

## CHAPTER – II

### THE ORIGIN AND GROWTH OF INDIGENOUS BANKING IN THE BARODA STATE (1800-1819)

In order to trace the origin and growth patterns of indigenous banking in the Baroda State, it is essential to understand its development in India through out its periodised history i.e. ancient, medieval and modern history. An attempt is made to be comprehend the changes in the sphere of credit and banking in western India especially Maharashtra and Gujarat.

The chapter has been divided into four sections- the first section focuses on the historical tracing of the processes of the indigenous banking from ancient to modern with special emphasis on Gujarat and Maharashtra and the Baroda State. The second section is regarding the influence of the indigenous bankers on the politics of the State from 1800-1819. The emergence of the indigenous banking families makes the third section. The fourth section highlights the various functions performed by these bankers in various capacities.

## INDIGENOUS BANKING IN INDIA

### INDIGENOUS BANKING IN ANCIENT INDIA

Banking in its present modern form appeared in India only from the middle of the 18<sup>th</sup> century. However, there were many transactions in ancient India, which may be regarded as the rudiments or forerunners of the modern banking system. The idea of an indigenous form of banking found a place with the growing importance of wealth. The earliest Hindus had recognised the value of thrift and money. In the early Vedic literature we find the cry:

*“More pleasure, more dharma and more wealth”.*<sup>1</sup>

From the Epic Age, the value of money was clearly recognised.<sup>2</sup> Wealth was considered to be essential because it supported the trade and commerce of the times. Since the trade and commerce could not be carried out without any public borrowing, there arose the necessity of money borrowing.

Banking emerged and evolved through various phases, adapting itself, to meet the increasing needs of trade and commerce. The first phase was that of the barter exchange. The second phase began with the introduction of money economy i.e. the beginning of usury, which developed through the Vedic age, and the age of Dharmashastra. These laid down the rates of interests, regulations, governing debt and mortgages. During this age,

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<sup>1</sup> B.K. Bhargava, *Indigenous Banking in Ancient and Medieval India*, Bombay, 1934, p-43.

<sup>2</sup> *Ibid.*

trade guilds, temples and village communes acted as 'bankers', and received deposits and gave loans.)

Amongst them, the most prominent were the trade guilds, in which the money was deposited by its various members.<sup>3</sup> Thus, money was lent and profits were made in such transactions. They also rendered services to people at large. The members of the guilds also were responsible to the municipal headquarters of their town and were entrusted with duties as trustees of public money.<sup>4</sup> The other function of these guild banks was to accept deposits and lend to the Royalty. According to Arthashastra, the funds were deposited by the king secretly.<sup>5</sup> Chandragupta-II is believed to have permanently deposited twenty *mohurs* in two installments.<sup>6</sup> The interest received out of these deposits was used for religious purposes and social welfare. They were not allowed to consider the interest as their income, as interest-taking was still considered a taboo. For instance, Chandragupta-II and Kumaragupta used to maintain alms houses out of the interest.<sup>7</sup>

The emergence of *vaishya* as indigenous bankers and *hundi* as an instrument of credit were two important developments in Indian banking. In the *Brihad – Anayak* Upanishad, it is laid down that Lord Brahma, not having been content with the creation of *brahmins* and *kshatriyas*, realised the necessity of creating a third caste designated as the *vaishyas*, who were ordained to earn wealth by co-operative means. The *vaishyas* were given the

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<sup>3</sup> Sushmita Sen, *Trade in Western India with special reference to Gujarat 3<sup>rd</sup> century B C to 7<sup>th</sup> century A D*, Unpublished Thesis, p-52

<sup>4</sup> Kelhorn, F., 1913, *Epigraphica India*, p – 82-86; D. N. Jha, p -84.

<sup>5</sup> Rangle. K. P., *Kautliya Arthashastra*, Bombay, 1969, p-59.

<sup>6</sup> Fleet, 1970, p- 38

<sup>7</sup> *Ibid*

title of *Ganasah* which itself meant a headman of the guild.<sup>8</sup> In the Vedic literature, the use of the word '*Shreshthi*' proves, that they were head of the economic and commercial guilds. Over the period, they were known through various names *Sheth*, *Shah*, *Shroff*, *Chetthiar*, etc.<sup>9</sup> During the Epic Period, there are various significant references which show the importance and strength of the guilds (*shrenis*).<sup>10</sup> In Arthashastra, there is a vivid mention of these guilds.<sup>11</sup> The existence of guilds in other periods can be derived from various inscriptions also.<sup>12</sup>

In the Ancient period, there was a distinct use of loan deed-form called *rnapatra* or *rnalekhya*.<sup>13</sup> This loan deed contained thorough details about the debtor, name of his father, his caste, *gotra*, residence and occupation. The details about the creditor were also equally important, along with the details of the loans like the amount of loan, rate of interest, condition of repayment, and time of repayment. The witness was called a *sakshi*. These *rnapatra* were powerful evidences to establish a claim of a creditor in the court of law. The importance of loan deeds can also be found in Dharmashastras, Arthashastra and in Buddhist sources. By the time of Atharvaveda, the term *kusida* had evolved to cover the lending of goods or capital to earn interest which may be defined as the practice of 'usury'.<sup>14</sup> This usage was established in the Satpatha Brahmana. The Baudhanayak Dharmashastra of about 5<sup>th</sup> century B. C. uses the term *Vardhusa* for usury and stated that

<sup>8</sup> *Brhad – Aanyak – Upanishad*, I, 4, 12

<sup>9</sup> *Taittiriya Brahmana*, III, 1, 4, 10 ; *Aitareya Brahmana*, III, 30, 3 ; *Kausitaki* xxviii, 6 pp – 2

<sup>10</sup> *Mahabharata*, Asarwa – Vaishakaparwa VII, 7, 8, 9

<sup>11</sup> *Arthashastra* p, 61, 66, 69, 190, 225, 253

<sup>12</sup> *Epigraphica Indica*.

<sup>13</sup> B K Bhargava, *Op cit* , p-130

<sup>14</sup> B. K. Bhargava, *Op cit* , pp-3-4.

only the members of the *vaishya varna* should lend on interest – the maximum rate being 10%. The Brahmans who practiced *vardusa* were condemned to be *sudras*.<sup>15</sup>

Another form of instrument of credit was *hundi*. A *hundi* can be defined as a written order – usually unconditional – made by one person to another for the payment, on demand or after a specified time, of a certain sum of money to a person named therein.<sup>16</sup>

There are various types of *hundis* like *Darshani*, *Muddati*, *Dhanijog*, *Shahjog*, *Firmanjog* etc.<sup>17</sup> There is a probability of *hundis* being used in the Vedic Age because of the highly organized state of business. Kautilya in his *Arthashastra* mentions *adesha* i.e., an order on a banker desiring him to pay the money of the note to a third person.<sup>18</sup>

Members of the guilds were known as *shreshthins*, who besides moneylending, also, performed other functions<sup>19</sup> like accepting deposits from other bankers. Another function, which they performed, was of the issue of metallic currency i.e., guild seal and guild coins.<sup>20</sup>

Though interest-taking was not approved of by the Brahmins, there have been references, where the rate of interest was fixed i.e., it was eight part on one kind of loan and sixteenth part on an other kind of loan.<sup>21</sup> In the Epic period, the rate of one was one-fourth of the total part.<sup>22</sup> Interest taking in the later stage was forbidden. Those who took interest were punished and a fine was levied on the banker, intermediaries and the

<sup>15</sup> R. S. Sharma, *Light on Early Indian Society and Economy*, Bombay, 1966., pp-116 & 121.

<sup>16</sup> L. C. Jain, *Indigenous Banking in India*, London, Mac Milan, 1929, p-71

<sup>17</sup> L. C. Jain, *Op cit*, p-78, B. K. Bhargava, *Op cit*, pp-149-152

<sup>18</sup> *Arthashastra*, III, 12.

witness to the transaction.<sup>23</sup> Usury to some extent was relaxed in India after the 12<sup>th</sup> century.<sup>24</sup>

The indigenous banker was also performing the function of a money-changer. The first reference to money changing is found in the works of Manu.<sup>25</sup> In the Vinaya Pittaka, there is a mention of money changing.<sup>26</sup>

Manu's book gives a view of account-keeping of the bankers. Each type of income, advance and expenditure was differentiated and was recorded separately in the books of accounts. The income was called *Aaya* and the expenditure was called *vyavasaya*. The amazing account of trade left by an anonymous author in 'Periplus of the Erythrean Sea', suggests that trade could not be carried out without a proper system of accounting.<sup>27</sup> In Kautilya's Arthashastra, the accounts department (*akshapatal*) was constructed and was to be placed under an Accountant General (*gadnichakya*) who was to scrutinize the accounts of bankers.<sup>28</sup>

State control on banking system cannot be traced earlier than Manu's times. In the Mahabharata, the State assumes the control of the banks. During the Shastric period, the necessity of bringing more control was felt and a law was made to regulate the business

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<sup>19</sup> B. K. Bhargava, *Op. cit.*, p- 5

<sup>20</sup> *Ibid* , p-53.

<sup>21</sup> B. K. Bhargava, p-98.

<sup>22</sup> *Ibid.*, p-99.

<sup>23</sup> *Ibid.*, p-100

<sup>24</sup> *Ibid* , p-103

<sup>25</sup> *Ibid.*, p-153

<sup>26</sup> *Ibid* , p -153

<sup>27</sup> *Ibid.*, p-165

of banking, fixing the rate of interest, making rules for mortgages, pledges and deposits. In addition to this, the bankers were subjected to pay certain taxes. Hence, banking emerged as a profession and the bankers had to obtain the royal warrant. Kautilya also mentions State control on this profession.<sup>29</sup> The State in turn had responsibility towards these bankers. According to *Rig Veda* (x, 135-1) the king was called “*vispatih pita*”, meaning the protector of the Vaishyas.<sup>30</sup>

A problem emerged in the ruler banker nexus over usury. The antagonistic attitude to usury in the early Brahmanical texts seems to have reflected a desire of the early Aryans kings to circumscribe the power of the mercantile class. This power in the economic life of the State systems was being forged at that time. The kings aimed at a high degree of centralization of power.<sup>31</sup> Kosambi uses Arthashastra (Chandragupta Mauryas time 300 B.C.) The State maintained its own storehouse and collected a share of harvest and other products directly from the peasants. There may have been rich *vaniks* involved in trade and commerce, whom, the State appeared to have prevented from having extensive dealings with the peasantry.<sup>32</sup> But the succeeding Mauryan rulers, who had extended their kingdom by conquering independent clan groups, felt the necessity to give greater freedom to the *vaniks* to deal with these communities. The growing social importance of usury and usurers during the Gupta period is reflected in the tenets on usury set out in the

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<sup>28</sup> *Arthashastra*, ii, iii, and x

<sup>29</sup> B K Bhargava *Op cit*, p- 225.

<sup>30</sup> *Ibid.*, p-224

<sup>31</sup> David Hardiman, *Feeding the Baniya*, OUP, 1996, pp- 13-14.

<sup>32</sup> D. D. Kosambi, *An Introduction to the study of Indian History*, Bombay, 1956

Manusmriti. The principle of interest rates being determined by one's position in the hierarchy of the *varna* proved to be a durable one, lasting into the modern times.<sup>33</sup>

During the period of reassertion of Brahmanism against Buddhism, an alternative system of usury by Brahmans seems to have evolved. There is evidence from South India that temples controlled by Brahmins became important centres for rural credit.<sup>34</sup> Inscriptions record the granting of loans to the assemblies of landowners in particular villages, in return for quantities of goods. If payments were not forthcoming the temple could take over the direct management of land and appropriate most of the peasant's surplus. Temples regularly loaned out cash for mortgage with possession, and invested in irrigation and land improvement.<sup>35</sup> In one case, a deed of 1212 A.D. shows, the head of a Vaishnavite temple accepting the mortgage of a village in return for a loan and being allowed to collect the taxes of the village so long as the debt remained uncleared.<sup>36</sup>

The entry of Brahmins into usury on a large scale had to be accommodated in their scripture. Interpolations were added to the texts of Gautama, considered to be one of the earliest lawgivers, which stated that a Brahman should be allowed to practice *kusida* so long as he did not indulge in it directly. Medhatithi writing in the 9<sup>th</sup> century stated that the God Vasishta who was free from the weakness of greed, accepted interest-taking at such a rate as not considered to be tainted by the sin of greed. The *Garuda Purana* of the

<sup>33</sup> *The Laws of Manu*, translated by W. Domger, B. Smith, Harmondsworth, 1990, 1, 90, p-13 B C , X, 117, p-249, XI, 62, p-257, VIII, 142, p-167  
117, p-249, XI, 62, P-257, VIII, 142, p-167

<sup>34</sup> David Hardiman, p-17.

<sup>35</sup> David Ludden, *Peasant History in South India*, Princeton, 1985, pp- 33-34.

<sup>36</sup> R S Sharma, *Light on Early Society and Economy*, p-136.



12<sup>th</sup> century praised usury in eloquent terms as a means of subsistence permitted to Brahmins, with all the sins, interest taking activity, being absolved through correct *puja*.<sup>37</sup>

The above account proves the prevalence of 'banking' in form of usury in the earlier times. In the medieval age it appears to have evolved into an institutional form.

### **INDIGENOUS BANKING IN MEDIEVAL INDIA**

Indigenous banking in the medieval age can be traced from the Gupta age, as, in this age, due to the flourishing trade, the banking activities also gained momentum. Guilds continued as the major institution.<sup>38</sup> Besides guilds, Buddhist *sangha* in certain areas acted as the banker and loaned money on interest, perhaps, the close association of *sangha* with mercantile community, must have encouraged this practice. The rate of interest on loans varied according to the purpose for which money was required. The average rate was 20% p. a as against 40% of the earlier period. Interest could exceed the legal rate provided both parties agreed, but it could seldom be permitted to exceed the principal (in total) amount.

In the 6<sup>th</sup> century A.D. the decline of the Gupta Empire had resulted in a growing political confusion, which resulted in an endemic warfare between rival dynasties. With the fragmentation of power the volume of trade diminished. The monetary economy contracted. Gold coins were not issued and even the silver and copper coinages were

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<sup>37</sup> *Ibid.*, p-119-120 ; Charles Malamond, *The Theology of Debt in Brahmanism*, p-39.

<sup>38</sup> Romila Thapar, *A History of India*, Vol-1, Penguin Books 1992, p-147.

scarce and poor. This was because precious metals were either hoarded or employed in the adornment of religious establishments or palaces. The trade guilds which were such a prominent feature of Indian society declined and in some cases vanished from history.

Indigenous banking in medieval India regained its importance after the 12<sup>th</sup> century. The members of *Suvarnavanik* caste attained prominence in Bengal as wealthy bankers. In Northern India, the firm of Nalapuries of Rewari was considered to be the richest. The functions of the local bankers increased in scope and activity. A newly evolved function of a banker was that of the *modis* or rations suppliers to the army (especially Mughal army) and he moved with them from place to place.<sup>39</sup> These bankers usually had their agents in various centres, which would ensure the constant supply of money to meet the requirements of the army. This enabled the bankers to seek opportunity elsewhere and to spread its branches. For example, Maharaja Mansinghji of Jaipur, on his conquest of Bengal took with him three big bankers of Oswal community. They settled at Dacca, Bhagalpur and Morshidabad. They rose to an eminent position and one of them rose to take up the title of Jagatsheth. Among others, who rose to prominence in the medieval period were Devidas, Seth Harsukhrai, Veerji Vora, Shantidas Jhaveri, Jagatsheth Alamchand etc. The wealth of these merchants was derived mainly from trade (inland & foreign). Links with political authorities as financiers and tax farmers could be an important source of capital accumulation, especially in the 18<sup>th</sup> Century, for e.g. Hiranand Sahu a Marwari banker from Amber came to Bihar in the 17<sup>th</sup> Century.

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<sup>39</sup> B. K. Bhargava., *Op. cit* , p-29.

The main function of the indigenous banker was to issue *hundis*. The business of discounting and promissory notes became one of the principal businesses of indigenous bankers during the medieval period. They discounted *hundis* and *rukks* and *purjas* and used to charge a certain rate of discount on the '*hundi bechan*' and a certain charge on '*hundi sikrai*'. The rate of discount was known as *hundawan*.<sup>40</sup> . The *hundis* were in general use and were freely accepted and negotiated. They were divided into different kinds. The rate of exchange of *hundis* depended upon the distance to quite an extent. For example when the *hundi* was drawn at Lahore on Surat, the rate of exchange went as high as 6 ¼, at Agra from 4 ¼ to 5%, at Ahmedabad 1-1 ½% at Sironj 3%, at Burhanpur 2 ½ to 3% at Dacca 10%, at Patna 7-8% and at Benaras upto 6%. The Indian bankers issued bills of exchange on foreign countries also which gets clear from the testimony of Tavernier.<sup>41</sup> The rate of exchange was high because, Indian bankers found it difficult to finance seafaring trade, as the risk factor was pretty high. The rate of exchange for the *hundis* varied according to the place. Tavernier described that for the *hundis* drawn at Lahore on Surat, the exchange rate goes as high as 6 ¼ %, At Agra from 4 ¼ % to 5%, at Ahmedabad from 1% to 1 ½ %.<sup>42</sup>

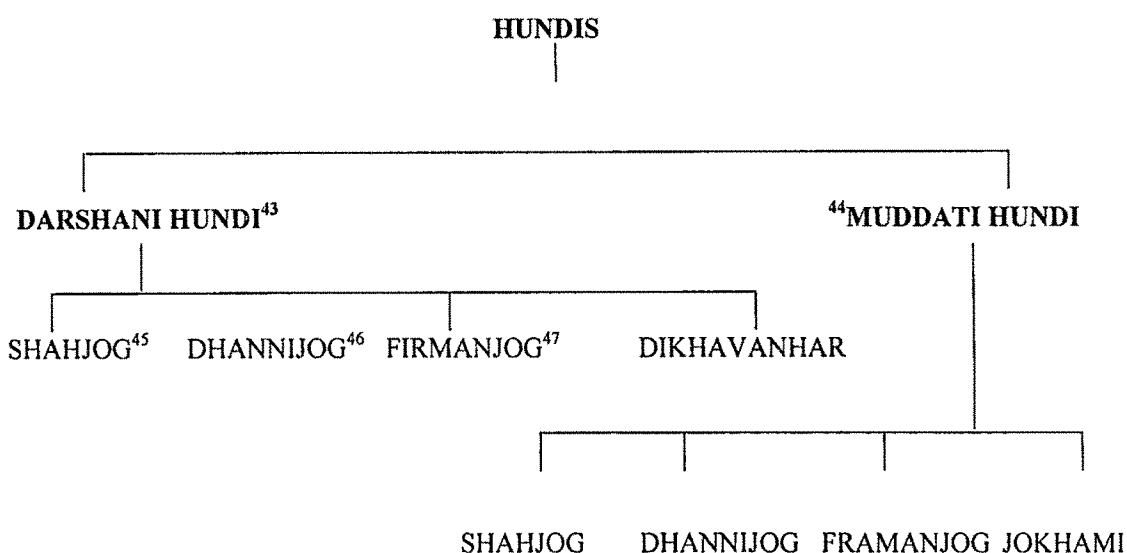
The type of *hundis* used in the medieval period were

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<sup>40</sup> J V Ball, *Travels of J B Tavernier*, Vol 1, p- 36

<sup>41</sup> *Ibid* , p-38.

<sup>42</sup> *Ibid* , p-185.



<sup>43</sup> Note. This is a demand bill of exchange and is payable on presentation according to the usage and custom of the place. *Darshani hundi* are of four kinds- *Shahjog*, *Dhanni-jog*, *Firman jog* and, *Dekhanvar hundi* : The *dekhanvar hundi* is a bearer demand bill of exchange and is payable to anybody presenting it to the drawer

<sup>44</sup> Note. This was payable after stipulated time. They are of four kinds, out of which the three kinds of *muddati hundis* are same as *darshani hundis* The fourth type i.e. the *jokhami hundi* was in use to a very large extent in medieval period. This *hundi* is to cover the risk factor i.e. the payment of a *jokhami hundi* depends on the safe arrival of the goods for the payment of which the *hundi* relates

<sup>45</sup> Note. A *shahjog hundi* is only payable to a *sak* or a respectable person. This *hundi* is non transferable

<sup>46</sup> Note. A *dhannijog hundi* is only payable to the payee. This is also not negotiable.

<sup>47</sup> Note. This type of *hundi* came into existence with the consolidation of Delhi sultanate and later Mughal rule. These *hundis* are payable to the order of the person named. These *hundis* can be negotiated with a simple or conditional endorsement.

Besides these, there were *bahis*, there was also an account book known as *khata*. Here the withdrawals were permitted as often as the depositors desired and interest on the balances was allowed at an agreed rate. The statement of affairs which the bankers periodically prepared, in order to ascertain the loss or gain they had made during a certain period was known as *ankada*. This was prepared generally on the day of Diwali. The indigenous bankers used *bahi khata*s to maintain accounts. There were various types of *bahi bhatas* like, *Rokar bahi*<sup>48</sup>, *khata bahi*,<sup>49</sup> *nakal bahi*,<sup>50</sup> *amanat bahi*,<sup>51</sup> *adangat bahi*.<sup>52</sup>

During the reign of Akbar, banking and specially the lending of credit, in the 16<sup>th</sup> century, was mostly done through *hundis* or the bills of exchange. According to Abul Fazal,

*"When any one wishes to transmit money to a distant place, without undertaking the risk of journey and money and the expenses of conveyance, he delivers the money to a*

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<sup>48</sup> Note *Rokar Bahi* was the cash book in which daily transactions were recorded there were three types of *rokar bahi*, *pakki* & *kacchi*.

<sup>49</sup> Note This was the ledger book and daily transactions were posted in the account of the person concerned. Hence it maintained the consolidated account.

<sup>50</sup> Note This is used like the cash book for all transfer entries. But it's mostly used if any account is lost.

<sup>51</sup> Note: When the valuables are kept with the bankers, they give a receipt to the depositor mentioning in it the particulars of the deposits, but if the valuables are in a sealed packet, the weight and description of the packet are only written. The banker then makes an entry in his *bahi* reserved specially for the purpose, which they call *amanat bahi*.

<sup>52</sup> Note When a person takes a loan from a banker either on the mortgage of immovable property or on the pledge of movable property, the bankers require him to.

*financier (kowastadar) The latter gives him a written paper. which he draws on the place desired; and there he does the withdrawal, hands over the money upon return of that hand written paper. Wonderful is that no seal or witness is required. That document they all know by the said name (hundi). In accordance with place and time, on occasions the payment is made at par while no other gains accrues to one of the five parties "*

In other words depending upon the stream of remittances and reverse remittances between any two places, a *hundi*, drawn at one place upon the other, might carry a premium or a discount.<sup>53</sup>

In the medieval period there emerged *sarrafs*, who specialised in issuing *hundis*, to enable remittances to be made. As *hundi* was a negotiable document usually transferred at a small discount. It was thus convertible from a remittance into an instrument of credit. Therefore the *sarrafs* specialised not only in issuing of *hundis*, but also discounting them.<sup>54</sup> The extensive internal trade and commerce carried in out the medieval India had enhanced this function of the *sarrafs*. Therefore there stayed a single exchange rate throughout the medieval times. The rates of exchange between any two places were likely to be determined by the total 'balances' of payments of each place.

Throughout the 17<sup>th</sup> century, India enjoyed an immensely favourable balance of trade with Europe and the Middle East, as a result of which silver and gold accumulated at the

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<sup>53</sup> Satish Chandra (ed) *Essays in Medieval Indian Economic History*, Munshiram Manoharlal Publishers Ltd. 1987; Irfan Habib, *The system of Bills of Exchange (Hundis) in the Mughal Empire*, pp-207-08.

ports, and after being minted, had to be continuously transported inland. Remittances from the ports to inland, therefore, always involved less by exchange for the remitters (and a corresponding gain for the drawers). Since the English were almost invariably in the position of remitters, in this direction, they suffered a constant loss.

