between the two companies. This was closed by an act of amalgamation of the two brought about by

* Ibid., Vol. II, p. 181.

Government intervention and involving a substantial loan to Government. This episode helped to widen further the basis of the Company and to strengthen its capital resources. It did not, however, change in any essentials the nature of the Company as formulated in 1661 or abridge its privileges or monopoly. One of the effects of the struggle and the Amalgamation appears to have been the great diminution in importance of the interloper elements in the 18th century as compared with the 17th.

The East India Company's organisation and methods of operation around 1750 may briefly be described as follows.* The Company's business was directly supervised by the Directors, organised "in cumbersome overlapping committees." The Court of Directors was the executive body and regarding both this body and the court of proprietors we have to note the presence of a strong "shipowners interest," so that the company had become committed to a policy of hiring rather than owning the specialised ships needed for the East India trade. In spite of this conflict of interest, and the conflict of interests with company servants in India, the company made profits. Its dividends were well maintained at 7 or 8 per cent per annum and its debts at home and abroad were not unduly large.**

Coming to organisation in India, we find that in the settlements the merchant was also the administrator, but before 1750, the latter function hardly had much importance. A system of seniority (the recruitment to lower ranks was, however, governed by patronage) had become established. Individuals who came out to India served as writers for five years passed through the stages of being factors and junior merchants, each of which lasted three years, till they became senior merchants from which all top appointments were made. Salaries were very low and private trading opportunities were the main incentive to come out to India.

There were present in most important settlements a certain number of free merchants who had been allowed by the Company to come out to India and engage in private trade and a certain number of persons who had come out without permission or had come out as servants of the company and had later left the service to make their fortunes in trade. Added to these, there were the Portuguese, the Armenians, etc. who played an important part especially in the first half of the 18th century. In each area nationals of some other European countries were also active. The trade of British subjects with Europe was closely guarded by the company and only the company's ships were engaged in it. In the coastal trade in India and Asian waters also, each European company, sought to control the activities of its own nationals so that they did not conflict with the interests of the company. But the difficulties of doing this effectively were very great. In certain areas some European nations themselves operated under disabilities and handicaps; the special position of the Armenians in relation to Philippine trade based on Madras was, for example, the result of discrimination against the British in that area.

* See Holden Furber, *John Company at Work* (1948), pp. 11-15.

** *Ibid.*, p. 15.

In 1750, the number of private merchants and even of unlicensed European traders was comparatively small and in the coasting and country trade the British, though predominant, shared business with the French, the Dutch, the Danes, etc.

The trade of India with Europe grew rapidly during the first half of the 18th century. However, its character did not change in its essentials during this period. At this time as earlier, European goods were not much in demand in India. The goods imported in the largest bulk, particularly by the British, were woollen cloths for which there was at the best only a limited demand in the country. The other European goods imported were chiefly metals -- lead, iron, tin, copper and quicksilver. The difference between the values of commodity exports and of commodity imports was considerable and had to be made good by importing bullion, chiefly silver. During the first half of the 18th century, the import into India of bullion by the British rose more or less in proportion to the rise in the value of foreign trade. The imported bullion and the monies obtained by sale of goods were invested in the purchase of Indian commodities for export. The chief export from all parts of India was of handloomed cloth and next in importance were raw silk and silk piece goods. Among other commodities the most important was saltpetre, the product of Bihar and Patna, Indigo exports from India, which had been of importance in the 17th century, had slumped greatly in the opening years of the 18th century.

The main profits of the companies accrued from the enormous profit-margin that existed in the Indian and Asian exports to Europe. This margin existed in all commodities, cotton and silk piecegoods, raw silk and saltpetre. The margin of profit on the imports into India was not large; the demand for woollen cloth in India was small and the market was chronically glutted by considerable British imports. In the market for metals, there was keen competition offered by other Europeans, especially the Dutch. The Dutch exploited alternative sources of supply of metals, such as copper from Japan, tin and spelter from Malayan Peninsula. The Dutch in this had a distinct advantage over the British in the first half of the 18th century. They controlled exclusively some areas in the Southeast Asia region and also held privileged position in other areas. This enabled the Dutch to maintain a multilateral international trade and lessened the need to import bullion.* The need to reduce, if possible, the imports of bullion into India led all Europeans into exploring possibilities of inter-Asian trade. It was hoped that the profits of such inter-Asian trade, including coastal trade (or, as it was comprehensively called at this time, the "country trade") might finance in part the investment required for purchase of Indian goods. It was this country trade that was the chief sphere of operation for the European private merchants and interlopers and also for the private activities of the servants of the company.

* See K. Glaman, Dutch-Asiatic Trade (1622-1740), 1958.