The rate of discount / premium on a *hundi* was determined partly by the real rate of exchange (which was dependent upon the balance of payments between the places of issue and maturity), partly it was determined by the rate of interest for the period between its issue and resumption.) There was another reason for the widespread use of hundis i.e. “scarcity of cash’ (*kami-i-zar*), which originated from the fluctuation in mints<sup>55</sup>

The transfer of very large sums by *hundis* attest to the vast volume of money carried by *hundis*, for obviously a single large transaction in one direction did not imply a converse transaction in the other, but a stream of transactions. Perhaps, the extent of the use of the *hundis* can be seen in case of Aurangzeb, when he transferred vast amounts of the accumulated treasure at Akbarnagar and Bihar amounting to 80 or 90 lakhs to the imperial camp in the Deccan through *hundis*,

*“In future the surpluses in the treasury were to be sent partly by  
hundis and partly on carts”.*<sup>56</sup>

Due to the regional variance, many coins were prevalent in the money economy of medieval age. There were different qualities and types of coinage, for instance; there was

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<sup>54</sup> *Ibid* ,

<sup>55</sup> *Ibid* , p-217

a Surat rupee, a quality coin for interregional commercial transactions, but also the less pure *mahmudi* besides the other local coins. A non-metallic money medium was also imported for smaller transactions like *badam* from Persia. In the latter half of the 18<sup>th</sup> century, the number of mints, supplying coins increased dramatically.<sup>57</sup>

High quality coinages were generally contracted out to professional managers, but the regimes maintained a degree of supervision over the quality of output, forcing mints to suspend production, when issues fell below standard. In certain cases rationalizing too scattered and private production of important coin types, and closing older obsolete units in favours of the new more rigorous centres of the later 18<sup>th</sup> century. The remarkable feature is the role of merchants and bankers in many mints specially those issuing high quality coins. The Pratapgurhs mints, the Murshidabad mints are a significant example of merchant producing gimcrack rupees which they in the first place had been responsible for establishing. The various mints of the European companies are further examples producing coinages of all qualities and following Indian models. The political decentralization of the 18<sup>th</sup> century, the development of new relations of private property, extensive monetization and the circulation of coin in small country markets, and the local courts to realize the *varats* (assignment on their treasuries) and *hundis*, payment of salaries to local garrisons house servants, craftsmen and shop keepers are an essential context for this localized production network.

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<sup>56</sup> *ibid.*, p-218.

<sup>57</sup> *ibid.* ; Frank Perlin , *Mint-technology and Mint-output in an Age of growing commercialization*, pp-292-293



With the prevalence of various coins in the medieval age, there arose the difficulty of their acceptance. The indigenous bankers took up the task of changing the not in use coins into current coins which gave rise to the occupation of money changing. Abul Fazal while describing the system of coinage in Akbar's time refers to a class of men called *sarraf* who became coin experts and could determine the degree of purity of the coins. The *sarrafs* of the mint, to whom the importer of bullion went to have the Mughal rupees coined, were men of great significance. In theory, the Mughal mint was accessible to every one; a *darogha* supervised its operations and nominal collection charges made for its use. In practice, only the rich and regular importers were often accessed. The actual running of the mint was in the hands of the *sarrafs* who farmed the minting rights. In the 18<sup>th</sup> century Surat, importers dealt with the *sarrafs* and made terms afresh for every transaction, the *sarrafs* charged him for the mint time, which could be as long as six minutes.<sup>58</sup>

The 18<sup>th</sup> century was the century of transition. The practices followed by the indigenous bankers remained the same, yet their usages changed, i.e., from financing the trade and commerce, the bankers utilised their capital to fund the growing needs of the 'peripheral' powers. Thus, giving way to an establishment of a nexus between independent states and 'the great firms', after the decline of the Mughal Empire.

The 'peripheral' powers, after breaking away from the centre, utilised the capital of the indigenous bankers to the maximum, to set up an administrative machinery. This resulted

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<sup>58</sup> The CEHI- Vol-I, A. Dasgupta – Indian Merchants & Trade in the Indian Ocean, p- 20.

in the bankers obtaining unprecedented political as well as economic influence. However, the arrival of the British as a central authority changed the situation. They had introduced new forms of progressive institutions in areas under their control, which swept away the then prevalent establishments. Modern banks were established in various parts of British India, which led to a gradual decline in indigenous banking. The following section gives a brief account of the origin of the modern banks in the various parts of British India.

### **MODERN BANKING**

The origins of modern banking in India began with the establishment of European Agency Houses of Bombay and Calcutta. These were primarily trading concerns that had branched out into banking as a sideline to facilitate the operations of their main business. As bankers the agency houses accepted deposits, advanced loans to planters & others on mortgages of ship, indigo factories etc and issued a substantial volume of notes.<sup>59</sup> For a historical purpose, its growth can be adequately detailed in the following manner:-

- 1) Presidency Banks (quasi – official) which were later amalgamated into the Imperial Bank of India.
- 2) Indian Joint Stock Banks
- 3) Exchange banks
- 4) Central Banking
- 5) State Bank of India
- 6) Non-institutional finance & Cooperative Banks.

### 1) The Presidency Banks & the Imperial Bank of India

**The Presidency Banks<sup>60</sup>** :They were incorporated under Charters from the respective local governments which contributed a portion of their capital and appointed their own nominees on the boards: Up to 1857 the offices of the secretary and the treasurer were usually held by a converted civilian official of the East India Company.

**Bank of Bengal:** This bank was the oldest and the most powerful of the lot. It was originally established as Bank of Calcutta in 1906 by a Charter of East India Company, which also subscribed a 1/5 of its total capital of Rs. 5 million.

**Bank of Bombay:** The Bank of Bombay was established in 1840 on a similar Charter of the East India Company with the capital Rs. 5.2 million, of which Rs. 3,00,000/- was subscribed by the Government. It came to grief in 1868, as a direct result of its involvement in the fringed share speculation in Bombay, due to the effect of the American Civil War and a resultant raw-cotton famine. In 1868 itself, a second Bank of Bombay was established with a capital of Rs. 10 million.<sup>61</sup>

**Bank of Madras:** The Bank of Madras was opened in 1843 with a capital Rs. 3 million, of which the East India Company subscribed Rs. 3,00,000/-. Due to their official connection they enjoyed certain privileges, such as a monopoly of government banking business.

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<sup>59</sup> Dharma Kumar (ed), *The Cambridge Economic History of India*, Vol-II, 1984, Delhi, pp- 775-76.

<sup>60</sup> *Ibid* , pp- 776-779

In 1861, the Government passed the Paper Currency Act and established a government monopoly of note issue. Till then, the Presidency Banks continued to manage the issue of new Government notes as agents of government. As a compensation for the loss of their note-issue privileges, the Presidency banks also were entrusted with the use and management of interest free government balance and the management of public debt.<sup>62</sup>

These banks were reconstituted under the Presidency Banks Act of 1876. Following this, the Government of India established its own reserve treasuries in Presidency towns. Only small working balances were fixed to meet day to day requirements, in the district and *taluka* treasuries. They were prohibited from dealing in foreign exchange, except banks of Madras with Ceylon. These banks steadily grew as evidenced by the expansion of their private deposits especially, before 1914-18.<sup>63</sup>

**Imperial Bank of India:** The three Presidency Banks were amalgamated by a Statute (1920) into the Imperial Bank of India (1921) as a Joint Stock concern (authorized capital 11.25 crore, of which half was paid up, and the other half was a reserve liability of its shareholders). It was required to open 100 branches within five years of its establishment. This Imperial Bank Act (1920), followed the Presidency Bank Act 1876, broadly retained the restrictions on its ordinary commercial banking business. It continued to function until July 1, 1955, when it was converted into the State Bank of India, by the S. B. I Act

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<sup>61</sup> *Ibid.*, p-776

<sup>62</sup> Charles Cooke, *Rise, Progress and Present Conditions of Banking in India*, London, 1863, p-67.

<sup>63</sup> Dharma Kumar, pp-790-791

of 1955. Banks in Bombay, Calcutta and Madras were retained. But the general support of affairs and business and the control were in the hands of a Central Board. It acted as the sole banker to the Government as a banker's bank until 1938. The Government could issue instructions in any vital matter which concerned its financial policy or the safety of its cash balances or acquire some information regarding its affairs or produce any of its documents (this control was given up often 1935) Until 1935 it was the custodian of Government funds and did their treasury work free of charge. It had two basic lending rates:-

1. Bank rate – for loans against govt. securities.
2. *Hundi* rate – for discount and rediscount of first<sup>1</sup> class commercial bills of not more than 3 months. This rate tended to be generally equal to or a little higher than the bank rate, which during the busy season went up to 7 or 8%.

This bank was the subject of considerable criticism on the grounds:

- (a) Large proportion of its paid up capital was held by non-Indians.
- (b) Their superior staffs were largely non-Indian.
- (c) Unsympathetic to the heads of Indian business and overly partial to European interests.

They were gradually removed.

After the passing of the Reserve Bank of India Act (1934), it ceased to be bank of the Government, except in areas where there was no branch of the Banking Department of

R.B.I. (It's I.B.I Act of 1920 was amended in 1934). Besides the changes in its constitution and modification of government control over it, the Bank was allowed to engage directly in foreign exchange business.

Historically, the I.B.I by virtue of its size, which accounted for about 1/3<sup>rd</sup> of commercial bank deposits in India, functioned as the price leader in the oligopolistic structure of Indian commercial banking.

## **2) Indian Joint Stock Banks <sup>64</sup>**

Even after the legal recognition of Limited liability in 1960, the progress of Indian Joint Stock banking till about 1900 was disappointingly slow. The speculative boom in cotton trade during the American Civil War witnessed an extraordinary floatation of as much as 25 banks in a short space of three years, i.e. 1863-5. During the subsequent collapse of the boom, aggravated by the fall in the price of silver, most of these banks went into liquidation and in 1970, there were only two Indian Joint Stock Banks, with capital and reserve of Rs. 5,00,000 or more. By 1900, the number increased to nine, the most important ones being: The Allahabad Bank (established in 1865); the Allian Bank of Simla (1874, grieyed on 27 April 1923 with 36 branches)

The Swadeshi Movement of 1906, with its upsurge of Indian economic nationalism gave a tremendous impetus to Indian banks till about 1913 for example the Bank of India Ltd.,

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<sup>64</sup> *Ibid* , pp-779-782

the Indian Bank Ltd., the Central Bank of India Ltd., The Bank of Baroda and The Bank of Mysore continued to prosper.

### **3) Exchange Banks <sup>65</sup>**

In addition to the banks established in India under the Charters of the East India Company, the Acts of Indian Legislature, a number of Foreign banks with head offices abroad carried on business in India through their branches. These were known as Exchange Banks. Since India's foreign trade (bulk) was with or via England, it was natural that banks should be established in London to transact exchange business with India.

Until 1853 the East India Company, supported by its Agency Houses, succeeded in preventing the establishments of such banks. For, by doing business with India, the Company and Houses were afraid that these banks could profit at their expense from their annual remittances for home expenditure and other exchange transactions.

The legal bar imposed on the Presidency Banks and later on the Imperial Bank of India until 1935, on participation in foreign exchange business, conferred a position of near monopoly in the field on Exchange banks. The first Indian Exchange Bank, i.e. the Central Exchange Bank of India was opened in London, under the aegis of The Central Bank of India which was later merged with Barclays Bank, London in 1938.

Historically, Exchange Banks have comprised two broad groups:

- (a) Well-known British Banks such as Chartered Bank of India, Australia & China (1853), the National Bank of India (1863), the Hongkong & Shanghai Banking Corporation (1864) the Mercantile Bank of India (1893), & the Eastern Bank (1910).
- (b) The second group were banks which specialized in the trade of their respective countries with India like the Comptoir National d'Encompte' de Paris (French), The Yokohama Specie Bank (Japan), the Deutsche – Asiatizche Bank (Germany), the International Banking Corporation (America) & the Russo-Asiatic Bank (Russian)

The main business of these banks was to finance the foreign trade of India.

#### **4) Central banking <sup>66</sup>**

Central Banking in India began with the passing of the R.B.I Act on March 9, 1934, which went into operation on April 1, 1935. But the concept of central banking can be traced back as far as, January 1773, when Warren Hastings, Governor of Bengal submitted to the Board of Revenue, of East India Company, a 'Plan' for a General Bank in Bengal and Bihar, which at that time were the main British territories in India. The 'General Bank' was set up in April 1773 as a private Corporation under the aegis of the East India Company with two chief offices at Calcutta and Murshidabad. It had fourteen branches and few sub-agencies. The managers were Baboo Hazurimull of Calcutta and Roy Dalchand of Murshidabad (both indigenous bankers). This bank was closed two

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<sup>65</sup> *Ibid.*, pp-782 to 784.

<sup>66</sup> *Ibid* , pp-784-796.



years later, on Feb 15, 1775, not because of economic shortcomings (it had earned a handsome profit, half of which was taken by the Government), but because of lack cooperation from district collectors and courts, as well as opposition from moneylenders, whose business, was doubtlessly affected by this bank.

The most intriguing aspect of the evolution of central banking in India is why despite a very lively awareness in the high quarters of the case of a central bank; so much time elapsed before it became a working reality. The reason could be:

- (a) For a long time, questions related to currency standards and the rate of exchange reserves were regarded far more basic than that of a central bank.
- (b) As long as the interconnections between currency commercial and central banking were not fully grasped, a full-fledged central bank was not possible.
- (c) There was a complex interplay of politics, personalities, ideas and events.

Therefore, modern banking was basically an interrelationship of the bank and the Government, be it the Government of India or the East India Company. It was extremely difficult for the locals to set up a bank on western lines i.e., a modern bank. It was only in the 20<sup>th</sup> century that it was possible for the Indians to take up their financial issues in their own hands.

The cycle to understand the growth of the banking process in India gets more or less complete with the establishment of modern banks.

However at micro-level, to understand these very shifting trends and the resultant growth, it becomes necessary to understand the process of indigenous banking in western India, specifically in Maharashtra and Gujarat.

### **BUSINESS AND BANKING IN GUJARAT**

The history of the indigenous banking can be said to have begun when it structured itself and involved into an important profession, directly related to State formations. In Gujarat, these powerful state formations had developed under the Rajput rulers, which went hand in hand with a reassertion of the power of the mercantile communities.<sup>67</sup>

From the 10<sup>th</sup> century onwards, with the emergence of Cambay as the leading entry port, there was a revival in trade and other related activities. The Rajput States had thrived on the transit duties from trade. For instance, the Solankis of Gujarat (941-1215) had ruled from Patan, an urban centre, which was on the trade route of Cambay to northern India.<sup>68</sup> Perhaps, the flourishing trade had enabled the traders and merchants to rise to important positions as prominent servants of the State, i.e. *vanias* unhesitantly began to perform the roles of generals and ministers. There was an expansion of agriculture and the development of irrigation facilities around the urban centres. To facilitate irrigation, a large number of *vapis* (step wells) were constructed by the kings, nobles and even the

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<sup>67</sup> David Hardiman, p-18

<sup>68</sup> A K Forbes, *Ras Mala or Hindoo Annals of the Province of Goozerat in Western India*, London, 1878, p-192

merchants.<sup>69</sup> A considerable outlay of capital was required to dig a well, which could be utilized only out of credit. Therefore, the use of credit was considered to be regular. This credit could be provided by a ruler or any other person owning capital. As rural usury was not the monopoly of one group, even the Brahmins were also believed to have practiced it.<sup>70</sup>

The post 10<sup>th</sup> century, in addition to the credit laws in general, reveals new tendencies such as wide prevalence of pledges in the form of land, cattle and house for raising loans, a system of sub-mortgage, a higher rate of interest charged from traders, and greater facility to creditors for recovery of loans etc.<sup>71</sup> As far as deposits were concerned, apart from the temple treasuries, there had existed a class of professional merchants who received deposits with or without the promise of paying the interest to the depositor.<sup>72</sup>

The brisk commercial activity in western India during the post 10<sup>th</sup> century period led to the emergence of a prosperous and powerful class of merchants, which on account of its opulence, tended to dominate the political, social and economic fabric of the region. These merchants attained a status as high as that of Brahmins in learning and politics, and as that of Kshatriyas in military experience.<sup>73</sup>

The next major development regarding credit and banking in western India appears to have occurred in the 14<sup>th</sup> and 15<sup>th</sup> centuries, with the forging of a more centralised system

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<sup>69</sup> V.K.Jain, *Trade and Traders in Western India*, Munshiram Manoharlal publishers 1990, pp-27-28.

<sup>70</sup> David Hardiman, *Op. cit.*, p-19.

<sup>71</sup> V.K.Jain, *Op cit* , p-191

of State control. These processes were initiated in India by Alauddin Khilji at the turn of the 13<sup>th</sup> and 14<sup>th</sup> centuries. He forced the peasants to sell their grain to merchants, immediately after the harvest at prices fixed by the State. The system was extended to Gujarat by Muhammad Tugluq (1325-1351). He is believed to have arranged for pre-harvest loans to be given to the peasants, probably through the local merchants.<sup>74</sup>

Under the Gujarat Sultans, the power of the State was imposed on a far more extensive scale, over a wider area. Hence, the local merchants, with their backing, were able to extend their private business in rural areas. Under the Sultans, a centralised system of rule was made possible through the development of an efficient army, a tax collecting bureaucracy, a great extended system of banking, credit and accountancy, and a growing use of paper for record-keeping. An important figure in this new State system was the small banker - the *sahukar*, who dealt directly with the peasants.<sup>75</sup> He was the crucial link between the peasantry (village) and the town. This capital was borrowed from big urban merchant capitalists and advanced to the peasants, who were able to pay taxes. Sometimes, *sahukars* directly paid taxes as they managed the financial affairs of the peasants, especially of the Kanbis.

Moreover, the ever-growing demand for the agricultural products by the expanding towns and foreign trade was supplied through the merchant-capital. Merchant kings of Cambay commanded fleets of ships which carried the products of western India to Arabia, East

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<sup>72</sup> *Ibid.*, p-197

<sup>73</sup> *Ibid.*, p-209

Africa, Bengal and South-East Asia. They maintained a strong control over both, the production and the producers, by paying them in the form of foodstuffs and grain instead of wages.<sup>76</sup> Other exports from Gujarat included, rice and other food grains, as well as luxury goods like teak furniture, weapons and jewellery.<sup>77</sup>

These processes were taken a stage further, under the Mughals, who brought Gujarat under their rule in 1573, which then became a province (*suba*) of the Mughal Empire, with its provincial capital at Ahmedabad. The Mughals encouraged the practice of trade and credit in their regions. The new State bureaucracies were dominated by *vanias*. They were favoured for their literacy and accounting skills, and also because they did not have any family ties with the aristocratic nobles.

The prevalence of money and credit in Mughal Gujarat is reflected through the coins and mints. During the time of the Gujarat Sultans, the coinage was of religious nature having the Sultan's titles on both faces of the coin along with details of the mint and date. Ahmedabad had become the greatest mint of the Empire in very a short time. The silver rupees of Ahmedabad predominated in mixed hordes of Akbar's silver. The complete

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<sup>74</sup> Irfan Habib, 'Northern India under the Sultanate: Agrarian Economy', in Tapan Ray Chaudhary and I. Habib (ed.), *The Cambridge Economic History of India*, Vol-1, Cambridge, 1982, pp-54 & 63-65.

<sup>75</sup> David Hardiman, *Op cit.*, pp-20-21.

<sup>76</sup> Surendra Gopal, *Commerce and Crafts in Gujarat: 16<sup>th</sup> and 17<sup>th</sup> centuries*, New Delhi, 1975, pp-229-235.

<sup>77</sup> M.N. Pearson, *Merchants and Rulers in Gujarat: the Response to the Portuguese in the 16<sup>th</sup> Century*, Berkeley, 1976, pp-8-20.

integration of Gujarat into the Mughal monetary realm, at a stroke, had reflected careful arrangements for the imposition of Mughal administrative forms in the province.<sup>78</sup>

Due to a lack of information it is difficult to say what changes came about in the processes of indigenous banking, by the inclusion of Gujarat in Akbar's Empire. The problem of integration of markets was still to be solved.<sup>79</sup> However, the system of *hundis*, followed in the rest of India, was brought into application in Gujarat, as well.

The most important development in the urban history of Gujarat was the rise of Surat as the foremost trading centre for India. The mercantile society in the port of Surat was diverse. The Surat entrepreneurs came from traditional business communities wherein the Muslims were the major shippers, while Hindus dominated the banking sector along with the Parsis. In Surat, by the 17<sup>th</sup> century, Virji Vohra, had emerged as an undisputed leader of the business community, without being formally acknowledged. Similarly, Shantidas Jhaveri was the head of the mercantile community at Ahmedabad.<sup>80</sup>

In the 18<sup>th</sup> century, inspite of the decline of Surat as a commercial centre, it continued to sustain its existing commercial activities, especially, the Hindu merchants continued to dominate the banking sector. They acted as *sarrafs*, issued *hundis*, lent money, accepted

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<sup>78</sup> Marie H. Martin, The Reforms of the Sixteenth century and Akbar's Administration : Meteorological and monetary considerations, in (ed.) J.F. Richards, *The Imperial Monetary system of Mughal India*, OUP, 1987, pp-27-28.

<sup>79</sup> Ashin Dasgupta, *The World of the Indian Ocean Merchant 1500-1800*, OUP, 2001, p-263.

<sup>80</sup> M. N. Pearson, Political participation in Mughal India, *Indian Economic and Social History Review*, IX, No.2, pp-122-123.

deposits and to a limited extent, ran an insurance business.<sup>81</sup> Along with them, the Bohra Muslims and Parsis were involved in the banking practices. Since they had conducted commercial transactions with the merchants of the other parts of the country, there is a possibility of them having branches of their banks, in those areas, as there are evidences of regular and large amount of hundis being issued.<sup>82</sup>

The commercial, trading and banking activities, to a very large extent, were affected by the influence of the English East India Company. The collapse of the Mughal power in Surat after 1707 resulted in the emergence of Marathas as an important political group. This period was marked by battles for political supremacy among the various Indian powers. The English, taking advantage of this struggle, turned the situation to their favour. They played one against the other and eventually were able to gain control over Surat and its port. However, the Indians had retained their influence to some extent. Ashin Dasgupta has shown that in the first half of the 18<sup>th</sup> century, the Indian shipping magnates and merchants were still able to carve out their career and withstand adverse situations. He has traced the family history of the Parekhs and Naoroji Rustamji Manakji, the famous merchant-brokers during that time.<sup>83</sup>

This indicated that the decline of Surat as a trading and commercial centre had not hampered the inland trade and banking, as the major spheres of operations. The activities of bankers had increased and their scope had varied. Instead of financing the commercial

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<sup>81</sup> Dilbagh Singh and Ashok. B. Raj Shirke, The Merchant Communities in Surat : Trade and trade practices and institutions in the late eighteenth century in (ed) Indu Banga, *Ports and their Hinter Lands in India 1700-195*, Manohar, New Delhi, 1992, p-185.

<sup>82</sup> *Ibid* , pp-188-189.

and manufacturing activities, the bankers started financing the military operations of the rival powers and serving the feudal chiefs. The banking and the revenue farming business proved to be quite profitable in the late 18<sup>th</sup> century, so much so, that it induced a group of bankers to migrate to Surat, (namely Kasalchand Kevalchand, Jivan Jutha, Trikandas Khushalchand, Arjunji Nathji Travadi and others).<sup>84</sup>

The above account indicates that the decline of the trading centre of Surat and Gujarat as a whole, had led to a rise in other subsidiary activities like banking. Though indigenous banking had existed in Gujarat, the shape and form it assumed in the 18<sup>th</sup> and 19<sup>th</sup> centuries was unprecedented. There was a similar corresponding trend in Maharashtra, during the same period.

### **INTRODUCTION OF BANKING IN THE 18<sup>TH</sup> CENTURY MAHARASHTRA**

The administrative machinery prevalent in Maharashtra was, to a varied extent, followed wherever the Maratha *Sardars* settled. In Gujarat, the Gaikwads adopted the basic system of administration, which gradually developed according to the circumstances, and the need of the region. The same pattern was adopted as far as Baroda's indigenous banking system was concerned. Therefore in order to understand the indigenous banking system of the Baroda State, it is worthwhile to glance at it, in the *Peshwai* region. Here, the pattern of the transfer of money was more or less the same as that in the other regions.