The country trade of India as it existed just before 1750 has been classified into three main divisions -- Coastal, Western and Eastern. Surat and Bombay were the great commercial ports of Western India. They and the other west coast ports not only maintained a lucrative trade with the Persian and Arabian gulfs which poured large amounts of specie into India, but they also drew raw silk, piecegoods and sugar direct from ports of the Bay of Bengal. The trade with China, and the Malaya Archipelago lagged relatively behind. The East Coast of India traded, at this time, chiefly with the West Coast. Bengal had almost no contacts with ports in the China seas and the trade between the Malabar coast and China, which was chiefly in the Portuguese hands, was comparatively slight. The strong link between India and ports to the eastward was the trade between the Coromandel coast and Malaya, most of which was controlled by the Dutch, and the trade of Madras with the Philippines which was also in non-British hands.

The country trade had been growing throughout the 18th century and afforded great opportunities for the adventurous European seamen and others to gain a fortune and become owners ultimately of a "country ship" themselves. These might be interlopers or deserters from the company's ships or service. In the comparatively easygoing times before 1750, their activities were not severely frowned upon and they were not usually interfered with by the Company. This was particularly so because captains of these country ships had very important links with the servants of the East India Company in relation to their own private business deals. The position of the servants of the company vis-a-vis private trade and business is crucial to the understanding of the evolution of events and of business organization in the latter part of the 18th century.

The Company's servant was tied to his station and could contribute only in terms of finance and any privilege or prestige flowing from his position. For participating in country trade he had to enter into partnership with a private trader or a captain of a ship. In view of the long distance, the length of time taken by voyages and the constantly changing political and economic situation, the captains of ships had to be treated as partners or agents endowed with considerable discretion. The ventures were mostly in the nature of ad hoc joint-stock partnership. The conflict of the private interests of company servants with Company interests arose out of such situations as exceeding privileged cargo space and overloading Company's ships, diverting available financial resources in a centre to finance private ventures rather than the company's investment, tolerating activities of unlicensed or interloping personnel, preferring services of other European nationals, etc.

Before 1750 the servants of the company in India, were essentially merchants. They enjoyed some diplomatic status and had some occasions to have transactions with the Indian rulers and nobles. Also in the main settlements, they had begun to have a number of

administrative duties. However, they were, mainly merchants concentrating chiefly on disposing of goods received from England on the best terms to Indian merchants, utilising resources available to procure the needed supplies of Indian goods, especially those of the staple commodity in all centres (i.e. cloth).

From the beginning, private business had been allowed to the company's servants and they had even been given some privileges as that of reservation of cargo space in outgoing vessels. All of them were, in relation to the responsibilities and hardships, paid very poorly and it was understood that they could gain a competence, let alone reap a fortune, only if they engaged in private business of their own. This private business would be, in the main, only of two kinds: business connected with the privileges such as ship space that they obtained from the company, and business in which they engaged on their own in any venture in the coastal or country trade. Lucrative opportunities of profit, as through civil or military supplies or through financial or business deals with the Indian potentates, which opened after 1750, were almost never in evidence earlier.

Licensed private merchants, as well as unlicensed but tolerated, captains and owners of country trade ships, were, because of this feature of the situation, closely connected with all the senior servants of the company in a series of joint trade ventures. In a sense the total trade of the European nations, especially of the British, was thus indirectly connected with the growth of the coastal and country trade in which the main companies did not engage to any material extent. Even though the direct benefit to the company of this trade was not considerable and though it created many situations in which the interest of the company and the private interest of its servants conflicted (and the company's interest almost inevitably suffered), the total effect of the marked expansion of country trade was a greater strengthening of the economic and political position of the European nation and its nationals, and this indirectly contributed to the strength and profit of the company.

From the earliest times Europeans employed Indian brokers for business in India. Moreland notes that in the European factory records brokers are more prominent than ordinary merchants and their employment was a universal custom; and he takes it that the line dividing merchants from brokers was the possession of capital.* There are frequent references in the Surat records to the Company's brokers but it does not appear that this was necessarily a fixed or permanently closed body or group. The Europeans at Surat had dealings directly also with large merchants and for the financial accommodation they had to resort to the large Indian banking houses. The pattern evolved early at Surat was appropriate to the conditions of Europeans operating under the protection of Indian Princes in large trading centres which had a substantial Indian trading community.

* Moreland, *op. cit.*, pp. 157-158.

The position appears to have changed with the formation of their own settlements by Europeans, especially when during the course of years Indian traders found it profitable to settle in the English settlements and began to be treated as subjects of the British kings. In these settlements (such as Madras, Calcutta and Bombay) the company dealt with merchants who were residents in the settlements under them. The mode of transactions appears to be not brokerage but fixed contracts for transactions completed over a period.