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<sup>83</sup> Ashin Das Gupta, *Op cit*, p-263

<sup>84</sup> Makrand Metha, Indian Bankers and political change : A case study of the Travadis of Surat, C. 1720 – C. 1820, *Studies in history*, Vol – IV, No. 1, 1982, pp-46-48



*Hundis* were used for transfer of money from one place to another.<sup>85</sup> A rate of commission was charged on this transfer, which varied in accordance with the amount and distance involved. There were four types of loans and advances i.e. (i) To the state, (ii) To the army commanders, (iii) To the individual traders and (iv) To the other members of the society.<sup>86</sup> It was a common feature of the Maratha rule to raise temporary loans from the bankers for the State expenditure. The minimum rate of interest was at 1% p.m. The loans were:

- (i) An account against government collection. This was comparatively a smaller one. In return the government furnished only a bond bearing a 12% rate of interest.
- (ii) The army commanders in most cases executed only the loan bonds and furnished no other security. Sometimes the banker was compensated by the state allowing him to collect certain revenue collections on its behalf.
- (iii) Loans to traders and merchants were given on a regular basis. These types were mostly short-term loans and certain rate of interest was charged on it.
- (iv) Loans to the other members of the society were mostly personal loans given to the individuals against certain security like gold ornaments, land etc. The rate of interest of such loans varied from ½% to 2% p.m. These loans were given mostly against written bonds to all their customers, irrespective of their status in the society. There were three types of bonds *karj rokha* (loan bond), *wada rokha* (forward loan bond) *Sharkat rokha* (partnership loan bond).

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<sup>85</sup> G.T. Kulkarni, Banking in the eighteenth century: A Case study of A Poona Banker, ARTHVIJNANA, Vol No-15, 1973, p-193.

<sup>86</sup> *Ibid.*, pp-183-187.

Method of repayment of loans<sup>87</sup> was manifold like:

- a) Directly from the treasury i.e. *potapaiki*;
- b) Levying taxes
- c) Offering *varats* i.e. *parkhare* i.e. demand drafts and payment from the *prant* treasuries called *mahalmazkoo*;
- d) Selling money receipts<sup>88</sup> etc.

During the *Peshwai* period, the debtors took the repayment of loans seriously, as non-repayment was considered to bring misery to the debtor's soul, even after his death. The Peshwas themselves believed in such a thing. Madhavrao I (1761-1772) on his deathbed, asked Nana Phadnis, one of the faithful nobles of the Marathas, to take up the responsibility of debt. The payment was assured by an influential banker of that time, Dullabhdas.<sup>89</sup> As for the public, the government ensured the repayment and also charged the guilty party with a tax known as *karja chauthai* i.e.  $\frac{1}{4}$ <sup>th</sup> of the recovered amount.

The agency which came out as an important power which not only enjoyed the handling of the jurisdiction but also the revenue collecting power, was that of the *kamavisdar*. His agency and functions were adopted even in the Baroda State as well. He was the government official who was appointed to run the administration of the entire *mahal*. Over a period of time, it was the *kamavisdars* who promoted banking and enabled the circulation of money in the state. They had to pay an advance to the State, called *rasad*,

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<sup>87</sup> Sarla Deshpande, , *Banking currency and the State finance under the Peshwa*, unpublished thesis, University of Poona, September, 1989. p-256.



for the collection of revenue. They had to arrange for this money on their own as the revenue collection was done later in the year. So at times, they were either big bankers themselves or had affiliations with them.<sup>90</sup> Some of the government officials like Nana Phadnis lent services to various *kamavisdars* and charged interest. The agencies of *kamavisdars* had gained quite an influence, so much that they could defy the government orders, for example, *kamavisdar* Bhukanji Kashidas, tried to act on his own, that is, independent of government authority. The *Peshwai* government was unable to control him so they just fined him with a minimal amount and was left alone. In 1740-47, the *kamavisdars* were given the charge of the *mahals*, including the establishments like the judicial, revenue collection, etc. For their services, they were paid an annual salary, alongwith the palanquin charges. They were required to maintain troops, whose salary was fixed. They were also provided with *karkoons* whose salaries were also decided. For instance, Trimbak Hari, the *kamavisdar* of Sarkar, was paid an annual salary of rupees one thousand, with the money for palanquin at rupees 60/- per month. There were 50 troopers maintained by him at a salary of rupees 150/- per month. Two hundred peons were to be employed annually whose monthly salary was not to exceed rupees 3/- each. Twelve *karkoons* were to be employed at the *chowkis*, on a monthly salary for ten months, but their services were to be obtained for 12 months.<sup>91</sup>

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<sup>88</sup> Note Revenue receipts in advance were called *karjmahalmule*. The government appointed *kamavisdars* who collected revenue and other dues. They had to pay to the government an anticipated amount in advance which was known as *rasad*.

<sup>89</sup> *Ibid*, p-160

<sup>90</sup> *Ibid*, pp-136-137

<sup>91</sup> *Selections from the Satara Rajas and the Peshwa diaries 111-Balaji Baji Rao Peshwa*, By B G. Chimanji, ed, D C Paranis, Government of Bombay, 1907, pp-254-255

The bankers in the eighteenth century Maharashtra also supported other commercial activities. They provided finance to the traders, stood guarantee for them and sent *hundis* etc. Bankers like Dullabhdas and Trimbakji Dangle, either on government contract or on their own, ran mints.

Though deposits in the eighteenth century were not a part of the central capital, there were instances of the bankers receiving it from their customers. A part of the banker's capital was a borrowed capital and a certain rate of interest was paid<sup>92</sup>.

The bankers also had an additional business, that of moneychangers because of the prevalence of the numerous currencies, within the jurisdiction of one region or State. This business yielded them a good profit. They used to get *batta* i.e. commission for converting money and testing the purity of metal. The local money-changer in Maharashtra received one *damadi*<sup>93</sup> for each rupee. The government utilised this skill of theirs, for their own credit<sup>94</sup>. They used the cash thus obtained for giving salaries (in cash) to the soldiers, enabling an easy payment of money at any time and in any region. The government appointed a *potedar*, who regularly provided the currency and thus enabled the government to make huge transactions across the regions without bothering about the rate and difference in the various currencies.<sup>95</sup> This institution of the *potedar* emerged as a very powerful factor in the early nineteenth century in Baroda State.

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<sup>92</sup> G.T Kulkarni, *Op.cit.*, p-191.

<sup>93</sup> Note: One-fourth of an *anna*.

<sup>94</sup> Selections from Satara Rajas and Peshwa Diaries, *Op. cit.*, p-362.

<sup>95</sup> Sarla Deshpande, *Op cit* , p-150.

The most important feature of the socio-economic structure of Maharashtra in the eighteenth century was the absence of an indigenous *bania* community i.e. a community with trading as its hereditary occupation<sup>96</sup>. The expansion of trade and finance in this area led to the immigration of the members of banking community from outside the region- specially from Gujarat i.e. the Gujarati *banias*. After the 1750's, the number of such classes increased. In the last quarter of the eighteenth century, their number in Poona was substantial. The Gujarati trading and banking classes had adopted some institutions from Gujarat. For example, Dullabhdas of the Haribhakti family was sometimes referred to as the *Nagarsheth* of the Poona City. The institution of *mahajan* of Gujarati *banias* in Poona city was more than a special organization formed for serving the common socio-religious needs of the small sized groups of immigrants of the various *bania* sub-castes. It had no economic functions. The title of *Nagarsheth* also was no more than an honorific epithet which the social head of the Gujarati *bania* community was allowed to assume. In 1751 A.D., the non-Maharashtrian bankers in the field of banking were Haribhakti, Dullabhji, Sidapasheth, Veerkar, Manohardas, Dayaram, Awatarsingh, Aharwale, Bhukanji Avadhut, Rathod, Veniram Dave, Vaghoji, Bagadia etc.<sup>97</sup>

Amongst the Gujarat bankers, the Haribhakti firm was conducting, in comparison to the other banker's, more major transactions with both the Peshwa and the Gaikwad. In 1763-64 the firm's major contribution was towards the due amount transmitted to Poona as a *nazar*<sup>98</sup> of Govindrao Gaikwad to the Peshwas.<sup>99</sup> The firm of Haribhakti had trading

<sup>96</sup> G.R Gadgil, Pune Sharantil Mahajan va Nagarsheth in *Arthvijana*, March , 1959, Vol-I, No.-1, pp-8-14.

<sup>97</sup> Sarla Deshpande, *Op cit.*, p-133

<sup>98</sup> Note Amount paid to the Peshwa for his recognition of any Maratha Sardar as the ruler.

relations with the banking firm of Gadre at Poona. The Gadres were extensively funding the administration of the Peshwas. This enabled both the bankers to interact and transact.<sup>100</sup> In 1795, it was the firm of Gadre which had repaid the loans taken by Hari Ballal, the commander of the armies of the Peshwa in Gujarat, from the firm of Haribhakti. For that repayment, the Gadre had charged the Peshwa government with eight per cent as *hundawan* charges. This was indeed high in comparison to the two per cent charged within Gujarat.<sup>101</sup> Gadre had also honored the *hundis* from the Gaikwads, for example, at the time of succession of Manaji Rao Gaikwad, a *nazar* was paid by him to the Peshwa. The amount of this *nazar* was paid by the firm of Gadre.

The Maratha armies throughout the eighteenth century, made numerous expeditions into various regions. This led to a constant need of a regular supply of money to provide the salaries to the armies. Hence, it became a practice to take big bankers along with them who supplied the required amount, as and when the need arose. Banker Wakadre of Poona accompanied the troops of Holkars. The bankers, Haribhakti and Thatte, went with the armies of the Peshwa to Karnataka.<sup>102</sup> These bankers did not carry the amount in cash along with them, due to the risks involved, and this money was transmitted through *hundis*. These *hundis* were issued in favour of the other bankers for which they had to pay a high rate of interest. They also had another option of opening their own branch, wherever they went. Either way, this facilitated a trading nexus which further added to

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<sup>99</sup> *Selection from the Satara Rajas and the Peshwa Diaries*, IX, Peshwa Madhav Rao-I, Vol-I, by R B Ganesh Chimnaji, ed K N. Sane, The Deccan Vernacular Translation Society, Poona, 1911, pp-128-129

<sup>100</sup> Sadashiv Athvale, Papers relating to Gadre-A house of money-lenders, *Quarterly of the Bharat Itihas Sanshodhak Mandal*, Pune, Vol-77, July 1999-April 2000, p-51.

<sup>101</sup> *Peshwa Daftar Records*, Daftar No-36, Government Central Press, Mumbai, 1938, p-77.

<sup>102</sup> *Poona Archives*, Ghadhani No- 449.

the solidification of the banking and business network. This also enabled an increased circulation of money and enhanced the regional economies. Variety of currencies in circulation also added another function i.e. of money-changing and a source of greater income.

These bankers accompanied the troops for another purpose, that is, they helped the establishment of the temporary markets in the vicinity of the area where the armies set up their camps. These markets were opened along with the mobile banks, which would lend money to everybody - from the soldiers to the war-chiefs. In addition, they also performed other services of provisions and transport of goods.<sup>103</sup>

The bankers of the eighteenth century Maharashtra were providing finance to the government of the Peshwa. Dixit, Patawardhan, Haribhakti, Paranjpaye, Wanawale, Anagal, Bhide were some bankers who were extending loan to the Peshwa on a regular basis.<sup>104</sup> It was difficult for an individual banker to provide so much money and therefore he borrowed from other bankers. For example, in 1794, Haribhakti, in order to finance the troops of Peshwa, borrowed rupees 2,50,000/- from Bhide of Poona, rupees 3,00,000/- from Wanawale and rupees 2,25,000/- from Madhavrao Ramchandra.<sup>105</sup>

The indigenous banking in the Baroda State began with its establishment by the Gaikwads. The Gaikwads were a part of the Maratha Confederacy headed by the Peshwas. Hence, they tended to adopt the same administrative set-up. When the

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<sup>103</sup> *Ibid.*

<sup>104</sup> Sarla Deshpande, *Op cit*, p-123.

Gaikwads arrived in Gujarat, they brought along with them the bankers of Poona and its surrounding areas, as ration suppliers and financiers of their armies. When they consolidated their territories, these bankers also settled down along with them. Thus began an intricate, indigenous banking network within the Baroda State.

### **INDIGENOUS BANKING IN BARODA STATE IN THE 18<sup>TH</sup> CENTURY**

In the 19<sup>th</sup> century the financial administration of the Baroda State was more or less in the hands of *sahukars*, in the absence of any proper administrative set-up. F.A.H. Elliot, the tutor of Sayajirao-III, while writing the history of Baroda rulers had summed up the financial structure in the following manner:-

*“to be in debt, to remain in debt, and to get along by raising fresh loan when difficulties necessitated a settlement, this has hitherto been the usage of the State. To make some parade of its enormous debts from time to time and thus to deprecate rough treatment, to conceal the true state of things, this has hitherto been its policy.”<sup>106</sup>*

However this version of Elliot, though correct, can be seen only as one side of the picture. Prior to the consolidation of the Gaikwad State, they had required a constant flow of finance, without having to develop and maintain a financial administrative infrastructure as that would have required huge amounts.

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<sup>105</sup> *Ibid*, p-126.

<sup>106</sup> F.A H. Elliot, *The Rulers of Baroda*, Baroda State Press, 1939, p-1.



The origins of the political relationship of indigenous bankers with the Gaikwads can be traced to the 18<sup>th</sup> century, when on their military expeditions, the Marathas had the sole task of looting and plundering the towns and cities they crossed. Damajirao Gaikwad, considered to be the establisher of the Gaikwad territories in Gujarat, had carried with him bankers who had acted as the *modis* or ration-suppliers. They had accompanied Damajirao-II from Maharashtra.<sup>107</sup> Mairal Narayan was one such prominent banker who had migrated to Baroda along with Damajirao-II. This had disrupted the trade and commerce of the region. The only options left to the traders, merchants and *shroffs* of these regions were to either leave the cities or to join them as their allies. By 1734, they had joined them as intermediaries between Damajirao Gaikwad and the British.<sup>108</sup>

Some of the local *vaniyas*, *sahukars*, *shroffs* had suffered on account of the plundering invasions of the Gaikwads. For instance, as early as 1725, the British had recorded that '*ganims*'<sup>109</sup> had visited the city of Ahmedabad and had forced the *shroffs* and merchants to run away and if they were caught, the plunderers would divest them of their entire wealth.<sup>110</sup>

With the Gaikwads gaining a stronghold in Gujarat, and later at Baroda, they had felt a need for striking an alliance with the local bankers. Besides, they had required some rudimentary infrastructure, which could collect revenues on their behalf, from their

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<sup>107</sup> Shri Badoyatil Sardar, *Shilledar, Jamadar, Pagedar Darakar, Va Parekhanchya Gharanyachya Nemookichya vagere Hakikati*, Vol – 15, Baroda Printing press, Baroda, 1966, p-2.

<sup>108</sup> Genese and Banaji, *The Gaikwads of Baroda*, Vol-I, Pilaji and Damajirao Gaikwad, (1720-1768), Bombay, Taporevala & Sons and Co., 1949, p-14.

<sup>109</sup> Note: It was an appellation given by Muslims to the Marathas.

territories, but without bearing the maintenance costs. Therefore they borrowed such a structure from the Peshwa, which was called *kamavisdari* system. This system had quite a lot in common with the feudal system. The lands of the rulers were farmed out to the *kamavisdar*, in return of which he was to provide the rulers with steady cash and standing armies. This process had begun as early as 1842, when Trimbak Hari, *kamavisdar* of the *Sarkar* at Songadh, was asked to maintain a military assignment for the aid of the Marathas.<sup>111</sup>

The agency, which had made the most of the situation, was that of the bankers or *sahukars*. The Gaikwads at various times had to remit funds to the Peshwa on account of *nazar*, tribute or dues. For that the aid of State bankers was taken. The bankers, either of Poona or Gujarat, remitted money on behalf of the Gaikwads to the Peshwa, but only with the guarantee of the Peshwa, as the Gaikwad State had not come into formation and the leading Gaikwads were known as the chiefs of the Peshwa. For instance, in 1754, the Peshwa had given the guarantee to Gopal Keshav Karve and others for Rs. 8,40,000 advanced to him on account of dues from Khandearao Dabhade. In lieu of that, certain *mahals* were assigned to the bankers.<sup>112</sup> On the death of Damajirao Gaikwad, there arose a struggle for succession. Each contender had to pay huge amounts to the Peshwa to recognize the respective claims. On that account in 1782, Govindrao Gaikwad had taken the help of HariBhakti to remit Rs. 1, 62, 69,000.<sup>113</sup>

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<sup>110</sup> Genese and Banaji, *Op cit.*, pp-7-8.

<sup>111</sup> B. G. Chimnaji & (ed ) D C. Parasanis, *Selections from the Satara Rajas and the Peshwa Dianes III* . Balaji Baji Peshwa, Vol-I, Government of Bombay, 1907, pp-254-255.

By the 1770's the bankers, at all levels, began to provide monetary support to the Gaikwads, perhaps indicating, their being trusted. On account that they, had established their rule in Gujarat. This process was vice versa as the bankers also had started to affect the policies of the Gaikwads. For instance in 1774, was reported to Fatehsinghrao Gaikwad the presence of a banker in his territory who had arrived with considerable amount of *hundis* from Surat, to recruit men for the *sibandi* for the British. Fatehsinghrao was alarmed at the situation and he instructed his men to find the banker without causing any harm.<sup>114</sup>

Gradually the bankers gained political influence at the *Darbar* of the Peshwa and the Gaikwads. They also assumed the position of *kamavisdars*, by that way obtained control over the landed property. In that capacity, they also supplied arms to the Gaikwads (purchased from Surat port).<sup>115</sup> The constant internal and external warfare had forced the Gaikwads to maintain a standing army. The practice of employing *sibandis* was initiated by Fatehsinghrao Gaikwad. Little did he realize that it would jeopardize the position of his successors. However, indirectly he had placed a considerable amount of power in the hands of bankers through which they could affect the future course of events. Three banking firms viz., Samal Parekh, Mangal Sakhidas and HariBhakti were assigned the function of *bakshis*, besides the other officials.<sup>116</sup>

Gradually the bankers and the rulers developed a close association with each other. Bankers, on a number of occasions, had advised Manajirao and Govindrao Gaikwad on

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<sup>112</sup> *Historical Selections from Baroda State Records*, Vol-I, 1724-1768, Baroda State Press, 1934, No 64, Dated 19-11-1754

<sup>113</sup> B G Chimnaji & (ed ) D. C Parasani, *Op. cit.*, pp-128-129.

<sup>114</sup> *H S B S.R* , Vol-II, p-179

<sup>115</sup> *H.S.B S R* , Vol-III, p-290

various political and financial matters. Govindrao Gaikwad was believed to have placed complete trust in Mangal Parekh and did function without his advice.<sup>117</sup> By the end of the 18<sup>th</sup> century, even the Dewans and other officials had shown dependence on the bankers, as they used to borrow heavily from them.<sup>118</sup> The bankers were paying for the expenses of the royal family i.e., marriages, birth and death ceremonies, pensions, pilgrimages, journeys, gifts etc.

By the beginning of the 19<sup>th</sup> century, the bankers had gained a position of considerable political influence. The extent of their participation in the economy of the State was directly proportional to their political influences. Therefore, in order to understand the role they played in the economy of the State, it is essential to understand their involvement in the political nexus of the Gaikwad State

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<sup>116</sup> *Poona Archives*, Gadhavi Daftar No-460

<sup>117</sup> Patwardhan Shastri, Gangadhar Yanche Atmcharita, in *Quarterly of Bhartiya Itihas Samshodhak Mandal*, January, 1922, No-1, p-29.

<sup>118</sup> *Ibid*, p-30

## **BARODA – POONA RELATIONS AND THE BANKERS**

Before reviewing the role of the bankers in the Baroda-Poona financial relations, it would be worthwhile to briefly glance at the political relations between the Gaikwads and the Peshwas.

Pilajirao Gaikwad was at first a *patel* of a village near Poona. He rose to be a *sardar* in the service of the *senapati* and was instrumental in conquering Gujarat under the command of Khanderao Dabhade. By 1747, the Gaikwads had established their hold over Gujarat, and Damaji Rao Gaikwad II, the successor of Pilajirao was given the title *Shamsher Bahadur*. The Peshwa at Poona however had continued to make unsuccessful attempts to suppress the influence of Gaikwads in Gujarat. Baffled by the open attacks from Damajirao, he was forced to enter into negotiations with the Gaikwads. The terms decided were that Damajirao should cede half his possessions and hold the rest as subordinate to the Peshwa. This Damajirao almost never obeyed. In order to ensure the subordination, the Peshwa had to often use force. Throughout the eighteenth century the struggle between the Gaikwad and the Peshwa to gain supremacy over Gujarat continued. After Damajirao's death, bitter conflicts for succession took place. The Peshwa tried to take advantage of it and forced each succeeding Gaikwad to pay him huge amounts in various forms. However, they could not make any political gains in Gujarat.

Various regions in Gujarat were either in possession of different powers or were shared by two or more powers. Ahemdabad was one such region, which was reduced by the joint forces of Gaikwad and the Peshwa. In 1800 Govindrao Gaikwad had obtained from the Peshwa a *sanad* by which the farm of Ahemdabad revenues was leased to him at 5 lakhs a year for a term of five years. This farm included shares in the tributes of Kathiawad and Sorath, the revenue of Petlad, Napad, Ranpur, Dhanduka and Gogho. They also had obtained certain customs dues in Cambay and a share in the revenues of the city of Ahemdabad. This farm had the capacity of yielding revenue of usually not more than 3 ½ lakhs per annum. The Gaikwads instead had to pay 5 lakhs a year. But it was beneficial diplomatically, as the northern possessions were closely intermingled with those of the Peshwa and this arrangement had clearly established a single authority.<sup>119</sup> The lease was continued in favour of the Gaikwad till 1814, when the Peshwa refused to renew the lease.<sup>120</sup> The Peshwa had realized that if the lease continued, his rights over his possessions in Gujarat were sure to be forfeited. However, under the pressure of the British Government, the Peshwa could not openly insist on the renewal of the farm. The British Government had their own interests in wielding these pressures, along with the Gaikwads. Both the governments were apprehensive of the Peshwa's desire to regain their influence in the region of Gujarat. The Gaikwad government and the British, in order to ensure the *status quo*, had attempted to negotiate and had sent a loyal minister, Gangadhar Shastri. The Peshwa, irritated at being forced, used unfair means and got

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<sup>119</sup> Clarke and Desai, *Gazetteer of Baroda State, Vol-I*, Baroda State Press, 1923, pp-484-485.

<sup>120</sup> M S A., *Political Department, Diary No-405*, Mounstuart Elphinstone to Francis Warden, Poona 5<sup>th</sup> January, 1814.

Gangadhar Shastri murdered on 19<sup>th</sup> July 1815.<sup>121</sup> This was sufficient reason for the British to take the matter in their own hands, as they themselves had territorial interests in the region. They settled the issue permanently in 1817, with Ahmedabad passing under the British after the defeat of the Peshwa in the third Anglo-Maratha war in 1818.

During these years of Gaikwad-Peshwa relationship, it was the bankers who had benefitted the most. The funds were remitted on a regular basis from Baroda to Poona and vice versa. The bankers had made benefits in terms of interest, *manoti* or commission and exchange or *batta*. The firm of HariBhakti had alone remitted in only two years i.e. 1794 to 1795, payments worth 16, 50,275 rupees. Thus the bankers emerged as a powerful intermediary agency.

The Peshwa also had some accounts, which were unadjusted and were due to bankers. Out of the debts due in 1795 A.D., the Peshwa had to clear to HariBhakti, 1, 25,000 rupees and ten lakh rupees towards Bhikaji Naik (*mutalik*). Also, the *varats* drawn on various bankers by the Peshwa had amounted to 6, 25,000 rupees. Besides these, the payments amounting to rupees 1, 33,212 had been made to the troops of the Peshwa, in various parts by the Gaikwad, through the agency of the bankers.

The Gaikwad's debt to the Peshwa had amounted to huge sums. Out of the huge debt of rupees 1, 78, 16,001<sup>122</sup>, due from the Gaikwad to the Peshwa, the Baroda bankers paid

<sup>121</sup> *Ibid*, P D No 423, H. Pottinger, Assistant In-charge at Poona to Francis Warden, Poona, 23<sup>rd</sup> July, 1815

<sup>122</sup> MSA, G T No -314, Jonathan to the Marquis of Wellesley, Cambay, Dated 4<sup>th</sup> June, 1802

rupees 52,33,487,<sup>123</sup> during a period of four years. The rest of the money was either unpaid or was paid by the bankers other than those of Baroda.

The Ahemdabad lease or the *sanad*<sup>124</sup> was placed in the charge of the banker Parbhudas or Khushalchand-Karsondas (the name of the firm of the house of Parbhudas), who was in possession of it till the payment of a lakh of rupees was completed. The annual payment of five lakhs of rupees was also to be made out by the bankers. The banking house of Khushalchand had an overbearing influence on the obtainment of this lease. In 1798, when Aba Shelukar was in need of money, Khushalchand had advanced on the guarantee of Raoji Appaji a lakh of rupees. In return of which he had been assigned the farm of Ahemdabad and the revenues of the district of Petlad.

From the start, the bankers were making remittances to Poona, on behalf of the Gaikwad, in relation to the farm of Ahemdabad. The money remittances were made by bankers, jointly or individually. The annual payment was usually made in three installments of 1, 50,000 rupees each. Though the actual amount in the deed was five lakh of rupees, the payments were made usually up-to four lakh and fifty thousand rupees. This could also be the reason for the dissatisfaction of the Peshwa in continuing the lease. The data provided about the remittance of money reveal the kind of banking transaction, which was carried on between Baroda-Poona States. Both Baroda and Poona had numerous bankers with their branches or agents at Poona. The remittances were made through *hundis* especially through *muddati hundi* which was payable after twenty one days from

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<sup>123</sup> *Ibid* ,

<sup>124</sup> Note: A grant



the date of the bill. The well-established bankers made larger remittances than the smaller ones. Sometimes the big bankers also issued *hundi* on a smaller one, depending upon their capacities. In 1805/06, the established bankers were Khushalchand Ambeydas, Haribhai Bhakti & Samalbhai, Hemchand Wakhatchand, and Hoberjee Dulabhdas. Out of these the largest payment was made by Hemchand Wakhatchand of 17,600 rupees, which was followed by Haribhai Bhaktidas and Samalbhai of 13,533-1-25 rupees. The *hundi* issued for the lowest amount was 1,125 rupees.<sup>125</sup> The Baroda firm which had its branch at Bombay was Haribhai Bhaktidas and Samalbhai; Premanaddas. Narottamdas had a branch at Poona by the name of Narayan Narottamdas.<sup>126</sup>

For the payment of the *kisht* of Ahmedabad in 1807-08, once the firm of Hari Bhakti made the highest payment of 37,500 Rupees to the firm of Dayanand Atmaram at Poona, followed by Roopraj Jasraj for 18,000 Rupees.<sup>127</sup> In the year 1808-1809, for the first *kisht* of Ahmedabad a large number of bankers had made contributions towards the payment, the number of bankers going as high as fifty-three. Amongst these, besides the earlier names, bankers like Ratanji Kandas had issued three *hundis* on the firm of Manekram Anupram, their total *hundis* amounting to 17,750. Samal Bechar had issued *hundis* worth 12500 rupees not on the firm of HariBhakti but on Purshottam Murlidas at Poona. HariBhakti's branch at Baroda had issued *hundi* with the name of HariBhakti and Samalbhai drawn at Poona on the same branch. This indicated that the representatives of the same firm were issuing the *hundis* jointly and separately on other firms at the same

<sup>125</sup> *Gujarat State Archives, Baroda State Residency Records*, Bombay Political Department, Daftar No-11, File no-55, Alexander Walker to Francis Warden, Baroda 27<sup>th</sup> Dec. 1805.

<sup>126</sup> *Ibid.*

<sup>127</sup> G.S.A., *B.S.R.R.*, B.P.C., Daftar No-16, File No-77, 14<sup>th</sup> Nov 1807.

time.<sup>128</sup> To make the payment for the second *kisht* in the same year, forty *hundis* were drawn on Poona in favour of the bearer. In this remittance the largest contribution was made by Vacharam Jagjivandas (15,000) and his brother Manekchand Jagjivandas (19,624) of 34,624 Rupees. Both of them had drawn *hundis* in favour of Dayaram Atmaram at Poona for *chandore* rupees, the currency which was prevalent in Poona.<sup>129</sup>

In the year 1809-10, from Baroda the *hundis* were drawn by Laxman Mulhar who drew five *hundis* in favour of Verujlal Dulabh (who was the nephew of Hari and Bhakti and the successor of Hari at Poona), amounting to 12,600 rupees. Another banker was Jhaverchand Lakshmichand who had issued seven *hundis* in favour of Purshottam Munshi who appears to be a major banker at Poona. The *hundis* had amounted to 14,800 rupees. Samal Bechar had issued *hundis* worth 17,450 rupees again in favour of Purshottam Munshi. The lowest amount to be remitted to Poona was that Ratanji Kandas who was the *potedar* at Kathiawad and had perhaps paid when the bankers had fallen short of the required amount.

By 1810, Manekchand Jagjivandas had emerged as the major financier who had financed fifteen *hundis* to Poona on Seetaram Atmaram and thus had remitted 53,925 rupees. Rest of the amount was remitted in contribution with various other bankers including Hari Bhakti and Hemchand Wakhatchand.<sup>130</sup> In 1811-12, various bankers had made contribution towards the *kisht* of Ahmedabad. The *hundis* were issued not only by the bankers of Baroda but those of Surat as well. In the third *kisht* being paid, one

<sup>128</sup> M.S A, S & P D Diary No-25, 11th Nov 1808.

<sup>129</sup> G.S A, B S R R, B P C, Daftar No-16, V File No-80, Vol-V, 20<sup>th</sup> Dec 1808.

Lakshmidas Ramdas of Surat had drawn *hundi* of 4,000 rupees to be honoured at Poona, along with Govardhanrao Jagjivandas who had drawn a *hundi* of 5,125 rupees in favour of Diaram Atmaram at Poona. Though the amount drawn was not large, yet what is important to note is the participation of the bankers of another district in the State affairs. Also the extent of the business of these bankers at various places can be observed.<sup>131</sup>

In 1812-13, during the remittance of the money of the second *kisht* maximum number of *hundis* had been honoured by either the firm of Hari Bhakti or the banking firm of Vrujlal Dulabhdas at Poona, who had opened a separate branch for the remittance of funds from Baroda.<sup>132</sup> The third *kisht* of the same year was again largely funded by Manekchand Jagjivandas who had drawn five *hundis* on Dayaram Atmaram at Poona, amounting to 33,000 rupees. One Atmaram Bhukan of Surat had paid the second major amount of 15,000 rupees payable to the same banker at Poona. This enables us to understand the growing trend of the participation of the bankers of the other regions in the affairs of the State.<sup>133</sup>

In 1813-1814, Malhar Bhakti, i.e. the firm of HariBhakti in partnership with Samal Bechar at Baroda, had singly drawn an amount of rupees 1,50,000 in five *hundis*. The *hundis* were drawn in favour of the firm of HariBhakti and Samal Bhai at Poona in *chandore* rupees. This confirmed the position of the banking firm of HariBhakti in the affairs of the Baroda State. They were the State *potedars* and had managed almost all the

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<sup>130</sup> *Op. cit* , B.S.R.R., B.P C, Daftar No-18, File No-89, Baroda, 7<sup>th</sup> Nov 1810 p-122.

<sup>131</sup> B.S.R.R., B P C, Daftar No-19, File No-92, Vol VIII, pp- 124-26.

<sup>132</sup> Daftar No-18, 9<sup>th</sup> January 1813, pp-59-60

<sup>133</sup> *Ibid* , Daftar-No-19, File No-45, Vol V, 1813, p-5

expenses of the State, whether public or personal. The Peshwa on the other hand, was also quiet dependent on the agency of the bankers even in his State. The remittance was being carried out at Poona on such a regular basis, but how much of it was actually utilised by the Peshwa remains to be seen. Had the regular remittances being quiet useful, the Peshwa would not insist upon the discontinuance of the farm.<sup>134</sup>

The second *kisht* of the last year of payment was also paid by the same firm in the name of Mairal Bhakti, this time in association with Mairal Narayan, who shared the *potedari* with HariBhakti. Mairal Bhakti had also issued *hundis*, on the firm of Hari Bhakti and Samal Bhai at Poona.<sup>135</sup>

The last *kisht* was paid jointly by the bankers out of which Mairal Bhakti had paid 1, 04,500 rupees. The *hundis* were drawn on their branch firm at Poona 35,000 rupees were remitted by Manekchand Jagjivandas to Dayaram Atmaram at Poona. Thus 1, 39,500 rupees was paid by these two bankers. The remaining amount of rupees 10,500 were paid by the other bankers.<sup>136</sup> In all the cases, Haribhakti, appears to be the central institute, perhaps because both the firms of Samal Bechar and Mairal Narayan had no branches at Poona.

In 1815, when the time of the renewal came, the Peshwa refused to do so in order to gain more ascendancy the State of affairs in Gujarat. However, the need never arose, as the authority of Peshwa was subdued and it had passed into the hands of the British. During

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<sup>134</sup> *Ibid*, pp-760-761.

<sup>135</sup> B. P. C. Daftar.No-20, File No-96, Vol-1, 29<sup>th</sup> Dec 1813, p-13.

these fifteen years, rupees seventy five lakhs had been remitted from Baroda State to Poona alone, as the payment for the various *kisht* of Ahemdabad. The actual revenue which was derived from Ahemdabad and from the tribute of Kathiawad had never exceeded rupees 3,50,000. The Gaikwad State and the bankers had to suffer every year, a loss of 1,50,000 rupees. Thus, a loss of eighteen lakhs of rupees had occurred during the span of fifteen years.

The Baroda-Poona relations reached a threshold during this time. But with the defeat of the Peshwa in the Third Anglo-Maratha war in 1818, the territories of the Peshwa in Gujarat passed into the hands of the British.

The British who had gradually gained influence in the Baroda State from 1802, in order to further consolidate their hold over the Baroda State had to curtail the powers of the bankers and the army (Arab mercenaries). Therefore, it had become essential to break this alliance. The next part takes stalk of the growing conflict between the bankers, mercenaries and the British, with British achieving their end.

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<sup>136</sup> *Ibid.*, p-623.

## **SINDHIA'S CLAIM AND THE BANKERS**

Daulatrao Sindhia had established his capital at Ujjain. As was usual with the Maratha chieftains, they had not established any central treasury and were dependent upon the bankers for the day-to-day administration requirements. An important banker who also later had established a branch bank at Baroda was Khushalchand Ambaidas. This firm and the other the bankers had played a crucial role in the financial settlements between Daulatrao Sindhia and the Gaikwad.

In 1798, the farm of the *suba* of Ahemdabad was shared between the Peshwa and the Gaikwad, after the victory over Aba Shelukar, who was the deputy of Nana Fadnavis, a powerful minister in the court of the Peshwa Bajirao-II.<sup>137</sup> This was farmed out to the Gaikwads for five years for the payment of five lakhs of rupees annually. The Peshwa had granted the revenues of two years that is for 1799-1800, his share to Daulatrao Sindhia, and had accordingly issued instructions to the Gaikwad government. Along with it, the Peshwa had also bestowed upon Sindhia, the amount of the *mamlat*, *nazarranah* and *Darbar khurch*. Inclusive of all these payments, the total amount payable to Sindhia by the Gaikwads had come to rupees 11,25,000, out of which, a sum of five lakhs was already paid to the agents of Daulatrao Sindhia during the reign of Govindrao Gaikwad.

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<sup>137</sup> Note: The Peshwa had fallen out with his minister, but could not declare it openly. After the death of Nana Fadnavis in 1798, the Peshwa and Govindrao Gaikwad joined together and defeated the deputy of the late minister, as he had grown powerful in Gujarat. The exploit of the battle was the town of Ahemdabad, which was shared by them equally. Since the Peshwa from Poona could not monitor Ahemdabad, so he farmed out his share of revenues to the Gaikwad.

The payment of the remaining debt was still due because of the delay caused by the troubles of succession which had ensued after the death of Govindrao.<sup>138</sup>

Daulatrao Sindhia had made demands for this payment a number of times and ultimately decided to adopt different means. In August 1802, a force was dispatched by Daulatrao Sindhia under the command of Narsopant Baba (his minister) in order to receive the payment of the above demand. The demand was made for the payment of 6,25,000 rupees, five lakhs as original amount and one lakh as the payment for *mamlat*, *nazaraana* and *darbar kharch* and 25,000 rupees were for his minister Yadavrao Bhaskar.

Due to the state of uncertainty prevalent in the State in 1802, it was imperative for both the governments to accept the demands of Daulatrao Sindhia and keep him away from interference in the internal concerns of the Gaikwad territories. It had become crucial to settle the accounts with him amicably.<sup>139</sup> If a battle took place, Gaikwad State was not in a position to bear the expenses, as they were unable to make any financial demands on the *shroffs*, who had generously over-stretched their limits and the government had no more territories to offer for farming out. Looking at these conditions, it was decided that Daulatrao Sindhia should be paid.

The charge for the arrangements of the funds was taken by the British, who were looking for an opportunity, to create their own moneyed men. Parbhudas Sheth, the brother of Khushalchand Ambaidas, was found to be an appropriate person for the job. He had in

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<sup>138</sup> F.A.H., Elliot, p-63.

1801, opened a branch of the firm named after his brother and was seeking opportunities of investment in the State. The British were also familiar with him as he was a civil officer at Bharuch and on a number of occasions had negotiated with the British on behalf of the Sindhia. At the behest of the Company, he had offered to pay for the expenses incurred by the Company in the Kadi warfare,<sup>140</sup> on behalf of the Gaikwad. The payments were to be made in two instalments, for which the territory of Surat Atthavisi was assigned. Raoji Appaji had pinned his hope solely on Parbhudas Seth, for discharging the debt to Sindhia and defraying the Company's expenses incurred in the Kadi war.

Parbhudas had his own gains in becoming the security for both these demands. The *russad* of the *Atthavisi*<sup>141</sup> was mortgaged to him for the present one and a half years and part of the next year. The Company on the other hand had its own interests at stake. This *russad* of *Atthavisi* was initially pledged to the Company and they were unwilling to give it away as that territory was yielding high revenue. If Parbhudas made an advance of a further loan of five lakhs of rupees then that would annul the claim of the British on the *Atthavisi*. But the British had also realized that the *shroff* would never let go of such an opportunity of obtaining the revenues of such a fertile territory, so negotiations were opened between the two of them to obtain a deal on the best possible terms.

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<sup>139</sup> Secret and Political Department Diary No – 189. Alexander Walker to Grame Mercer, Baroda 22<sup>nd</sup> August, 1806, Secret and Political Department Diary No – 189.

<sup>140</sup> Note: This war was fought between Malharrao Gaikwad of Kadi and Anandrao Gaikwad in which valuable assistance was provided by the British.

<sup>141</sup> Note: A fertile area near Surat.



Parmanandas, the *gumashta* of Parbhudas, initially offered a proposal of payment of nine lakhs of rupees i.e., five lakhs to Sindhia and four to the British on account of their first instalment. But he refused to enter into any other engagement for the rest of the expenses of the war. The *russad* of the *Atthavisi* was to be mortgaged to Parbhudas, until all the advances were repaid. The second instalment for the amount payable to the Company was to be paid, a year later with appropriate interest.<sup>142</sup>

A week later, on 13<sup>th</sup> September 1802, after deliberations, the *gumashta* agreed to discharge Sindhia's demand of 6, 25, 000 rupees and extended his bond to pay on the 5<sup>th</sup> of October 1803. He had agreed to loan on the *bahendari* of the Company. Alexander Walker had strongly recommended this settlement. He had realized that it would be futile to strike any better negotiation from the banker as he would never overlook his own interests. Also, Parbhudas had a considerable influence at the Court of Sindhia; therefore the agency of Parbhudas was beneficial to both the governments politically as well as financially.<sup>143</sup> According to the proposed settlement with the banker, the payment was to be made in the following manner. Out of the Company's debt of Kadi war of rupees 12,00,000, only 5,75,000 was to be discharged initially and the remaining amount was to be utilized to pay Sindhia's debt of Rs. 6,25,000. Out of rupees 5,75,000, rupees 5,00,000 was to be paid on October 5<sup>th</sup> and the rest of the amount was to be paid after four months.

This proposal was acceptable to the Company's government. They had realized that their gains were far more than their losses. Firstly, the five lakhs were being paid in cash.

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<sup>142</sup> S&P.D. Diary No. 127., Alexander Walker to Jonathan Duncan, Baroda, 12<sup>th</sup> September 1802,

Secondly, they had no desire to offend banker Parbhudas, who had enabled an easy settlement of affairs with Sindhia by becoming his paymaster.<sup>144</sup> Thirdly, Raoji Appaji had offered a security to the Company on the entire revenues of the Gaikwad State. And fourthly, it was offered at an increased rate of interest of 9% p.a. on the second instalment due to the Company.<sup>145</sup>

Therefore a bond was signed between Anandrao Gaikwad and the firm of Khushalchand Ambaidas.<sup>146</sup>

*"To discharge my debt to the Hon' able English Company, arising from the expense of the war against Kadi and the said Company's advance to Babaji Appaji for the same purpose, the account whereof not being settled, I have borrowed from you the sum of twelve lakhs and one Rupee"*

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<sup>143</sup> *Ibid.*, Alexander Walker to Jonathan Duncan, Baroda 13<sup>th</sup> September 1802.

<sup>144</sup> *Ibid.*, Jonathan Duncan to Marquis of Wellesley, Bombay, 8<sup>th</sup> October, 1802.

<sup>145</sup> *Ibid.*

<sup>146</sup> Note: Parbhudas had the firm at Baroda in the name of his brother Khushalchand Parekh, who was operating at Ujjain, on behalf of Sindhia.

**To be paid to the Company on account of their debt,**

On the <i>Asvin Sudh</i> 5 <sup>th</sup> , 1 <sup>st</sup> October 1802	Rupees 12, 00,001
<i>Manoti</i> or premium at 2½ %	Rupees 30,000
Present for <i>Sethji</i>	Rupees 4,000
Present for <i>gumashtas</i>	Rupees 1,000
<b>Total</b>	<b>Rupees 12, 35,001</b>

The rate of interest to be charged was 12% per annum. The payment was to be received from the *paraganas* of Surat Atthavisi and the *thana* of Padra.

An amount of Rupees 12,35,001 was agreed to be paid after deducting the expenses of the *Sarsubah* and *vera sukdi*. The accounts were to be made and settled every twelve months, and the interest of 2½%, to be added to the balance every year until the whole debt was discharged.<sup>147</sup>

The bond was executed in favour of Khushalchand Ambaidas because Prabhudas Seth and he were in partnership. Prabhudas Seth had paid to the house of Khushalchand Ambaidas's banking branch at Baroda on behalf of Raoji Appaji on 2<sup>nd</sup> October 1802. Khushalchand Ambaidas from Baroda wrote a receipt to their house at Sindhia's Court for the required amount along with 25,000 rupees to *Rajashri* Yadavrao Bhaskar, the

<sup>147</sup> *Ibid*, Baroda, 17<sup>th</sup> October, 1802

Dewan of Daulatrao Sindhia. One lakh of rupees was to be paid on account of Ahmedabad *mamlat darbar* charges<sup>148</sup>.

In 1806, Sindhia renewed his claims and alleged that Baroda administration was still indebted to him for the old sum of rupees ten lakhs, together with the accruing interest at 9%. Alexander Walker doubted the intentions of banker Parbhudas and the minister Yadavrao Bhasker in this, and wrote,

*"It is not improbable but that Sindhia may not have received information for this payment having been made to his banker Parbhudas Sheth, in conformity to the desire of his minister Yadavrao Bhasker; and that the production of the acknowledgement of Parbhudas Sheth may be sufficient to convince His Highness of the final settlement of all his claim on the Gaikwad Government."*<sup>149</sup>

Alexander Walker had immediately submitted the proofs of payment of the original amount of 10 lakhs of rupees, but the government denied receiving one lakh of rupees as *darbar khurch*. The Resident had confirmed that the Gaikwad government had paid the amount, but Sindhia's government had not received it. The transaction of the bankers naturally came under suspicion.

There was mayhem within the banking firm of both the bankers. Parbhudas had separated from the firm of Khushalchand, who had transacted the business on behalf of Sindhia.

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<sup>148</sup> Political Department Diary No 43/49, Alexander Walker to Jonathan Duncan, Baroda, 28<sup>th</sup> December, 1802

The confusion could have occurred from the fact that there had been no final adjustment of account between the two partners.<sup>150</sup> On 4<sup>th</sup> January 1807 the misunderstanding was cleared, when Parbhudas explained that the firm had appropriated this amount as a part payment of the heavy demands which was due from Daulatrao Sindhia. Parbhudas had conveniently deducted the amount and had remained silent on the issue, till the question arose four years later. As a result, he wrote another draft on the firm of Khushalchand Seth, and directed him to make a prompt payment of one lakh of rupees with interest.<sup>151</sup> Sindhia's *Darbar* still continued to make further demands. They had urged a claim for *batta*<sup>152</sup> upon the *sevashastry* rupees in which the payment had been made. The coin which was prevalent in Ujjain was the *poteychal*.<sup>153</sup>

The exchange rate was settled as follows<sup>154</sup>

Money payable to Sindhia:

<i>Varats</i> granted on the <i>russad</i> for 2 years	Rupees 10,00,000/-
Ditto..... <i>Darbar Kharch</i>	Rupees 1,00,000/-
Difference of exchange as follows:-	
On 5 lakhs of Rupees	32,500/-
On 6 lakhs of Rupees	42,000/-
	Rupees 74,500/-
	<b>Rupees 11,74,500/-</b>

<sup>149</sup> S & P.D Diary No- 189, Alexander Walker to N.B Edmonstone, Baroda 23<sup>rd</sup> August 1806

<sup>150</sup> Grame Mercer to Major Alexander Walker, Camp near Kareemghur, 9<sup>th</sup> December 1806, *op. cit.*, S & P.D. Diary No- 197

<sup>151</sup> *Ibid.*, No-2.

<sup>152</sup> Note: The exchange rate.

<sup>153</sup> S & P. D. Diary No-201 Grame Mercer to Alexander Walker, Baroda, 14<sup>th</sup> February, 1807.

The following sums were received	Rupees 11,00,000
Balance due to Sindhia	Rupees 74,500
	<hr/>
	Rupees 11,74,500

*Shroff* Parshottam Jagdis was appointed to receive the amount of the *vattam/ batta* arising out of the remittance. He had made drafts on the banking firm of Hari Bhakti. This final settlement was reached in 1808 when Daulatrao Sindhia issued a *farigh-khutti* or receipt of the payment received on 12<sup>th</sup> October 1808.<sup>155</sup>

This episode highlighted the fact that the bankers at all levels were influential enough to challenge any rule. Even the British could not weaken their influence. They had given encouragement to Parbhudas, thinking that this would enhance their own position. However the institution of indigenous banking had gained a lot of strength to be challenged that easily.

After settling the affairs of Sindhia's Claim and disbandment of *sibandi*, the British had proposed then to 'reform' the internal administration. These reforms were carried out mainly to curtail the expenses of the Gaikwads. This indirectly meant greater reduction in the powers and influence of the bankers.

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<sup>154</sup> *Ibid.*, Daulatrao Sindhia to Babaji Appaji, dated 6<sup>th</sup> March 1807.

<sup>155</sup> S & P D Diary No-251, Alexander Walker to Francis Warden, Baroda 28<sup>th</sup> October 1808

## **BARODA REFORMS AND THE BANKERS**

The British, under the pretext of 'reforming' the financial structure of the Baroda State, had introduced many changes from 1808 onwards, which were more beneficial to them than to the Gaikwad State. To bring the *darbar* under their sway as a subservient ally, they decided to systematically curtail the powers of the local elite, who were the mercenaries, regular army, favourite courtiers, and influential bankers. As a result, the Resident Alexander Walker, firstly, first made an effort to reduce the mercenary forces. The Arab *sibandi* eventually was broken up and other reductions were made by 1805. In reality, the subsidiary forces which were employed by the Company, proved to be more burdensome on the finances of the State, than the mercenary forces. To meet the expenses of the subsidiary forces, districts worth nearly twelve lakhs were assigned, out of which rupees 11,70,000/- was in the form of the successive *inams* (free gifts of lands) of Chikhli, Chorasi; a share of the Surat *chauth*, and the revenues of Kheda worth rupees 2,58,000/-. As a result, the total expenditure of the State, on account of the Company alone, was rupees 14,35,456. Thus the proposed 'reforms' were nothing but a way to establish the hold of the Company.