The Madras records indicate the existence from almost the foundation of Fort St. George of a body of Indians called the "company's merchants." This body was a kind of continuous joint partnership with fractional shares held by individual members. The composition of the body, of course, changed from time to time but with one or two short interruptions it maintained its essential character until the abolition of the institution by Hastings in 1771.* The Company's transactions with this body of merchants covered both the sale of goods imported into India and the procurement of goods required for export from India. The "company's merchants" agreed in each separate contract, to take over (say, woollen cloth) imported into Madras during a period, at a given price and to supply bales of cloth of a given quality at stated rates. As against the contract, they appear to have obtained some advances but by and large the finance for the transactions was initially found by the Company's Indian merchants.** The Company's Indian merchants do not appear to have been in a position to lend large amounts to the Company for its investment or other needs. Such records as exist regarding loans to the company at Madras refer to loans by British, Portuguese or Armenian merchants and not by Indians.

At Calcutta, the system appears to have been somewhat different; the Company here entered into specific contracts for supply or sale of a given quantity of particular commodities with particular merchants over a given period. The merchants were collectively called Dadni merchants but the contracts were not entered into with these collectively but with each separate independent merchant. These contracts covered the sale of imported cloth as well as the procurement of supplies required by the Company such as handloom cloth, saltpetre, etc. The Dadni merchants were not only a set of local merchants as in Madras but included some of the richest merchants in Bihar and Bengal. They were thus in a position to make loans to the Company in addition to the banking houses like that of Jagat Seth which were the chief source of finance of European companies.

Madras records before 1750 already show the growing power of the Indian servants employed by the senior officials of the Company. This is brought out, for example, in the reported exactions of the Dubashes of Presidents of Madras.+ However, the Company's territories were at the

* Vestiges of Old Madras, Ed. Love, Vol. III, pp. 10-11.

** See the copy of a contract in Madras in the Olden Time (Ed. Wheeler), Vol. II, pp. 428-430

+ See Madras in the Olden Times (Ed. Wheeler), Chapters XXXII, XXXVIII and XXXIX.

time limited; their hold on the Indian merchants was not absolute. In the circumstances, abuses such as these could not go far. Also, there was no overwhelming dominance in terms of resources, etc. on the side of the company. In Bengal and Western India in particular the Company, through the size of its operations and resources, did not occupy a position much superior to that of the large Indian merchants.

Until about the middle of the 18th century, the range of contact that the Europeans had with the Indian rulers was limited. The initial purpose of such contact on the part of the Europeans was of course the obtaining of privileges, relating to settlement and to the favourable treatment on taxation, particularly customs and excise. The European factors did not usually find it very difficult to obtain reasonable treatment regarding such privileges. When the Europeans desired to make settlements of their own, they also obtained grants of land from Indian princes and a status of autonomous, if not independent, political governance of their settlements. Even this did not bring them directly into close contact with the current administrative or political life of the country. However, in troubled times, they could not entirely ignore what was happening around. The city in which their factories lay might be attacked from outside and they would find it necessary, if possible, to defend the factories. The need would arise even more strongly in the case of independent settlements. If there was disturbance or war in the country around the settlements, they might find it difficult to keep out of it. Here again, they would attempt to defend themselves where possible and would have to undertake previous necessary precautions such as fortifying the place or digging a ditch round it and they might have to do this without formal permission from the local prince. It was at this level that their contacts with Indian rulers and Indian political life necessarily became close.

They were specially involved from the beginning with another aspect: seafaring and the protection of commerce and communications at sea. The superiority of European seagoing vessels had been established for centuries. The actions of the Portuguese against the Arabs and the fights of the English and the Dutch against the Portuguese in order to establish the rights of their ships to voyage to India and to trade had fully established this position and had, in the process, created difficulties for Indian shipping. Indian shipping being the weaker was always apprehensive of the Europeans and of attacks by pirates whom the Indian authorities were themselves unable to check. Thus when Europeans had asked for privileges from the Moghul Emperor, they had been made to undertake certain responsibilities. The English, the French and the Dutch settlers in Surat had, for example, been compelled to sign a security bond for payment of the losses that might be sustained through piratical depredations in the western seas by subjects of the Moghul empire.*

The abortive attempt to wage a war on the Moghul Emperor made by the British in the last quarter of the 17th century was based on sea power. And the special responsibilities of Europeans in relation to sea commerce and sea power even before the beginning of the 18th century had obvious political overtones. The naval campaign undertaken

* See Hunter, op. cit., Vol. II, p.355.

by the British at Bombay against the Angria came earlier than the beginning of the French and British interference in the wars of the Karnatak. However, it was really this latter episode that completely changed the political relation of Europeans with Indian powers and consequently the whole pattern of the Indo-European relations.