The main objective of the Company was to do away with those men who were the influential favourites of the Gaikwads and their financial supporters. After facing two experiences on account of the disbandment of the *sibandi* and the settlement of Sindhia's claim, the British must have recognised the necessity to somehow control the expenses of the State. Therefore their main targets were the bankers. Since the British could not take

them on directly, they followed a circumlocutory approach. In 1804, the Resident Alexander Walker had proposed a plan of reforms to curtail the expenses of the State. Amongst the expenses he wanted to retrench the *modikhana* expenses or household establishment of the Gaikwad, the military charges and the bestowal of *dumali gaons*. Their main concern was not to provide an efficient financial system for the *darbar*, but to enrich the State so that it could provide resources for their subsidiary troops.

*" to provide besides for the regiment of the Hon'able Company's cavalry."*<sup>156</sup>

To enable this, he had forced Sitaram Appaji (1803-1807), the son and successor of the late *Dewan* Raoji Appaji, to accept his suggestions. He was appointed by the Company, expecting him to behave like his father. Sitaram Appaji was of a different temperament (than his predecessor). He was more loyal to the Gaikwad *Sarkar* than to the British. But he had little choice in the matter.<sup>157</sup>

Alexander Walker proposed to reduce the expenditure of *modikhana*, to that, prevalent at the time of Fatehsinghrao Gaikwad (1775). He had also desired to reduce the *sibandi* completely and in its place employ the troops of the Company. In order to achieve that he proposed to negotiate with the principal officers and offered to pay them immediately. This would naturally save the government from paying a huge interest of 30% to the bankers. Along with this it was also the intention of the British to sort out the affairs of Kathiawad, either by force or diplomacy.

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<sup>156</sup> Political Department, Diary No-63-A, Alexander Walker to James Grant, Baroda, 14<sup>th</sup> February 1804.



The proposed measure was possible only if the Company and the *shroffs* forgo the revenues of their assigned *parganas* for one year.<sup>158</sup> This was difficult to achieve as the bankers made huge profits by advancing loans to the Darbar and the royal family. The bankers were sure to be averse to such a suggestion. Nonetheless the British were able to lure them and assured them that they would be paid regularly.

*“... this arrangement, ..., is equitable to the creditors of the State, who, instead of hopeless attendance, have the payment of the debts ensured within a reasonable period and on unexceptionable security.”*<sup>159</sup>

In 1806, Alexander Walker had made an estimate of discharging the debt of the year 1802. A plan was conceived whereby the loans which had been previously given by the *shroffs* would be paid up by 1808. For example, in 1802, the first loan provided by the *shroffs* or *sahukars* to the Gaikwads had amounted to rupees 12, 48,000/- viz by HariBhakti, Samal Bechar, Mangal Parekh and Travadi, (rupees 3, 12,000/- each inclusive of *manoti*). According to the proposal, this sum was to be recovered in parts by June and remaining in October. The reforms were to continue up to 1808, till the British were convinced of its success.<sup>160</sup>

The problem was of the arrangement of the funds. The banking community of Baroda was ready to cooperate, but perhaps Walker had lost trust in the old banking firms like

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<sup>157</sup> S&P D Diary No – 165, Alexander Walker to Jonathan Duncan, Baroda 26<sup>th</sup> Feb. 1804.

<sup>158</sup> *Ibid*, Diary No-59

<sup>159</sup> *Ibid*., Diary No-63

<sup>160</sup> S & P D Diary No -182, Alexander Walker to Jonathan Duncan, Baroda, 1<sup>st</sup> January 1802

that of Samal Bechar and had intended to replace them with his own favourites. Thus their trustworthy bankers came to the vanguard<sup>161</sup>.

As a result, a *kalambandi* or memorandum of articles was issued by Alexander Walker. According to it, a complete account of the pecuniary concerns of the State, including that of Company, *shroffs*, revenue farmers and army etc. was to be prepared, along with the exact statement of arrears, and an account of the revenues of the State. In order to pursue this, he had insisted on complete assistance of the *shroffs*.<sup>162</sup> The *makhalasi* or all powers of business, which was earlier in the hands of Mangal Parekh was taken away and was given to Babaji Appaji (a strong supporter of the British), who was appointed to the post of *khasgidarak* (a special post was created as Sitaram was unable to perform the task).<sup>163</sup> Sitaram Appaji was told firmly to obey the orders of the Resident, to stand united,

*"in order to prevent the impending reforms, it requires the essential of  
unanimity to prevail amongst all individuals of the state,  
whether great or small, all wishing the welfare there of"*<sup>164</sup>.

On 28<sup>th</sup> January 1807, Alexander Walker called a meeting, in regard to the reforms, which was attended by all the officials of the State and the bankers. The first business, acted upon, was to fix the office of a treasurer (in the absence of a central treasury). Samal Bhakti, the successor of the banking firm of Hari Bhakti, was appointed the

<sup>161</sup> S & P D Diary No- 184, Jonathan Duncan to Sir George Hilarao Barlow, Bombay 1<sup>st</sup> May, 1806.

<sup>162</sup> *Ibid.*, Diary No- 197, Dispatch from the Resident at Baroda, 11<sup>th</sup> January, 1807.

<sup>163</sup> *Ibid.*, Diary No- 198, Alexander Walker to Jonathan Duncan, Baroda 3<sup>rd</sup> February 1807.

<sup>164</sup> *Ibid.*, Article No-12

“*pothdar*” (*potedar* or treasurer). This *yad*<sup>165</sup> was authorized by Maharaja Anandrao Gaikwad. The *mamlatdari* of Sinor *taluka* in Baroda division, was formally given to Mairal Narayan, a very important banker who had been in the service of the State since the time of Damajirao Gaikwad.

Samal Bhakti's appointment had been done thoughtfully as it suited the interests of both the Governments. The firm since the time of Govindrao Gaikwad had been transacting on the behalf the Gaikwads at Poona as well as other places, besides the firm was familiar with the pecuniary conditions of the State. Hence the formal appointment had suited the interests of the Gaikwad Government. The British Government on the other hand was assured of the loyalties of HariBhakti towards them, as they had previously assisted the Company in many ways. The main purpose of this office of the treasurer was to accord the *Sarkar* the advantage of the wealth of a respectable *shroff*, and enable from the extent of his credit to discharge the drafts which the *Sarkar* had overdrawn, at times beyond their financial capacities.<sup>166</sup>

Mairal Narayan, upon whom the management of Sinor was conferred, was one of the wealthiest *shroffs* in Baroda. He was also a principal *shilledar* in the service of the Gaikwad. He was to manage the district on the *cachcha* system that is as a temporary arrangement. After defraying the *thana* (a group of 15 to 20 villages assigned as the

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<sup>165</sup> Note: An Office order.

<sup>166</sup> S & P D , Diary No-198 Alexander Walker to Jonathan Duncan, Baroda, 3<sup>rd</sup> February 1807.

<sup>166</sup> *Ibid.*

revenue farm) of the *shilledar*, he had to submit accounts to the government for the net proceeds.<sup>167</sup>

To repay the debts of the bankers which had accumulated for the last few years, and were increasing every year, Alexander Walker had adopted a strange financial system,

*“of making annual loans in aid of the government, which would operate by appropriating the disposable revenue of the year to discharge the establishment of that year which had partially fallen into arrear”.*<sup>168</sup>

According to the Resident, to defray the arrears, fresh loans would be raised each year. This would enable him to maintain an account of the balance.

This system of reducing yearly loans worked for a while, because reductions of the yearly disbursements could be made while increasing the revenues.<sup>169</sup> This can be seen as follows:-

Years	Land Revenue	Gross Revenue	Gross Disbursements	Surplus.
1808-09	55, 47,722	66, 53,918	50, 05,582	16, 48,336
1809-10	56, 54,722	68, 84,674	50, 13,745	18, 70,929
1810-11	56, 45,022	72, 43,710	49, 97,747	22, 45,963
1811-12	56, 86,807	71, 05,491	51, 52,914	19, 52,577

<sup>167</sup> *Ibid*

<sup>168</sup> F A H. Elliot, *Op. Cit.*, p-105.

<sup>169</sup> *Gazetteer of the Baroda State*, Vol-II, p-400.

Alexander Walker was careful to select competent and responsible men, and a method of checks and balances was introduced. He had also laid down certain financial limits for the running of various departments in the State. For instance, the cost of the Civil Establishment was limited to rupees 2, 71,000, of which the Dewan was to get one lakh as salary. The Gaikwad family was to be allowed rupees 4, 23,000/-. The revenue charges, religious expense and pensions were not to exceed rupees 5, 05,500/-.

However, these reforms were bound to be eventually unsuccessful, as it was difficult to control a government which from its very inception had never operated with any kind of systematic approach. There were many in the administration who still thought the British to be untrustworthy. For instance, the Dewan, Sitaram was hesitant from the beginning and had done very little to cooperate. His expenditures had increased and his debts had cost the State, an amount of over 30 lakhs. Even the Regent Fatehsinghrao did not make any attempts to curtail his expenses.<sup>170</sup>

Though the revenue surplus in these years was nearly forty lakhs, it could not be used to repay the debts. The reasons being a decrease in revenue from Kathiawad due to the famine, the threat of invasions and thereby a high rate of military expenditure. The above worsening situation was accentuated by the fruitless mission to Poona (to renew the lease of Ahmedabad) which had resulted in the death of Ganghadhar Shastri (1810-1813), the *mutalik*. This mission had proved to be expensive for the State in terms of men and money. The death of Ganghadhar Shastri had decreased the influence of the British on Fatehsinghrao Gaikwad. The lifting of this pressure had unleashed the young Regent who

made all possible attempts to undo the reforms introduced by the British.<sup>171</sup> Therefore the financial balance was upset by the expenditure rising above the surplus. The system devised by Alexander Walker had failed since its success was largely dependent on a large surplus. The yearly loans were raised at a high interest of 12 percent, and when the loans were not cleared due to the above circumstances the amount of the interest had swelled at an enormous rate.<sup>172</sup>

The following table throws a valuable light on the amount loaned by the bankers and the subsequent disbursements made by the Baroda State from 1802-1819.

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<sup>170</sup> *Ibid*, p-401

<sup>171</sup> *Ibid*, p-403

<sup>172</sup> *Ibid*.

**LOANS FROM THE BANKERS TO THE GAIKWADS IN VARIOUS YEARS**

1802-1803<sup>173</sup>

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	On account of discharge of <i>sibandi</i> by various bankers contributing three lakhs rupees each. <i>manoti</i> at the rate of 4%.	12,00,000 48,000	12,48,000
2.	Loan borrowed from various bankers on account of Kadi Babaji Appaji <i>manoti</i> at the rate of 2.5%	12,00,000 30,000 5,000	12,35,000
3.	Loan from Mangal Parekh Loan from Samal Bechar	4,25,458 4,96,144 <sup>174</sup>	9,21,602
	<b>Total</b>		<b>34,046,602</b>

<sup>173</sup> M S A , 52 P D Diary No-182, Alexander Walker to Jonathan Duncan, Translation of a memorandum comprising of various pecuniary documents by the Gaikwad Sarkar under the guaranties of the company, 2<sup>nd</sup> 8<sup>th</sup> April 1804

<sup>174</sup> Note This amount is the rounded up and anna and pie have been calculated as a rupee.

1803-1804

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed.	Total Amount
1.	Debts (exclusive of interest) on account of the payment to the army by various bankers		
	a. Wakatchand Sheth	55,959	
	b. Purshottamdas Sheth	1,00,000	
	c. Samal Bechar Sheth	65,000	
	d. Mairal Narayan Sheth	1,47,931	
	e. Lallubhai Mangaldas	5,000	
	f. Darjibhai Suklal	10,000	
	g. Hari Bhakti	3,514	
	h. Manekchand Jagjevandas	5,602	
	<b>Total</b>		<b>3,93,000<sup>175</sup></b>

<sup>175</sup> B S R. R., P D , *Daftar No* – 3, File No. – 13, Walker to Grant, Baroda 2<sup>nd</sup> January 1808



1804-1805

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.		Amount Borrowed	Total Amount
1.	Payment from the Bankers to the Army at Ujjain.			
	a.	Mairal Narayan	1,00,000	
	b.	Samal Bechar, Mangal Parekh & Haribhakti	3,23,750	
	c.	Parbhudas Sheth	4,00,000	
	d.	Ratanji Kandas and Kupari Bhogachand	75,000	
	e.	Samal Parekh and Mangal Parekh	2,00,000	
	f.	Money due from <i>varats</i> on the <i>mahals</i> for the present year, which Samal Bechar, Mangal Parekh, Haribhakti & Parbhudas Sheth had agreed to advance :		
		<i>biaj, manoti</i> 1,15,000		
		<i>sukhdi</i> 50,000		
		<i>peshkash</i> 75,000		
		<i>wadhara or increase</i> 1,50,000	3,90,000	14,88,750
2.	Payment for Fatehsingh Rao Gaikwad's ransom			
	a.	Mangal Parekh	10,000	
	b.	Samal Parekh	10,000	
	c.	Bhire's <i>varat</i> on <i>mulukgiri</i>	10,000	
	d.	Parbhudas Parekh	20,000	50,000
	Total			15,38,750 <sup>176</sup>

<sup>176</sup> M S A. S & P D Diary No-182. Alexander Walker to James Grant, Baroda 22<sup>nd</sup> February, 1805, p-2736.

1805-1806<sup>177</sup>

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	The credit received of the amount, was contributed through the other sources, probably the company.	6,55,564	6,55,564

1807-1808

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	General debt to the Gaikwad government for the discharge of the previous loans.		
	a. Samal Bechar	6,00,000	
	b. Mangal Parekh	6,00,000	
	c. Arjunji Nathji Travadi	7,00,000	
	d. Khushalchand Ambaidas	6,00,000	25,00,000
	<i>manoti</i> at 4%:	1,00,000	1,00,000
2.	The amount loaned by the State <i>potedar</i> (inclusive of <i>manoti</i> & interest)		
	a. Haribhakti	26,48,785	
	b. Mairal Narayan	11,89,450	38,38,235
3.	Loans from <i>kirkool shroff</i> (sundry bankers) to discharge the demands from Seetaram Appaji.	6,85,500	
	<i>Manoti</i>	3,000	6,88,500
<b>Total</b>			<b>71,26,735<sup>178</sup></b>

<sup>177</sup> Note : The accounts of the year 1806 to 1807 are not available.

<sup>178</sup> B.S.R.R., Daftar No. – 1, File No – 3, Vol No-18, R. Carnac to Governor, 1800

1808-1809<sup>179</sup>

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.		Amount Borrowed	Total Amount
1.	General Loan to the State			
	a.	Haribhakti	17,84,740	
	b.	Mairal Narayan (Inclusive of <i>sahukari</i> )	4,00,000	
				21,84,740
	Rate of interest @ 12%		2,62,169	
	<i>manoti</i> @ 2%		43,695	3,05,864
	c.	Samal Bechar, Mangal Parekh, Travadi and Khushalchand Ambaidas	4,27,563	
	d.	Mairal Narayan	1,00,000	
	e.	Sundry <i>shroffs</i> to discharge Seetaram 's debt	1,26,753	
	f.	Bhaichand Desai & Ramdas Patel	50,000	
	g.	Narsi Premanand	4,00,000	11,04,316
	<b>Total</b>			<b>35,94,920</b>

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<sup>179</sup> *Ibid.*, pp- 161-162

**1809-1810**

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	General Loan to the State provided by the State <i>potedars</i> - Haribhakti & Mairal Narayan Rate of Interest @ 12% & <i>manoti</i> @ 2%	22,85,412 3,40,271	26,25,683
2.	To discharge Seetaram's demand <i>manoti</i> for <i>Kirkool shroff</i> @ 16.5%	50,000 8,250	58,250
3.	The amount not realized by Sundry <i>shroffs</i> for the year 1808-1809 <i>manoti</i> & interest	63,740 22,438	86,178
4.	Unrealised amount of the assignments on Kathiawad of Samal Bechar, Mangal Parekh, Travadi & Khushalchand Ambaidas	2,00,000	2,00,000
<b>Total</b>			<b>29,70,111</b>

**1810-11**

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	The general payment made to the Gaikwad state by the bankers :- Hari Bhakti Mairal Narayan, Khushalchand, Samal Bechar, Mangal Parekh, Arjunji Nathji Travadi (Inclusive of <i>manoti</i> )	30,04,997	
2.	HariBhakti and Mairal Narayan (as State <i>potedar</i> )	9,00,000	
<b>Total</b>			<b>39,04,997</b>

1811-1812

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	General Loan to the State provided by the State <i>potedars</i> - Haribhakti & Mairal Narayan Interest & <i>manoti</i>	26,05,608 2,97,710	29,03,318
2.	Amount of interest and <i>manoti</i> due to <i>Kirkool</i> (Sundry) <i>shroff</i>	18,450	18,450
3.	Amount due to <i>Kirkool shroff</i> by Fatehsinghrao on account of <i>paga</i> Interest & <i>manoti</i> for 3 years	95,000 40,000	1,35,000
<b>Total</b>			<b>30,56,768</b>

1812-1813

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	On account of sundry <i>shroffs</i>	10,94,436	10,94,436
2.	For the <i>paga</i> of Mukundrao Gaikwad		
	a. Khushalchand Ambaidas	15,000	
	b. Narsi Premanand	4,00,000	4,15,000
3.	<i>Kirkool shroff</i> for discharge of charity donations	12,348	
4.	General Loan to the State provided by the State <i>potedar</i> - Haribhakti	25,47,645	25,59,993
<b>Total</b>			<b>40,69,429</b>

1813-14

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	Haribhakti	26,490	
2.	Haribhakti for expense of Bapu Mairal at Poona	29,003	
3.	Amount borrowed from <i>Kirkool &amp; sundry shroffs</i>	1,36,846	
4.	Amount borrowed from Haribhakti for the payment of the arrears of the establishment	20,90,488	
<b>Total</b>			<b>22,82,827</b>

1814-1815<sup>180</sup>

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	Amount borrowed from Haribhakti for the payment of the arrears of the establishment	14,49,950	
<b>Total</b>			<b>14,49,950</b>

<sup>180</sup> Note :The loans provided for the year 1815-1816 were not under the guarantee of the Company, therefore the records are not available

1816-1817

Sr. No.	Various bankers/heads providing loans to the Gaikwad State (under the <i>bahendari</i> ) of the Company.	Amount Borrowed	Total Amount
1.	General Loan to the State provided by the State <i>potedars</i> - Haribhakti, Mairal Narayan, Dhakji Dadaji	35,59,794	
2.	Loans provided by Samal Bechar & Mangal Parekh	3,88,853	
3.	Loan to the State provided by the State <i>potedars</i> - Dhakji Dadaji and Ratanji Kandas <sup>181</sup>	1,31,392	
4.	Dhakji Dadaji	2,29,300	
5.	Mairal Narayan	44,800	
<b>Total</b>			<b>43,54,139</b>

<sup>181</sup> Note : Ratanji Kandas was the *potedar* for Kathiawad.

The amount paid by the banker to the Gaikwads state under the bhandari of the company.

Year	Amount
1802-1803	34,06,601
1803-1804	3,93,000
1804-1805 <sup>182</sup>	15,38,750
1807-1808 <sup>183</sup>	71,26,734
1808-1809	35,94,917
1809-1810	29,76,110
1810-1811	39,04,997
1811-1812	30,56,769
1812-1813	40,69,430
1813-1814	1, 92,337
1814-1815	35,30,438
1816-1817 <sup>184</sup>	43,54,137

<sup>182</sup> Note : For the year 1805-1806, the credit was received of the amount 6,55,563-2-54, but most of it was contributed through probably other company

<sup>183</sup> Note : 1806-1807 Not Available

<sup>184</sup> Note : 1815-1816 Not Available.



DISBURSEMENTS

1807-1808

Name of the Banker	Disbursements made (Amount Paid)
Samal Bechar, Mangal Parekh and Khushalchand Ambaidas	7,10,430
<b>Total</b>	<b>7,10,430</b>

1808-1809

Name of the Banker	Disbursements made (Amount Paid)
Haribhakti and Mairal Narayan	11,51,456
Haribhakti	9,60,885
Samal Bechar, Mangal Parekh and Khushalchand Ambaidas	8,58,493
Various Bankers	37,83,055
<i>Kirkole shroffs</i>	3,58,260
<b>Total</b>	<b>71,12,149</b>

1809-1810

Name of the Banker	Disbursements made (Amount Paid)
Mairal Narayan	2,00,000
Haribhakti	4,50,000
Samal Bechar, Mangal Parekh and Khushalchand Ambaidas	7,28,717
Various Bankers	1,21,812
<i>Kirkole shroffs</i>	5,62,248
<b>Total</b>	<b>20,62,777</b>

**1810-1811**

Name of the Banker	Disbursements made (Amount Paid)
Mairal Narayan	1,00,000
<i>Potedari</i> charges <sup>185</sup>	52,031
Various Bankers	25,73,652 <sup>186</sup>
<i>Kirkole shroffs</i>	1,26,431
<b>Total</b>	<b>28,52,114</b>

**1811-1812**

Name of the Banker	Disbursements made (Amount Paid)
Haribhakti & Mairal Narayan	30, 04, 997
Khushalchand Ambeydas, Samal Bechar, Mangal Parekh & Travadi	4,50,000
<i>Kirkole shroffs</i>	1, 28, 730
<b>Total</b>	<b>35,83,727</b>

**1812-1813**

Name of the Banker	Disbursements made (Amount Paid)
Haribhakti	29,03,318
Various bankers on discharge Ahemdabad debt.	56, 000
<i>Kirkole shroffs</i>	1, 53, 000
Haribhakti on account of Poona debt	75, 000
Interest & <i>manoti</i> taken on the loans	2, 22, 465
<b>Total</b>	<b>34,09,783</b>

<sup>185</sup> Note: This was the *potedari* charge of Mairal Narayan & Haribhakti.

<sup>186</sup> Note: This payment was made out of the *mahals* assigned to the bankers.

**1813 - 1814<sup>187</sup>**

<b>Name of the Banker</b>	<b>Disbursements made (Amount Paid)</b>
Haribhakti	25,47,646
On Account of <i>manoti</i> payable to HariBhakti, Samal Bechar, Mangal Parekh, Travadi & Khushalchand.	1,63,537
Haribhakti on account of Poona debt	75,000
<b>Total</b>	<b>27,86,183</b>

**1814-1815**

<b>Name of the Banker</b>	<b>Disbursements made (Amount Paid)</b>
Bhaichand and Khushalchand	50,000
Narsi Premanand	4,00,000
On account of debt of Seetaram	3,88,553
Haribhakti on account of Poona debt	2,63,994
Sundry Shroffs	45,000
Haribhakti	14, 49, 950
<b>Total</b>	<b>2597497</b>

**1815-1816**

<b>Name of the Banker</b>	<b>Disbursements made (Amount Paid)</b>
Dhakji Dadaji Mairal Narayan and Haribhakti	35,59,794
Ratanji Kandas and Dhakji Dadaji	1,31,392
<b>Total</b>	<b>36,91,186</b>

<sup>187</sup> *Ibid.*, pp - 168.

1818-1819

Name of the Banker	Disbursements made (Amount Paid)
Khushalchand, Samal Bechar, Mangal Parekh and Travadi	4,22,448
Ratanji Kandas, Mairal Narayan	5,75,788
Khushalchand Parekh was paid on account of the varat on Kathiawad Mairal.	5,77,643
Mairal Narayan and Ratanji Kandas	2,06,710
Khushalchand	. 15,000
Narsi Premanand	2,00,000
Hubara Bhauchand and Ratanji Kandas.	12,129
sundry shroffs and their gumrashlas	1,23,000
Ratanji Manekchand	62,298
Mairal Narayan.	56,348
<b>Total</b>	<b>22,51,364</b>

In 1816, Dhakji Dadaji (1816-1820) was chosen as the *Dewan* by the British. He was also appointed the State *potedar*. This was done against the wishes of Fatehsinghrao Gaikwad. The Resident had little trust in Fatehsinghrao's confidant, Bechar Manikdas, a *shroff* belonging to the banking house of Samal Bechar, the same firm which had caused the then Resident Alexander Walker a great deal of trouble. The British believed that Manikdas was providing unlimited funds to the Regent thereby increasing the expenses of the State.<sup>188</sup> The British had also feared that their position at the Court would be jeopardized, if the bankers regained influence. Therefore it was necessary to invite such a

person as the *Dewan*, whom they could control. Since Dhakji Dadaji was from Bombay and had no local connections at Baroda, any loyalties to the local rulers would be a rare possibility. The British had warned Fatehsinghrao either to accept Dhakji Dadaji as the *Dewan* or step down from power, thus leaving him with little choice but to accept.<sup>189</sup>

Dhakji Dadaji on his appointment was able to win over the Resident's confidence by making loud claims that, should he be given the office of *potedar* along with that of the *Dewan*, he would be able to reduce the expenses of the State. He was granted both the offices and within a year he made claims that he had reduced the expenditure of the State. He convinced the Resident of his efficient management of the finances of the State, and the resultant reduction in the debts to the bankers. Actually he had forced the bankers to lower the rate of interest from 16% to 12%, thus reducing the debt by forty lakhs of rupees.<sup>190</sup>

The appointment of the same person to the two powerful posts i.e. of the *Dewan* and *potedar* had proved to be a mistake on the part of the British. The combination of these two offices had provided ample scope for Dhakji Dadaji for committing a fraud. He had compelled the revenue-farmers to pay him a percentage for guaranteeing them the payment from the revenues at a fixed date and he was also in the habit of refusing to encash the *varats* unless a high commission was paid to him. Dhakji Dadaji had no capital of his own but as the State *potedar* he had to advance the sums required by the State for all its expenses. Consequently he had persuaded the Resident, on the behalf of

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<sup>188</sup> Political Department No-78 James Carnac to Francis Warden, Baroda 14<sup>th</sup> January, 1816.

<sup>189</sup> Political Department Diary No-296 James Carnac to Francis Warden, Baroda, 27<sup>th</sup> July 1816.

Fatehsinghrao to accept the share in the *potedari* of the two previous firms, HariBhakti and Mairal Narayan. These men had contributed 8½ lakhs each, while he himself had put in nothing.<sup>191</sup> In the same manner, he had taken up the Kathiawad *potedari* along with Ratanji Kandas and it was the *shroff* who supplied all the funds. Eventually, the embezzlement of Dhakji Dadaji had come to light and he was removed in 1820. It was the next Maharaja who brought the forgery to light. Under the charge of brokerage, Dhakji Dadaji had embezzled Rs. 2, 75,000; and after appropriating 1, 90,000, he had recorded the sum as having been paid to Fatehsinghrao's creditors.

The involvement of the bankers in the political affairs of the State had gradually declined. The British to some extent were responsible for this. They had systemically removed the bankers out of the system. Unfortunately for the bankers, Maharaja Anandrao Gaikwad had no say in the administrative affairs from the beginning and was solely reliant upon the advices of his *Dewan* and the banking community. The *Dewan*, Raoji Appaji, had switched sides and had joined the British. He had given an initial head start to the British. After his death, with the Arab mercenaries ousted, the only opposition was from the banking community. The banking community itself was divided on that account, with Samal Bechar and Mangal Sakhidas on one side and the rest of the bankers i.e. the HariBhakti, Mairal Narayan, Parbhudas and Khushalchand Ambaidas on the other. There was also no definitive policy of the bankers to maintain their influence and not all of them considered the British as a threat to their existence. The British were probably viewed as just another power trying to wield political influence. Therefore they were

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<sup>190</sup> *Ibid.*

<sup>191</sup> Gazetteer of the Baroda State, Vol- II, *Op cit*, p-405

neither loyal to the British nor disloyal. They had established a kind of a relationship of earning and sharing, mutual benefits with them. However, the situation changed, considerably in the next few decades of the 19<sup>th</sup> century.

To study the implication of the changing political scenario of the Baroda State, it becomes imperative to delve into the origin of six major banking firms, which had played an important role in the politico-socio-economic nexus of the State throughout the 19<sup>th</sup> century. These six firms were those of HariBhakti, Mairal Narayan, Samal Bechar, Mangal Sakhidas, Khushalchand Ambaidas and Ratanji Kandas. A study is also made of the firm of Travadis.

## **FOUNDATION AND GROWTH OF PROMINENT FAMILY-FIRMS**

### **HARIBHAKTI**

There were a few prominent bankers during the reign of Anandrao Gaikwad. Among the most prominent were the HariBhaktis. Hari and Bhakti belonged to the *vanias of the vislad caste*.<sup>192</sup> Gangadas, the grandfather of HariBhakti had carried on the business of *vyajvatu* or *vyajvatantar* i.e. interest discounting. They had started managing the business operations by financing the local needs of the agriculturists, artisans and others.<sup>193</sup> They had provided funds to the cultivators, needed to pay the taxes, for the purchase of seeds and oxen etc., to dig wells, for marriage expenses, death ceremonies and other social festivals. By the close of the first quarter of the eighteenth century, HariBhakti had built up a reputation and had enough capital to indulge in larger operations.

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<sup>192</sup> F A H. Elliot., *Op Cit.*, pp-165-166

Though not much is known about their migration to Poona, by the middle of the eighteenth century i.e. after the third battle of Panipat, they had established a branch bank at Poona.<sup>194</sup> Perhaps Peshwa Madhavrao-I had invited them to start operations in his capital city. Soon the firm of HariBhakti gained prominence at the court at Poona.<sup>195</sup> They were considered to be amongst the most influential and were respected amongst the high-rung officials. They used to travel with the armies of the Peshwa, and served as financiers of these armies.<sup>196</sup> Along with the supply of money, HariBhakti were also providing on contract basis, clothes, ration, etc to the Marathas, when on expeditions.<sup>197</sup> Sometimes the soldiers would deposit their wealth from the loot and plunder as security, but as they did not survive the war therefore it stayed with them and increased their wealth. The firm of HariBhakti was also paying salaries to the *shilledars* of the Peshwa.<sup>198</sup> Besides these, they conducted various other activities, e.g. they drew, purchased and sold *hundis* on behalf of the State and people. For that, a rate of *hundawan* or *hundawal* was fixed at 2 ½ to 10 percent. As *potedars*, their main function was to honour the demand drafts of the State in order to defray the expenses of the civil and military heads.<sup>199</sup> HariBhakti's nephew, Dullabhdas, was made the in charge of their *pedhi* at Poona in 1798.<sup>200</sup> Dullabhdas rose to the position of eminence at Poona and was given the title of '*Nagarseth*' by the Gujarati *mahajan*.<sup>201</sup> The firm of HariBhakti, in the

<sup>193</sup> *Badodyatil Sardar, Silledar, Jamadar, Pagedar Va Parekh Gharanchya Hakikat*, Baroda State Press, Baroda, Vol- X, 1897, p-16.

<sup>194</sup> Dwijendra Tripathi & Priti Mishra, *Towards A New Frontier-History of Bank of Baroda, 1908-1983*, New Delhi, Manohar Publications, Delhi, 1985, p-23.

<sup>195</sup> Sarla Deshpande, *Op. Cit.*, pp.-240.

<sup>196</sup> *Poona Archives, Ghadvi, Daftar No 460*.

<sup>197</sup> Sarla Deshpande, *Op , cit*, p-240

<sup>198</sup> *Poona Archives, Ghadvi, Daftar No.460*.

<sup>199</sup> Neeru Banerjee, (M. Phil) , *Business and Gaikwad State.*, (1700-1802)

<sup>200</sup> G.T.Kulkarni, *Op cit* , pp-191-193

<sup>201</sup> D.R.Gadgil, *Pune Sharatil Mahajan va Nagarseth*, Vol No 1, March 1959, pp-8-14



latter half of the eighteenth century, was closely associated with another important firm of Gadres at Poona.<sup>202</sup> So pleased was the Poona *darbar* with them, that they bestowed upon them the grant of the village of Dhabhi in Kajapur *taluka*.<sup>203</sup>

The relationship of HariBhakti with Baroda State can be traced explicitly from the late eighteenth century. HariBhakti, with its roots established at Poona, had travelled from Poona to Gujarat, along with the army of Haripant Phadke in 1775 as a regular supplier of money.<sup>204</sup> However, one of the brother, Haribhai stayed back and opened a branch at Poona. In the absence of a male successor to both the brothers, Bhakti (who was managing the firm at Baroda) had adopted his nephew (sister's son), and named him Samal. He came to be known as Samal Bhakti and under him the firm gained more accolades along with profits. HariBhakti began as military paymasters or *bakshis* of the Gaikwads and rose to a position of prominence in the beginning of the nineteenth century. The economic environment of the Baroda State in the latter half of the eighteenth century enabled the firm of HariBhakti to seek opportunities, which made them powerful at the centre. They took advantage of the muddled state of financial affairs at Baroda and utilised these opportunities and made extensive dealings with the Gaikwads. This is clear from the fact that Manajirao Gaikwad, when he succeeded for a brief period of one year, had bestowed on them a *palakhi*, on the occasion of assuming power in 1792.<sup>205</sup> Also the firm was authorized to use the royal insignia and amenity of

<sup>202</sup> Sadashiv Athavale, *Papers related to the Gadres, A house of money lenders*, *Quarterly of the Bharat Itihaas Sanshodhak Mandal*, Pune, Vol. 77, July 1999-April 2000, p-51.

<sup>203</sup> Dwijendra Tripathi & Priti Mishra, *Op. cit*, p-23.

<sup>204</sup> *Note*: He was sent by the Peshwa to control the growing powers of the Gaikwads.

<sup>205</sup> *Gazetteer of Baroda State*, Vol-I, pp-466-67

rupees 1,219/- in 1791 A.D., which had continued till 1862.<sup>206</sup> At Baroda State they had functioned in various capacities as State's financiers or treasurer, they were called *potedars*<sup>207</sup>. The other important functions were those of *bakshi* or military paymasters, *ijaradars* or revenue farmers; *manotidars* or security givers<sup>208</sup>, *sarrafs* or currency changers, *jasud*<sup>209</sup> or a spy. They were also engaged in multifarious activities which included banking operations and commercial activities.

In the absence of a central treasury for the monetary requirements of the administration, the State was totally depended upon the financiers. These financiers were funding almost all the aspects of administration. The firm of HariBhakti also had got involved in it totally. They were financing and paying on behalf the Gaikwad not only within the Baroda State but even outside it. Externally they paid the tribute to the Peshwa on behalf of the Gaikwads, along with the *nazarana* or *nazar*, fine, bribes, etc<sup>210</sup>. After the death of Manajirao, the Peshwa had demanded a huge sum of 2,90,8000 rupees as the *nazarana* to recognize Govindrao as the next ruler<sup>211</sup>. A large portion was paid by the HariBhakti. The State in return was ready to give all help and support to them at the time of need. In 1806 for instance the Baroda government had sternly enquired from the Thakur of Bhavnagar, for the latter's failure to pay the instalment of his loan to HariBhakti.<sup>212</sup> A year later the

<sup>206</sup> *Ibid.*

<sup>207</sup> Note: This was the post which was in common use in Rajasthan too, where they were known as *potadars*.

<sup>208</sup> Note: Assurance of the payment of revenue to the State was given by the *manotidars* and they paid money in advance as this guarantee.

<sup>209</sup> G.S.A., B.S.R.R., B. P. C., Daftar No. – 11, File No. – 52, Walker to Francis Warden, 8<sup>th</sup> May 1805, p-723.

<sup>210</sup> *Selections from the Satara Rajas & the Peshwa diaries*, IX, Vol I by G. Chimnaji, ed., K.N Sane, The Deccan Vernacular Translation Society, Poona, 1911, p-128-129.

<sup>211</sup> Gazetteer of Baroda State, Vol-I, *Op cit.*, pp. – 482.

<sup>212</sup> H S B. S. R., Vol-IV, Govindrao & Anandrao, *Kalambandi* Dated 1806, p-546.

British officials at Surat were asked to exempt the city branch of the House from the payment of loan tax known as *karanpatti*. Also several *kamavisdars* were ordered to write off the amount due from them on account of excise duty. A number of villages were given as a gift to the *sahukar*.<sup>213</sup> On pilgrimage, the escort and protection was provided to them by the State.<sup>214</sup> HariBhakti had gained prominence in the Gaikwad *darbar*, mostly because of their relations at Poona. The State took the maximum advantage of it and wherever transactions with the Peshwa were involved HariBhakti were provided with the opportunity to transact and make profits. Therefore in the matter of the Peshwa's share in the revenues of Ahmedabad,<sup>215</sup> HariBhakti had paid a major portion of this installment till 1815. Internally, they were paying to the government officials of the State<sup>216</sup>, paying the army<sup>217</sup>, financing the *mulukgiri* expeditions to Kathiawad,<sup>218</sup> and paying pension to the government officials.<sup>219</sup>

In 1807, under the reforms carried out by the Resident, Samal Bhakti along with Mairal Narayan was given the office of *potedari* or that of the State banker. From then on all the expenses of the State were borne by them. This was inclusive of the pilgrimages of the royal family, purchase of ornaments or gifts, expenses on marriages, births, deaths, in the family, construction of the temples and many miscellaneous heads. In return the Baroda *pargana* was assigned to them to make good the loans. Thus the State was making

<sup>213</sup> Dwinjendra Tripathi & Priti Mishra, *Op cit.*, p-23.

<sup>214</sup> *Hanbhakti Gharani Hakikatni ni Pustak*, (Selectons), Government of Baroda, 1940, p-19.

<sup>215</sup> M.S. Commissariat, *A History of Gujarat*, Vol-III, Oriental Longman, Bombay, p-324.

<sup>216</sup> HariBakti documents, Department of History, M.S.U.

<sup>217</sup> *Ibid*

<sup>218</sup> S.B.Rajyagor, *History of Gujarat*, Chand & Co. Ltd, New Delhi, 1982, p-357.

<sup>219</sup> *Vahi khata of Samvat 1825*, Collection of HariBhakti Records, Department of History, The M.S. University of Baroda, Vadodara.

expenses without any hitches on account of HariBhakti. They in turn were enjoying the powers which they had been given and also made huge profits and rose high in position.

The firm also had been the favourites of the British, as the British had not only chosen them to be the finance controllers but virtually the best of the *pargana* and *prant* were farmed out to them. In their private capacity, they were also lending money to the British.

The HariBhakti records, throw very important light on these transactions. For instance, on 26<sup>th</sup> October 1804, HariBhakti had loaned the British government rupees 8, 35, 600.<sup>220</sup>

The reason for such a huge loan is unexplained. The firm was also remitting money to other branches at Bombay, Surat, and Poona etc. for the British. For instance a sum of around Rs. 7, 500 was remitted to Surat and the Company's account was credited with it.<sup>221</sup> The firm of HariBhakti was also conducting business with the European companies

perhaps via the East India Company. For instance, in 1805, the firm had maintained an account with one Briscore and Beaufort Company, which appears to be a shipping company. The account of HariBhakti was debited with rupees 735/- out of which Rs 500/- was the amount charged for the payment taken on the ship endeavour and the premium was charged at 18 percent.<sup>222</sup> They were also conducting cotton business with

the British. In the same records the account of HariBhakti is credited with a sum of 23, 575 for three bales of cotton received from them on account on Brodera. Though the purchase was made for 23, 000/- rupees, the firm was credited with rupees 575 extra. However the British, at times, did doubt the integrity of these merchant-bankers. In 1805, the Bombay government had asked Colonel Walker to check the association of

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<sup>220</sup> *Ibid*, English Documents.

<sup>221</sup> *Ibid*.

<sup>222</sup> *Ibid*.

HariBhakti with the rebel Kanhojirao, which of course was rejected by the Resident as 'improbable that they would engage in such criminal transaction'.<sup>223</sup>

HariBhakti had also relations with the other bankers which were trading as well as personal. For instance they had shared the *potedari* concerns with Managal Parekh since 1807. As they were the main *potedar* they had to pay for the services of the other bankers. For instance, a pay order of 25, 000 was made out on them payable as reward to Mairal Narayan in appreciation of his royal services.<sup>224</sup>

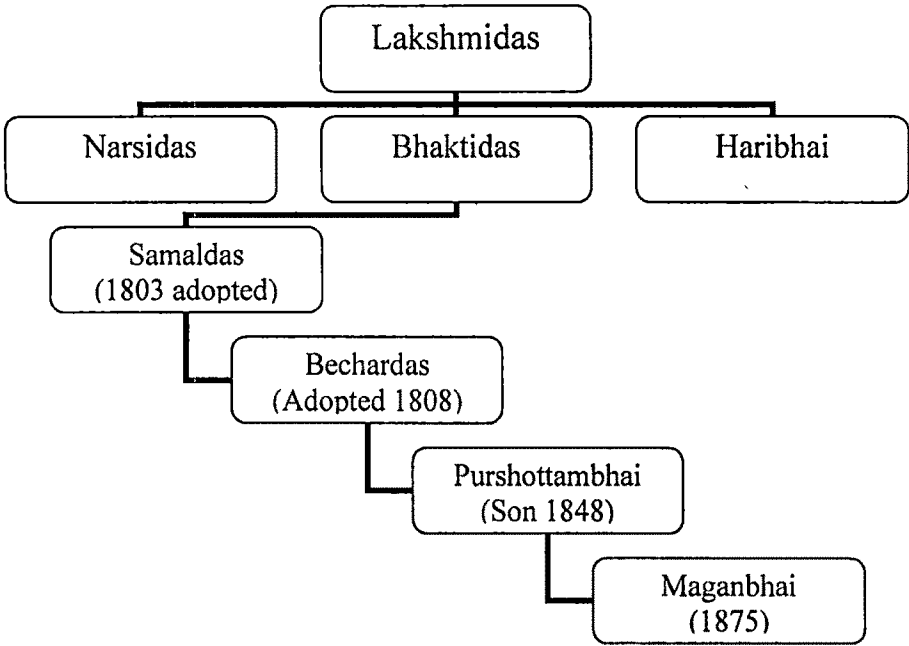
By 1819, the firm of HariBhakti on account of their liberal policies had stayed in the good books of both the Gaikwads and the British. They had emerged as the most prominent banking family firm.

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<sup>223</sup> G.S.A., B S R R, Daftar No – 11, File No.52, Walker to Francis Warden, 22<sup>nd</sup> May 1805, p-675

<sup>224</sup> H.S.B.S.R., Vol-IV, *Op. cit.*, p-573.

The family tree of HariBhakti



## SAMAL BECHAR

Samal Bechar was a Vaishnavite *Vania* of *Bharduwaja gotra*. His ancestors had lived in Ahmedabad and perhaps had practised the business of money lending. It is difficult to identify the exact time of his migration to Baroda and the reasons for it, but it seems that he had migrated to Baroda during the time of Govindrao Gaikwad to seek opportunities for profits in the banking business.<sup>225</sup> Samal Bechar was largely associated with the Gaikwad army in the capacity of the paymaster (especially of the disorderly one); he had under his control a larger portion of the army. This had enabled him to play a crucial role in the politics of the State in the early nineteenth century.

Samal Bechar had come in the way of the British on several occasions, especially to maintain control over the state of affairs. He had such an influence on the Maharaja as well as the Dewan that Major Walker, (the newly appointed Resident of the State), found it difficult to understand the power of the *shroffs*.

*"It may excite some surprise that Parekhs, who are simple shroffs, should have attained too much influence at Baroda."*<sup>226</sup>

Alexander Walker had described him as;

*"Samal Bechar is a man of 40 years of age, with a reputation of being cunning avaricious and intriguing disposition".*

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<sup>225</sup> *Vadodara Vikasgatha*, p-69; M A Patel, Indigenous Banking into the Baroda State during the closing years of the 18<sup>th</sup> century and beginning of 19<sup>th</sup> century- A case study, I.H.C Proceedings, Waltair, 1979, p-771.

His influence was described in the following manner.

*"man of great moneyed influence and a Vakil to the most numerous part to the Arabs, but he is likely to be guided by his own interest."* <sup>227</sup>

Whereas his partner Mangal Sakhidas was, in a way, well disposed towards the British, Samal Bechar had shown initial hostility. He had resisted the increasing British influence and had instigated the Arabs of the mercenary armies to oppose the measures, offered by the British.

However, being a shrewd banker, he had soon realised the futility of his efforts to fight the overwhelming influence of the British. Therefore, he later joined hands with them and provided valuable help in the disbandment of the Arab mercenaries. Gradually, a kind of intimacy had developed between both of them, so much so that the British had entrusted the management of the Treasury of the Residency to him.<sup>228</sup> In return, he had obtained a guarantee from the British.<sup>229</sup> However, Samal Bechar had never placed complete trust in the British and vice versa. Therefore, the successor of Samal Bechar, in 1807, Bechar Manikchand was suspected with conspiring with the Regent Fatehsinghrao, by providing him unlimited loans and thus created problems in the curtailment of the expenses of *modikhana*. The British, on the other hand, had taken away the *potedari* of the State from

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<sup>226</sup> Genese and Banaji, Vol – IV, 13<sup>th</sup> February 1802, Alexander Walker to Jonathan Duncan, p-164.

<sup>227</sup> *Ibid*, p-112.

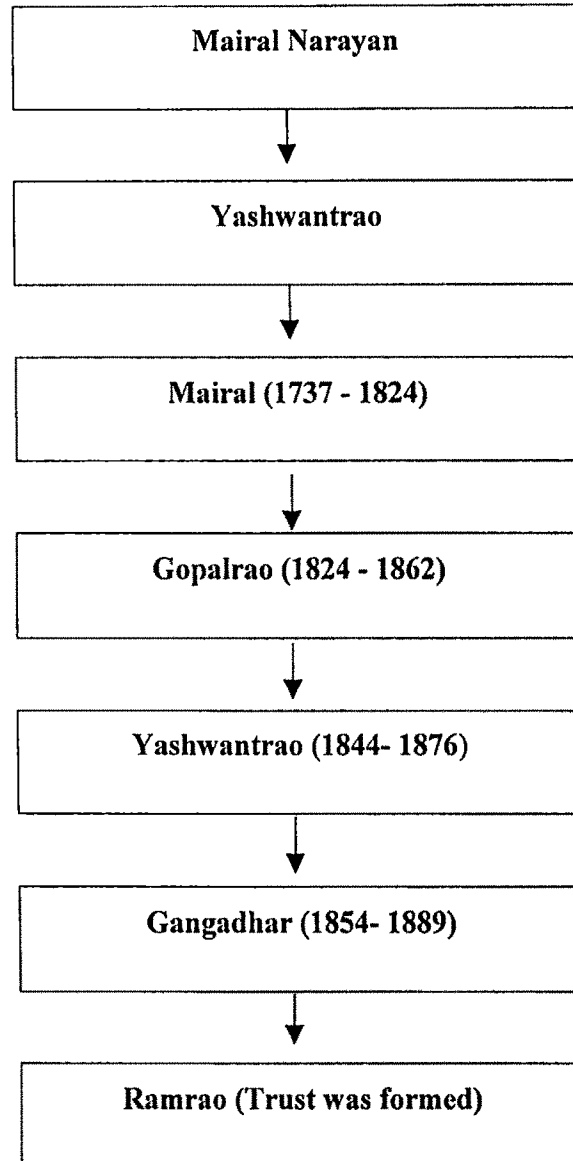
<sup>228</sup> *Vadodara Vikasghatha*, p- 69

<sup>229</sup> Lieut – Colonel R. Wallace, *The Guicowar and His relations with the British Government*, Times Press, Bombay, 1910, pp-570-571.



Samal Bechar and had assigned it in favour of HariBhakti the better disposed banker towards them.

Samal Bechar besides performing the function as military *bakshi* was also remitting funds to Poona on the account of the share of the Peshwa in the farm of Ahemdabad. However, the waning influence of the banker had continued till the second decade of the nineteenth century. In all probability, the firm had later migrated to Bombay.

**MAIRAL NARAYAN (1737-1824)**

The banking business house of Mairal Narayan had existed throughout the nineteenth century, but the firm carried on its operations in the name of each individual. Mairal Narayan, a Deshastha Brahmin, was the founder of the firm. He was born in 1737 (1<sup>st</sup>

*vaishakh vadya*) in Malthan Village near Poona, where his father was a *kulkarni* (head of the village). Later, they had migrated to Jamba village near Satara and adopted the name of Jambekar.<sup>230</sup> In the *samvat* year 1820(1763 A.D.), Mairal Narayan had accompanied as a paymaster, the armies of Damajirao-II, to Gujarat. Upon the insistence of Damajirao-II, he settled in Baroda. His brother Malhar Narayan also migrated to Baroda, along with his family and settled at Bhalod. The family firm established their *sahukari* business and gained both financial as well as political influence. This had enabled him to rise to a position of importance in the State.<sup>231</sup>

Mairal Narayan had received grants from the Gaikwads, since their arrival. Fortunately, the grants are well-recorded. To understand the kind of grants and concessions given to them, a brief account of the same is given.

In 1775, he was granted a sum of rupees 1618 and & three *annas* as the *shilledari* grant or the grant for the maintenance of troops. Within two years the State had started to borrow heavy loans and by 1777, a new *shilledari* grant of rupees 86, 217 and three *annas* was sanctioned against his name.<sup>232</sup> In the year 1794, Mairal Narayan was the holder of *dumalla* (rent free) village of Vaghodia and in the same year them *mamlat* of the *pargana* Mardi was also granted to him. In 1796 A.D., Mairal Narayan was appointed

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<sup>230</sup> *Badodayatil Sardar, Shilledar, Jamadar, Pagedar, Darakdar Va Parakh Yamehya Gharanychya Nemnookichya Vagore Hakikati*, Vol-XV, Baroda Printing Works, 1900, p-1.

<sup>231</sup> *Ibid.*,

<sup>232</sup> *Ibid* , p-2.

the *kamavisdar* i.e. the revenues of seven villages were farmed out to him. The tribute of Rajpipla was farmed out to him for five years.<sup>233</sup>

In 1800, his powers had further increased, when he was assigned the *pargana* Sinor, along with the *mamlat* of *Surat Atthavisi* (which was later taken away by the British).<sup>234</sup> He was also granted the rights of revenue collection farm of Nadiad (a fertile area). The *sahukari* activities of Mairal Narayan were restricted to providing loans to the Gaikwads. This was formalized in 1807, when he was given the office of joint *potedari*, along with Hari Bhakti. From then on, he became a prominent lender to the State.<sup>235</sup>

Thus, Mairal Narayan had risen in status as an important banker and an important official, at the same time. In his capacity of the *kamavisdar*, he had held an important position, which enabled him to control the areas not only of the Gaikwads but also of the Peshwa.<sup>236</sup> As a *kamavisdar* of the region, he had to protect the area from outside attacks, to conduct public welfare activities like building of *sarais*, temples and roads etc. Also, he had provided loans to the farmers in the times of need, for instance in 1817, Mairal Narayan gave a loan of rupees 30,001/- at an interest of 12 *annas* for the betterment of the crops. A *tagavi* loan (loan provided by the government), of Rupees 25,000/- was also given for the *Surat Atthavisi*.<sup>237</sup> Such activities of Mairal Narayan had brought him into political prominence.

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<sup>233</sup> *Ibid*, p-4

<sup>234</sup> *Ibid.*, p-5.

<sup>235</sup> *M.S.A., S & P D Diary no-198*, Alexander Walker to Jonathan Duncan, Baroda 3<sup>rd</sup> February 1807

<sup>236</sup> *H.S B S R Anandrao Gaikwad*, Vol – V, 1813- 1820, No-5, Dated 22<sup>rd</sup> May 1813, pp 641-642

<sup>237</sup> *B S S J P D Vol – XV*, pp-17-18

He is believed to have played a crucial role, in the attempt of the Gaikwad *Sarkar*, to resolve the issue of Ahemdabad farm, along with Gangadhar Shastri.<sup>238</sup> Mairal Narayan was sent to settle the financial affairs, whereas Gangadhar Shastri was there to look after the political settlement.

*"Since Bapu Mairal fully knows the ability or otherwise and the Baroda State to pay up all the due claimed by the Peshwa and since Bapu had previously offered to open private talks with the Peshwa through a confidential agent, he is directed after consultation with Mr. Carnac to state the total amount which would be necessary to fix up with the Peshwa informally"*<sup>239</sup>

However, he was asked to withdraw his involvement as his absence from Baroda for a long a duration, was considered to be a loss to the economy of the State.<sup>240</sup>

In 1816, on the arrival of Dhakji Dadaji as the *Dewan*, Mairal Narayan and Haribhakti had raised opposition especially when they were asked to reduce the rate of interest from 12% to 9%. However, considering the threat of competition, they compromised.<sup>241</sup> This suggests that, inspite of making huge profits, at the cost of the State, Mairal Narayan was hesitant towards bearing a small loss.

<sup>238</sup> *H.S.B.S.R., Annadrao Gaikwad*, Vol – V, 1813-1820, No-42 Dated 17.3.3.1814, p- 694.

<sup>239</sup> *Ibid.*

<sup>240</sup> *Ibid.*, No-103, Dated 28-7-1815, p-740

<sup>241</sup> *M S A , Political Department Diary, No-469, 2<sup>nd</sup> July – 20<sup>th</sup> September 1819, Boards Minute p-228*

The importance of Mairal Narayan can be ascertained from the fact that in 1817 A.D., when he had gone on a pilgrimage, the Baroda *Sarkar* had provided him with ten *sowar asami*, 2 camels and 2 horses, so that he left in a grand fashion. In return, the government had received huge favours. For instance, at the time of his adoption of Gopalrao, Mairal Narayan had paid a *nazar* of 10 lakhs of rupees to the government.<sup>242</sup>

The family firm of Mairal Narayan had been awarded *nemnooks*, which had continued till 1876 A.D.

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<sup>242</sup> G.S.A., H P O Revenue Department, Section No-72, Daftar No – 226, Dated - June 1889

Various *nemnooks* given to the firm of Mairal Narayan:

Year	Nemnook	Reason
1176	Rs. 1618/-	<i>Shilledari</i>
1777	Rs. 700/-	<i>Shilledari</i>
1778	Rs. 86217/-	<i>Shilledari</i>
1779	Rs. 56,212/-	<i>Shilledari</i>
1780	Rs. 25,162/-	<i>Shilledari</i>
1781	Rs. 1, 17,274/-	<i>Shilledari</i>
1782	Rs. 37,199/-	<i>Shilledari</i>
1783	Rs. 3,142/-	<i>Shilledari</i>
1784	Rs. 27,218/-	<i>Shilledari</i>
1785	Rs. 1, 86,582/-	<i>Shilledari</i>
1786	Rs. 29,605/-	Kathiawad
No data available for 5 years 1787 to 1791		
1792	Rs. 45,700/-	<i>Shilledari</i>
1793	Rs. 45,750/-	<i>Dumala Villages</i>
1794	Rs. 45,777/-	<i>Shilledari + Palakhi</i>
1795	Rs. 51,427/-	<i>Shilledari + Dumalla Villages + Palakhi</i>
1796	Rs. 1, 73,920/-	<i>Shilledari + Rasad of Pargana of Matar Koral, Vaghodia Maroli, Rajpipla, Chavyashi, Petlad, Dhavalake and Huzurat paga</i>
1799	Rs. 19563/-	<i>Shilledari and Huzurat paga</i>

1800	Rs. 20,772/-	<i>Shilledari and Huzurat paga</i>
1801	Rs. 67,075/-	<i>Shilledari, Mulukgiri of Kathaiwad Dumala Village</i>
1802	Rs. 12,906/-	<i>Shilledari</i>
1803	Rs. 1, 00,945/-	Disbandment of Sibandi
1804	Rs. 42,321/-	<i>Shilledari</i>
1805	Rs. 1, 54,014/-	<i>Shilledari, Sinor Pargana Huzurat paga, Palakhi</i>
1806	Rs. 12,635/-	<i>Shilledari, Sinor Pargana Huzurat paga, Palakhi</i>
1807	Rs. 68,169/-	<i>Chitthis to HariBhakti Shilledari</i>
1808	Rs. 61,931/-	<i>Shilledari, Payment to troops, Dumalla villages pargana</i>
1809	Rs. 36,521/-	<i>Shilledari, Chitthis to Hari Bhakti, two Instalments</i>
1810	Rs. 44,721/-	<i>Chitthis to HariBhakti Shilledari, Payment to the troops, Mahal Sinor.</i>
1811	Rs. 47,340/-	<i>Shilledari, on account of troops Huzurat paga. Mahal Sinor.</i>
1812	Rs. 2, 74,741/-	<i>Shilledari, on account of troops Huzurat paga. Mahal Sinor.</i>
1813	Rs. 27,339/-	<i>Shilledari, Chitthis to Ratanji Manekchand &amp; HariBhakti.</i>



1814	Rs. 58,531/-	<i>Shilledari</i> , Payment to the troop's state officials.
1815	Rs. 76,676/-	Hari Bhakti, <i>Huzurat paga</i>
1816	Rs. 47,876/-	<i>Shilledari</i> , <i>Dumalla</i> Villages
1817	Rs. 47,576/-	<i>Shilledari</i> , <i>Dumalla</i> Villages
1818	Rs. 47,376/-	<i>Shilledari</i> , <i>Dumalla</i> Villages
1819	Rs. 51,076/-	<i>Shilledari</i> , <i>Dumalla</i> Villages

## RATANJI KANDAS

Ratanji Kandas was a *Vania* and had perhaps belonged to Kathiawad. The period of his business in Baroda is not available, but he had met Govindrao Gaikwad's monetary demands.<sup>243</sup> In 1800-1801, Ratanji Kandas had established his *dukan* at Kadi and Kathiawad and thus served the banking needs of the place.<sup>244</sup> He had partly financed almost all the battles fought by the Gaikwad State, specially the *mulukgiri* expeditions carried on by Babaji Appaji in Kathiawad. For that he was honoured with *mashali* and was also, assigned the *sanad* of *abdagiri*.<sup>245</sup> In 1800-1807, he was made the *potedar* of Mahikantha and Kathiawad. As a result, at least for the first two decades of the nineteenth century, he fulfilled the financial needs of the Kathiawad region, through this office. The various other functions performed through his *dukan* were of giving of loans, deposit of the payments received and the payment of all the appointments including the army.<sup>246</sup> In order to reward Ratanji for his services, a grant of a *palakhi* worth Rs. 900/- was conferred upon him, along with the *abdagiri* of Rupees 300.

Ratanji Kandas had operated his firm in joint ownership with Manikchand and therefore, sometimes the operations performed at Baroda State were in the name of Ratanji Manikchand. In the year 1817, according to a *kalambandi* issued, the *potedari* work of revenue-collection of Kathiawad and the disbursement of the salaries to the *shilledars*, *Huzrat Paga* and other military establishment were re-entrusted to Kandas for five years.

<sup>243</sup> G.S.A., B.S.R.R., Miscellaneous Department, Daftar No. 98, File No – 487., 1802, p – 70.

<sup>244</sup> *Shri Badodthil Sardar, Shilledar, Jamadar, Pagedar, Darakdar Va Parekh Yanchya Ghavanyachya Nemnookichya Vagere Hakikati*, Vol – XII, Baroda State Press, 1897, pp -115-116.

According to the Agreement:-

- a) The remittance of the receipts, arising from honouring the varats, to defray *mulukgiri* expenses were to be undertaken by the firm.
- b) The *chitthis* from the government were to be honoured by the firm.
- c) The interest was to be charged at the rate of 12% and manoti at 2%.
- d) 2.5% would be deducted as the amount of expense incurred by the banker.
- e) If any deposits were lying with the banker the interest rate would be 1%.

All these agreements were covered by the guarantee of the East India Company.<sup>247</sup>

Ratanji Kandas died in 1828 A.D. The *dukan* established by him, was continued by his adopted successors till 1875 A.D., when it suffered a major loss because of the policies of Malharrao and T. Madhavrao.<sup>248</sup>

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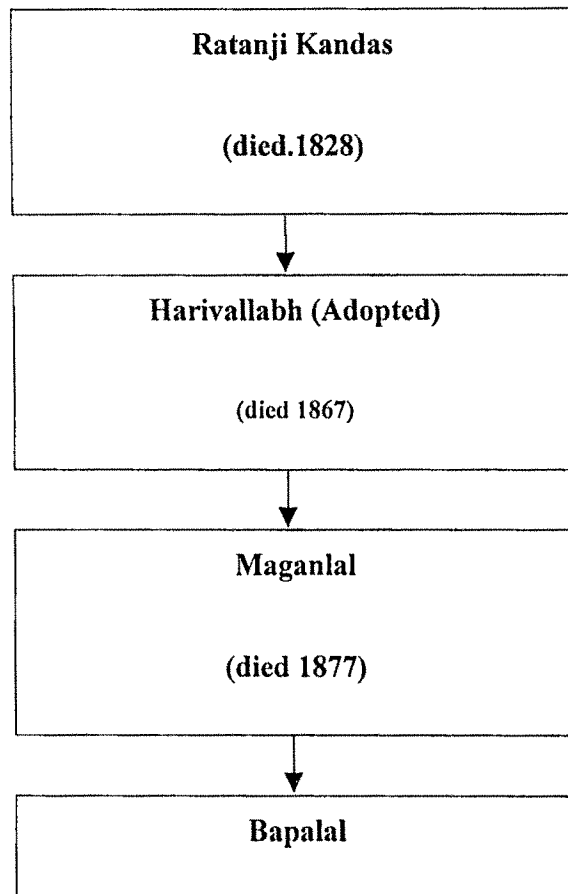
<sup>245</sup> Note - The custom dues

<sup>246</sup> *Ibid*

<sup>247</sup> G.S.A., B S R R, B.P C , Daftar No – 36, File – 180, *Kalambandi* – 1817-1822

<sup>248</sup> *Ibid*

**Family tree of Ratanji Kandas**



## MANGAL SAKHIDAS

Mangaldas was a Zarola *vania* by caste and a banker by profession. He had migrated from Ahemdabad to Baroda somewhere in the latter half of the eighteenth century.<sup>249</sup> He had served under Fatehsinghrao Gaikwad and had risen to prominence under Govindrao Gaikwad.<sup>250</sup> It was under Fatehsinghrao's reign that Arab mercenaries were allowed to gain influence and it was Mangal Parekh who had become their paymaster. Soon, he had found a partner in Samal Bechar and both of them had teamed up to make the best of the situation. Govindrao had largely depended on Mangal Parekh for the financial requirements to feed the Sibandi, thereby gaining political influence. On the demise of Govindrao Gaikwad in 1800, both these *bakshis* had guaranteed and had also enabled the peaceful succession of Anandrao, by controlling their armies, who on such occasions would clamour for *nazar* and extra payments. Raoji Appaji, the Dewan of the Baroda State, had developed a feeling of antipathy towards them, as their gaining influence had curbed his powers. Therefore, he brought in a third party- the British, to regain control.

Mangal Parekh, being either of, a shrewd or too simple a disposition, immediately took the side of the British. The British also had held a favourable opinion of him,

*"Mangal Parekh, a well inclined Man, with whom as a great confidant of the late Raja...*

*He is now Vakil or agent for about one – half of the soldiery in Baroda".*<sup>251</sup>

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<sup>249</sup> *Vadodara Vikasgatha*, Baroda, 1968, p-2.

<sup>250</sup> M.A. Patel, *Op cit.*, p-771.

Likewise Major Walker had opined,

*"He bears the character of a moderate and conciliatory man, averse to extremities well affected to the present Administration. He is supposed to have much of the confidence of Anandrao and to be also the Dewan's friend".*<sup>252</sup>

It appears that Mangal Parekh had also supported the cause of Malharrao of Kadi, who had rebelled against Anandrao. Yet, the British did not give it a serious consideration, as he had sincere loyalties towards Anandrao, who had also placed utmost confidence in him and had made him his 'authorized agent'.<sup>253</sup>

Due to the political influence he wielded in the State, Mangal Sakhidas was also in the practice of issuing coins in his name, known as *Mangalshahi* or *Mangalsai* rupees. *Mangalshahi* rupees were superior to the *Babashahi* or *Siyasahi* coins of the Gaikwad rulers.<sup>254</sup> An extra discount of rupees 5/- was given for an exchange of *Mangalshahi* with that of *Babashai* coin.

The entire equation of his gaining extensive political influence had been based on his being the *bakshi*. Though the Arab mercenaries were maintained at the expense of the State, they had their loyalties towards their immediate paymasters. The *bakshis* were not only paying their debts, but were also meeting the day to day requirements of the *jamadars*. For instance, even the small purchases from the *bazar* by an Arab soldier, had to be paid by the *bakshis*.

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<sup>251</sup> Genese and Banaji, Vol -IV, *Op.cit* , p- 148.

<sup>252</sup> *Ibid.*, p – 164.

The political influence of Mangal Parekh wanes into insignificance, after the disbandment of the Sibandi. However, his firm continued to give loans to the State.

The events and the resultant changes that took place in the first two decades of the Nineteenth Century define a strong political influence, which the bankers had enjoyed. These powers were *per se* the numerous functions, which they had performed. The following study elucidates these functions, most of which were performed by almost all the bankers, though there may be some operations, peculiar to a particular firm.

#### **KHUSHALCHAND AMBAIDAS AND PARBHUDAS**

Amongst the banking houses, which had opened their branch in Baroda State and thereby gained political significance the name of the firm of Khushalchand Ambaidas came into prominence by 1800. They had migrated from Ahemdabad to Ujjain and were the *potedars* of Daulatrao Sindhia.<sup>255</sup> Khushalchand was performing the function of the *potedari* at Ujjain whereas Parbhudas, his brother, was handling the affairs in Gujarat.<sup>256</sup> Parbhudas had opened a branch at Baroda in 1802.<sup>257</sup> Later, he separated from Khushalchand and established his own banking firm at Baroda in 1806. Parbhudas was also Sindhia's *faujdar* at Broach.

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<sup>253</sup> *Ibid.*, pp – 166-167

<sup>254</sup> M.A. Patel, *Op cit*, p-772.

<sup>255</sup> *G S.A. B.S.R.R.*, B. P. D., 1803, Vol-1, No-5, pp-63-64.

It was through Sindhia's claim, in 1801-1802, on the annual revenue of farm of Ahmedabad that these bankers got involved in the political affairs of the State. The British had placed considerable trust on Parbhudas as he had previously transacted on the behalf of the East India Company at Surat.<sup>258</sup> The British were aware that if they were able to involve the firm of Khushalchand in the dealings with Sindhia, then they could keep Daulatrao Sindhia at bay, who had made constant threats of invasions. Secondly, the bankers at Baroda had not trusted the British who in turn had viewed them with animosity. Therefore it had become mandatory for the British, to involve their men into the affairs of the State. On the other hand, Parbhudas had his eyes set on the fertile area of the farm of Surat Atthavisi. A deal was struck between the East India Company and Parbhudas, wherein Parbhudas agreed to provide the finances to fulfil the demands of Daulatrao Sindhia and to defray other expenses of the State. The British government was not inclined to give up their rights of Surat Atthavisi, but after much persuasion by Col. Walker and constant assurances of it being a profitable venture, did the British government agree to surrender their rights for one and half years.<sup>259</sup> They agreed to give up their claim of Surat Atthavisi in lieu of the Dabhoi farm for five years.

From then on, Parbhudas continued to successfully operate in the Baroda State on behalf of his firm. He became a faithful agent of the British. He also began to remit money to Bombay, Surat and even at times to Poona. Anandrao Gaikwad recognized them as State

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<sup>256</sup> Genese and Banaji, *Op cit.*, p-414; *G.S.A., B.S.R.R.* P. D., Baroda, Part-I, General Records No-38, Vol 38 of 1802, p-24.

<sup>257</sup> *B.S.R.R.* B.P.D., Daftar No – 7, File No -5, 1892 to 1837.

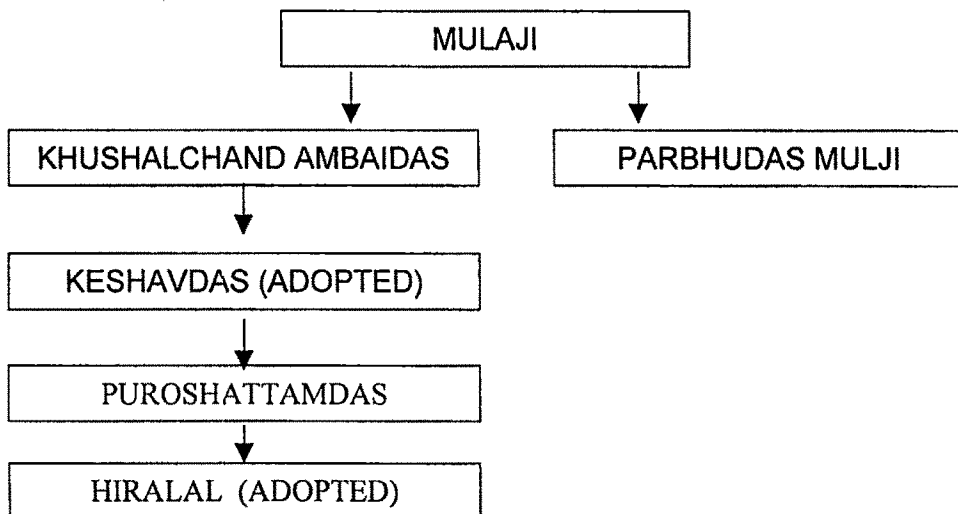
<sup>258</sup> *H.S B..S.R.* Vol-III, ,Sayajirao-I, 1793-1794, No-131 dated 25-8-1793, p-395

<sup>259</sup> *Ibid.*



bankers by granting a hereditary *bahendari* to the firm of Khushalchand and Ambaidas in 1803.

From then on the firm continued to operate in the State as its own banker. In 1806, the firm separated, that is, the accounts were separated, as Khushalchand Ambaidas had died without leaving heir and therefore there was nobody to handle the affairs of the firm at Ujjain. The firm and the State came into little bit of conflict because in the process of separation, the accounts of the earlier settlement with Daulatrao Sindhia had gone astray. They had again demanded the same sum with interest. Resident and *Darbar* were both shocked, when they claimed that not even a single pie was been paid to them. Upon making enquires they found out where the problem was. The Baroda *Darbar* had to pay price for the mistake of the firm.



## ARJUNJI NATHJI TRAVADI

Amongst the influential banking firms in the first two decades of the nineteenth century, the name of the firm of Arjunji Nathji Travadi was a prominent one. The founder of this house was a *nagar Brahmin* from Benaras. He had migrated to Surat in the eighteenth century.<sup>260</sup> This firm had operated on a large scale and had branches at important urban centers like Baroda, Junagadh, Bombay, Calcutta, Madras, Agra, Lukhnow, Delhi, Ujjain, Indore, Murshidabad, Kasimbazar etc.

The firm of Travadi had cordial relations with the English East India Company. They had given their total loyalty and support to the British. The British appreciated his performance by assigning him the membership of the Calcutta council. At Surat, they were financing not only the local trade but also the company officials were constantly involved in the monetary transactions with them. Perhaps in the beginning when the British got involved in the political affairs of the Baroda State they felt the need of having a familiar source of supply for their pecuniary needs, and they could not trust anybody more than the Travadis. Travadis on the other hand, might have been encouraged by the lucrative opportunities of profits that the political conditions of Baroda State provided to get involved in the affairs of the State. The firm of Travadi opened its branch at Baroda State in 1802, on the invitation of the British.<sup>261</sup>

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<sup>260</sup> Makrand Mehta, Indian Bankers and political change A case study of the Travadis of Surat, c.1720-c.1820, in, *Studies in History*, Vol-IV, No.1, 1982, pp-46-47.

This branch performed functions in various capacities at the instance of the British. The Baroda State was in a serious need of finances, which the bankers had refused to provide, because of the lack of security in the State. The British, in order to gain political as well as financial influence, had prevailed upon the firm of Travadi to rescue the State out of this situation. Also they wanted their own financing agency; therefore, they had involved the *dukan* of Travadi in major transactions. The principal priority at that time was the disbandment of the Arab *sibandi*. For that, huge funds were required to pay their arrears. The bankers of the Baroda State, only after seeking the guarantee of the British, had forwarded the funds, which were ensured even by Travadi's firm. However, the competition brought by the British had also induced at least the two bankers namely Samal Bechar and Mangal Sakhidas to accept the terms of the British.

From 1802, Travadi began to participate full-fledgedly in the financial affairs of the State. They had made a contribution of rupees 1, 55, 350 towards payment of the arrears of the army.<sup>261</sup> In 1803, the Resident of the State, Major Walker, had requested the governor of Bombay to insist on the Peshwa to appoint an agent who would arbitrate in the matters between the Baroda State and the Peshwa government. The agent would be appointed on behalf of the State, someone who should not have affiliations either with the Gaikwads or with the Peshwa.

Moreover, he should have his loyalties with the British. Naturally in the eyes of the British the most suitable person was Travadi,

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<sup>261</sup> G S.A, B.S.R.R , B P C, Daftar No.10, File No – 47, pp-63-64

<sup>262</sup> M S A , S &P D, Diary No 130, 12<sup>th</sup>-16<sup>th</sup> November 1802, p-6495.

*"wholly independent of the Gaikwad Government".*<sup>263</sup>

This was accepted and in 1803, Gopaldas Bechardas was appointed the *gumashta* or the agent of the firm who would handle the matters of both Baroda as well as Poona. He was delegated both the authority and responsibility of the action. He, from then on, had begun to take independent decisions regarding the matters of the firm. He helped the British in all those matters in which the Baroda bankers refused to cooperate. For instance, Samal Bechar had refused to accept the *hundis* issued to him on Bombay and they had begun to create other problems. The firm of Travadi had rescued the British out of the situation by drawing *hundis* at Surat.<sup>264</sup> Gopaldas had become almost indispensable for the British. On one occasion Gopaldas had gone to Surat and this had caused Alexander Walker to write to Travadi at Surat,

*"If your agent Gopaldas was here, there would not be occasion to write so much. As soon as you have settled your business with him I beg you will send him back-as I receive a great deal of assistance from his knowledge in business."*<sup>265</sup>

On his retirement in 1808, the Company had made presents to him, the honour which usually native bankers would get.<sup>266</sup> Besides on the appointment of the new agent, the Company had made him presents and tried to seek his loyalties.<sup>267</sup>

<sup>263</sup> G.S.A, B.S.R.R., Daftar No. – 2, File No. 7, pp-87-88.

<sup>264</sup> *Ibid.*, Daftar No. – 3, 1808, File No. – 13, 1808, pp-63-64.

<sup>265</sup> *Ibid.*, Bombay Political Correspondence, Daftar No. 2, File No-7, 1805.

<sup>266</sup> *Ibid.*

<sup>267</sup> *Ibid.*, B. P. C., Daftar No.3, File No-14, 1810, p-37

The extent of the banking activities in Baroda State of the firm of Travadi was large. They acted as *modis* to the armies of the British, that is the Baroda subsidiary troops. They had also advanced six lakhs of rupees in 1805 to the armies of General Jones in that capacity.<sup>268</sup> On behalf of the Gaikwads, they were the agents in the court of the Peshwa and had made regular payments in that regard. Also they had financed the ransom of Fatehsinghrao Gaikwad in 1805, when the rebel, Kanhojirao Gaikwad, captured him. The firm of Travadi also had maintained an efficient system of intelligence and information.<sup>269</sup> However after playing an important role in the first decade of the nineteenth century, the firm of Travadi seems to have fizzled, as there is no mention of them in any of the major transactions in the Baroda State

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<sup>268</sup> *Ibid.*, B P C., Daftar No. 2, File No-7, 1805.

<sup>269</sup> Makrand Mehta, *Op cit*, p-48

## **FUNCTIONS OF VARIOUS BANKERS**

### **BANKERS AS REVENUE – FARMERS**

Revenue – farming or the *Ijara* system was the legacy of the Mughal Empire to the new regional States. It was closely associated with the revenue system of the Marathas in which the administrators of *paraganas* (*kamavisdars*) had to pay about half of the assessed revenue in advance. In addition, he had to provide *rasad* to the State, for which the bankers (Parekhs) provided the mandatory surety, known as *manoti* or *nisha*. The rate of interest charged on *nisha* and other advances by the bankers varied from year to year and *pargana* to *pargana*. The following table enumerates the area assigned to them, their profession and the *nisha* or security provided for two years 1807-1808.

In the later half of the eighteenth century, the State of Baroda had also adopted the practice of farming out the revenues (*ijara*) on a wider scale. The Gaikwad rulers had found it to be the most suitable method of revenue administration and a regular source of income, without the problems of local collection. Besides meeting the expenses of day to day management, this method enabled them to employ the Arab mercenaries.

According to the system, the *kamavisdar* or *ijaradar* (farmer) was farmed out the right of revenue collection by the State, of different *parganas*, for a specific period, on the amount agreed upon between the State and the farmer. The period of the contract of the

farm was from one to five years. The main heads besides that of revenue, were in form of *jakat* (octroi), *sayerkata* (customs), *dalali* (tax on traders) *kalabhatti* (tax on liquid distilleries) and *mapan* (tax on weights) etc.<sup>270</sup> Within the revenue farming, were included the heads of *fasal jamabandi*, fines, *dumalla* villages etc. In order to understand the system the case study of Kadi is undertaken. In 1803, the *mahal* of Vijapur was farmed out to Balwantrao Kashi from *mukam* Baroda,<sup>271</sup> for 1,30,000 rupees. This had included the above mentioned heads of revenue. The payment was to be made in instalments of 30,000 rupees and the number of instalments depended upon the total sum payable. The last year's instalment could be broken up further into sub – instalments.

The other mandatory requirements of the farm were:

- a) 100 horses and soldiers to be maintained.
- b) The rebellion within the area had to be dealt with the aid of the Gaikwad or the British.
- c) The problems other than the above had to be resolved according to the *muluk* rules.
- d) In case of temple and religious concerns *sarkari* orders had to be followed.
- e) In case of the receipts accepted from other regions (other than the *mahal*), charge of *hundawal* had to be paid.
- f) The *karkoon* (a hereditary revenue collector, appointed by the government) had to be maintained at the expenses of the revenue farmer and his limits of revenue collection fixed by the *sirkar* were not to be exceeded in any case.
- g) A small *nazarna* could be collected according to the custom of the *mahal*.

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<sup>270</sup> *HariBhakti Collection, Vahikhata of Samvat 1864*

h) A revenue farmer was authorized to collect fines and to render justice.

In return, the revenue farmer made the payments in the following manner. He had to pay his rent to the State in four instalments and arrears were charged with 9% interest. Any unsanctioned expenditure had to be borne by the revenue farmer. At the end of the year, he had to submit the accounts to the State. The profit, if any, was shared by the State, but the losses were borne by the government. It was rare that the accounts were presented correctly, as they were often manipulated to suit the interest of the *kamavisdar*.<sup>272</sup> As the Gujarati proverb proves the huge profits made by the revenue farmers.

*“hisab kodi no ane bakshis lakh noi”*<sup>273</sup>

The manipulations were not conducted by the farmer alone, as even the State bent their own rules to benefit self. There had occurred instances, where the State had taken away the farm from the *kamavisdars* earlier than the stipulated time period. For instance, the following establishment expenses were charged to Balwantrao (which, was not to exceed the estimated amount.)

<sup>271</sup> H S.B S R., Anandrao Gaikwad, 1800-1816, Vol-IV, Baroda State Press, 1936, No-76, Copy of the Acceptances, Dated 2<sup>nd</sup> July, 1803.

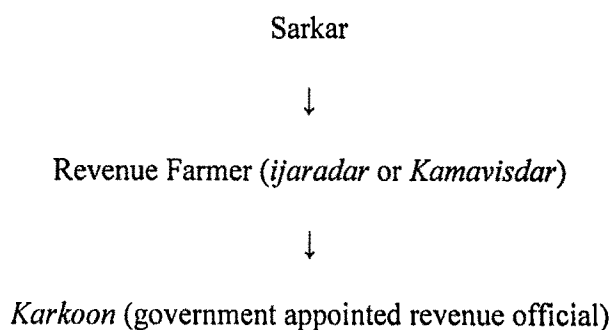
<sup>272</sup> Gazetteer of the Baroda State, Vol-II, *Op. cit.*, p-427.

<sup>273</sup> Govt of Baroda, Nana vishayak Gujarati kahewato, 1933, p-7



Heads	Expenditure
<i>Kamavisdar</i>	1300
Salary	1000
<i>shagird pasha</i>	300
<i>Karkoon</i>	800
<i>sibandi</i> expense	2400
Food charges	400
Expenses of other government officials	800
Hosting Expenses	1500
<i>inam</i> and <i>sarpow</i>	3500
<b>Total Expenses</b>	<b>12,000<sup>274</sup></b>

In this entire setup, a hierarchy is visible:



Sometimes, the system had involved a third party of a *potedar* or a treasurer. This was essential as the *kamavisdar*, on his obtaining the farm or *pargana*, was obliged to pay half of the *jama* in advance as *rasad*, which usually was a large amount. In addition to it,

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<sup>274</sup> *Ibid*, p-528

a kind of security (*nisha*) had to be provided by the *kamavisdar*. The security givers were known as the *nishedars*, who were again the big money-lenders.<sup>275</sup>

Therefore, the money-lending agencies were working in various forms related with revenues, at the core as well as periphery. The existence of such a set up had driven the tentacles of the money lenders into the peripheral villages via, the other agencies like the village traders and shop keepers. At core, they had performed multiple functions, i.e., that of *kamavisdar* or *ijaradar*, *potedar* and *nishedar* etc.

As *kamavisdar*, the banker was in-charge of the administration of the entire *mahal*. This institution was in operation since the last three decades of the eighteenth century.<sup>276</sup> They had also provided military assistance for restraining the Mughal, the other contending Maratha parties and the local rebellious groups in the power struggle for supremacy, in the second half of the eighteenth century. This had placed them in an important position in the nineteenth century.<sup>277</sup> The *kamavisdars* enjoyed great powers, with the placement of entire district under them i.e. the judicial powers, military powers, administrative powers and last but not the least the financial powers.

Amongst the judicial powers that they enjoyed, was the right of arbitration in the matters of dispute and additionally they also rendered expertise on consultation. For instance,

<sup>275</sup> *Collection of the HariBhakti Records*, Department of History, Vahikhata of Samvat 1864 or 1807 A.D.

<sup>276</sup> H S B. S R., vol-III, 1790-1798, *Sayajirao, Manajirao and Govindrao, Op. Cit.*, 1936, p-339

<sup>277</sup> *Ibid.*, Baroda government to the *kamavisdar* of Chorasi *pargana*, No-126, Dated 13-8-1793, p-393; Baroda government to Jairam Kashi, *kamavisdar* of Surat *piargana*.

Malharrao of Kadi, was instructed to refer to the *kamavisdar* of Petlad *pargana* in matters of dispute, instead of taking spontaneous decisions,

*"It protests against the capture by his (Malharrao) men of two peaceful riots of the Petlad pargana and asks him to refer in future, verbally or in writing, to the Petlad kamavisdar all matters of dispute for settlement... if Malharrao continue disturbing Baroda limits, the kamavisdar will have to retaliate and unfriendly relations will be created".*<sup>278</sup>

Besides these functions, he was also to promote the trading and banking activities within his jurisdiction. For instance, the petition dated about 1801, highlights two important provisions viz.

- 1) To pay off the provision merchants at higher rate;
- 2) Assist in the banking business of the town.<sup>279</sup>

To promote trading and banking, the bankers at local level, were also granted exemption from the ordinary tax of *shaivyajama* (the tax obtained from trading).<sup>280</sup> However, the *kamavisdars* also exploited the interests of the bankers, merchants at the behest of the government.<sup>281</sup> On the occasion of royal marriage, the coronation ceremony or any other, the *kamavisdars* often levied extra charges from people, which in turn, they had to pay to

<sup>278</sup> H.S.B S.R., *Anandrao Gaikwad*, 1800-1819, Vol-IV, *Op., Cit.*, 1936, No-49, Dated 26<sup>th</sup> August 1802, p-507

<sup>279</sup> *Ibid.*, p-468-469.

<sup>280</sup> *Ibid.*, Maharaja Anandrao to *kamavisdar* of Vadnagar, No-30, Dated 20<sup>th</sup> February 1802, p-490

<sup>281</sup> *Ibid*, Sarkar to *kamavisdar* of Patan *paragana*, No-75, Dated about June – October 1803, pp 526-528

the State. For instance, the *kamavisdar* of Petlad had to adjust into the *pargana*'s accounts, a sum of rupees 51,698, which he had paid to the government on account of different cesses called *chandla*, *aher* etc, which were levied in connection with the marriage of Fatehsinghrao, thus increasing the revenue for the next year.<sup>282</sup> The *kamavisdars* also had to directly pay to salaries of the officials. On the appointment of Gangadhar Shastri, as the *mutalik*, the *kamavisdars* of Baroda, Petlad and Galhe were instructed to charge his salary of 60,000 rupees annually on the account of the *parganas*.<sup>283</sup>

The most powerful *kamavisdar* during this period was Mairal Narayan of the Sinore *pargana*, who also shared the *potedari* office with HariBhakti in 1808. He was rewarded an allowance of the 'palanquin' of rupees 25,000 as he had ably performed the duties of the *kamavisdar*.<sup>284</sup> In 1815, he was appointed as the *sarsuba* of Surat Athavisi, i.e., he had to manage the entire district and honour the larger pay orders of the *Sarkar*.<sup>285</sup>

The revenue farmers made huge profits by the virtue of their office. They would show higher expenditures of the maintenance of the farms of the various *mahals*, which provided them ample scope of embezzlement. As a result, on one instance, the *Sarkar* had instructed Mairal Narayan to reduce the expenditures of his district by one fourth, of the present expenditure.<sup>286</sup>

<sup>282</sup> *Ibid.*, Sarkar to *kamavisdar* of Petlad *pargana*, No 100, Dated 8<sup>th</sup> July 1806, pp 553-555.

<sup>283</sup> *Ibid.*, Sarkar to *kamavisdars* of Baroda, Petlad and Galhe, No-166, Dated 10<sup>th</sup> May 1813, p-605.

<sup>284</sup> *Ibid.*, Sarkar to Mairal Narayan, No-126, dated 23<sup>rd</sup> March 1808, p-573.

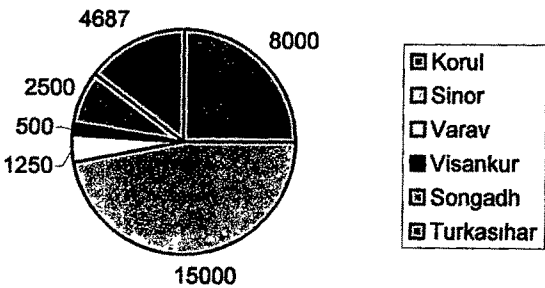
<sup>285</sup> *Ibid.*, Vol-V, Anandrao Gaikwad, 1813-1819, No 87, dated 14<sup>th</sup> April 1815, Sarkar to Mairal Narayan, Sarkar of Surat Athavisi, p-730.

<sup>286</sup> *Ibid.*, Sarkar to Mairal Narayan, No-127 dated 28<sup>th</sup> January 1816, pp-758-759

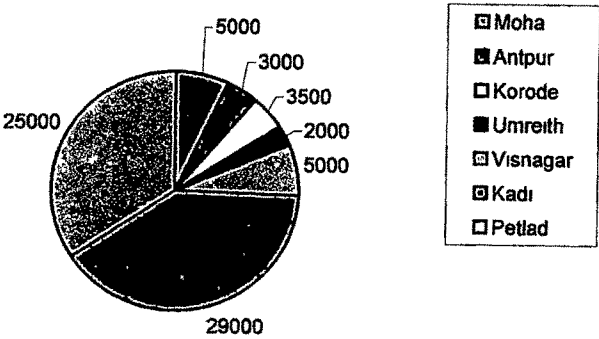
The bankers had assumed a three-fold role. They had acted as the sureties for the payments to *rasad*; they lent money on interest to the *kamavisdars* and enabled them to pay *rasad*; and they acquired the rights over the collection of land revenue and other taxes. The following chart indicates the contribution of the each banker in this process

**The increase in the income derived by various bankers from various parganas 1807-1808**

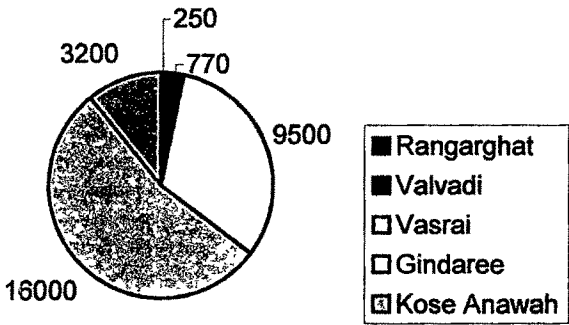
**Mairal Narayan**



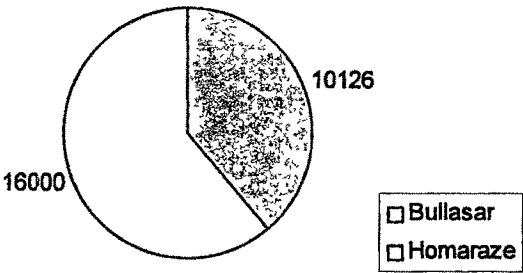
**Ratanji Kandas**



**HariBhakti**



**Khushalchand Ambaidas**



Therefore in Baroda, commercial men appear to have made deeper inroads into the agrarian society from time to time. The mechanisms of the British Residents had evidently not discouraged this exploitation by the way of undertaking to play a direct role in the revenue management. Thereby, the bankers had freely indulged themselves and had made huge profits. The practice of management of revenue by the commercial men had continued in the reign of Sayajirao – II,

*"Directing them (kamavisdars) to carry on the administrative work  
entrusted to them and asking them to send detailed reports from time to time"*  
(to the new Maharaja).<sup>287</sup>

## MINT, COINAGE, MONEY EXCHANGE AND BANKERS

Towards the end of Mughal era, the *mahmudi* coin was widely acceptable in Surat, Baroda, Broach and Ahemdabad throughout the 17<sup>th</sup> century.<sup>288</sup> (the *mahmudi* coin, which was not an official coin but was struck by the *rajah* of coins in circulation. The Mughals had appointed bankers as the *shroffs* or the assayer of coins, a practice which had continued from the ancient times.<sup>289</sup> These *shroffs* were also known as the *potedars* who were essentially required to perform the function of a treasurer. During the Mughal period, in Gujarat, several gold and silver coins bearing different names and weights were in circulation, apart from the silver rupee issued by the Mughal emperors of Mulhar). The multiplicity of the coins in circulation caused inconvenience not only to the merchants

<sup>287</sup> *Ibid*, Sayajirao – II to the *kamavisdars* etc, No-200, Dated 19<sup>th</sup> October 1819.

<sup>288</sup> B.S. Mallick, Currency and their Exchange Value in the 17<sup>th</sup> Gujarat and Bengal, *the Indian Historical Review*, Vol-III, No. 1-2, July, 1980-January 1981, pp-116-132.

<sup>289</sup> B.K. Bhargava, *Op., cit.*, p-23.

but also to petty producers. Taking advantage of the multiplicity of coins, *sarrafs*, got a chance not only to control their circulation but also to make substantial profits by manipulating exchange and transactions in currencies through various indigenous practices of *hundis*, *batta*, *dastur*, and *dadni* etc. The exchange rate was determined by a variety of factors, such as, the amount of each currency in circulation in a market at a point of time and the competition amongst the *sarrafs*. While accepting the exchange rate, a *sarraf* used to consider whether the bill was issued by his associate. If it was found to be issued by a rival *sarraf*, he would then doubly ensure about the quality of coins and would charge a higher exchange rate. In Maharashtra, the coins were struck in government mints at Pune and Nasik.<sup>290</sup> The practice of coins being struck at private mints was also prevalent. The coins minted in the mints of the private individuals were named after them, for example, the Thigle *rupaya*, came from the mint of banker Thigle of Kolhapur. This happened because, during the Peshwa period, there was a scarcity of coins. The soldiers and the artisans always demanded their salaries in cash. In the absence of paper currency and with counterfeiting prevalent in actual currency, the Peshwa faced many problems. To solve them, they gave contracts to private owners to run the mints. Contracts were also given to supply the coins, as and when necessary.<sup>291</sup> The mints in Baroda State were run both by the State and the private agencies. The Gaikwad rulers of Baroda State had their own mints in Baroda which were minting both, silver and copper coins. The silver coins consisted of one-half or one-fourth of a rupee and two *annas* and

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<sup>290</sup> Note : The coins accepted in the government mint were known as *Potechal* ; Sarla Deshpande, *Op cit* , p-21.

<sup>291</sup> *Ibid* , p-31-32



this was known as *siyasahi*<sup>292</sup> and *babashahi*. There were five current coins prevalent in the State, amongst which two were most commonly used, i.e. the Baroda or *babashahi* rupee and the Broach or the *shikai* rupee (which was prevalent in the Kadi district). The salary of the official was calculated in *babashahi* coinage, whereas in the market, the British coinage was prevalent. In the district of Amreli, the picture was interesting as there were various coins prevalent, like the *babashahi*, *shikai* and *kodis*. In Kodinar, the dealings were done in Spanish dollars and *rals* poured in from the Portuguese settlement of Diu.<sup>293</sup>

At times, the management of the mints was given to the bankers. For instance, in 1809, the firms of Vakhatchand and Khushalchand had the management of the *shikai* mint for four to five years.<sup>294</sup> Though their management had depreciated the intrinsic value of the coin, it had held itself in the market against the purer Baroda rupee. As a result the merchants had purchased an immense quantity of Baroda money to transmit as bullion to Ahmedabad, thereby making a profit of 1½ %. This had led to a great drain in the State's treasury, so much so, that the bills for a lakh and a half could not be en-cashed. It had become increasingly difficult even to defray the expenses of the army without a loss of at least 4½%.<sup>295</sup>

The value of the coin was always changing under these circumstances, hence the services of *shroffs* was an essential phenomenon and a very important function of the

<sup>292</sup> Note : *Siyasahi* was issued by Syajirao-I, *Babashahi* was issued by Fatehsighrao Gaikwad who was known also as Baba Saheb, M.G. Ranade, *The Miscellaneous Writings*, Bombay, 1915, p-331.

<sup>293</sup> *Gazetteer of Baroda State*, Vol-I, 1923, p-357.

contemporary banking system. The Parekhs had the knowledge of the coin system and their values. They were often needed in assessment of the value of the coin. It was difficult to move without a *shroff* who controlled the money market. Although the coins were exchanged upon their silver or gold content, the *shroffs* were very secretive about the exact methods they employed in assaying the coins. Thus, they became indispensable in fixing the value of a particular consignment. Besides, they used to exercise considerable control by their domination at the mint, over their methods of fixing the minting time. They therefore fixed the price of money.<sup>296</sup> Basically, the *shroffs* wielded this control of power to assay coins, which enabled them to fix a rate of exchange. They benefitted by charging *vata* (*batta* or commission).<sup>297</sup> The rate of exchange was constantly fluctuating as per the rate of the market. At the time of the brisk import trade, goods used to be bought by the British money, whereas during the cotton season (March to May), the yields were purchased using the Baroda rupees. The former period, witnessed the rate of exchange for 100 British rupees rise to 120 or 121 Baroda rupees. The *bahi* records indicate that the intrinsic value of 114½ Baroda rupees (i.e. *babasahi* and 102 ½ *shikai* rupees) was equivalent to 100 British rupees, while 100 Broach rupees i.e. *shikai* were equal to 95 British rupees. The rate of exchange between the coins varied from 1 to 1½ %. The value of rupee was fixed up at rupees 2-5-0 of the British coins.

The business of money exchange was the natural result of the existence of a variety of coins in the market. The government itself used to accept revenues in broach currency

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<sup>294</sup> Note: The *Shikai* rupee was worth seventeen *annas*, which sometimes varied.

<sup>295</sup> F.A.H. Elliot, *Op. cit*, pp. 235-236

<sup>296</sup> Ashin Dasgupta, *Op. cit*, p-85.,

<sup>297</sup> Gazetteer of Baroda State, Vol - 1, *Op. cit*, p-356

whereas it used to take the payments in *babashahi* currency. Besides, the State officials in Kalol *taluka* were using *shikai* coins. But in Ahmedabad, which was close to Kalol, it was the British rupees which had more market value.

## BANKERS AS STATE *POTEDARS*

One of the most important functions, of the bankers in the eighteenth century was that of the State *potedar*.<sup>298</sup> The State never retained any finances in its treasury, or anywhere else for the use of the State, but had to draw upon the bankers for such sums as and when required. If the need arose to pay a debt or get ready money, the State issued a money order on a banker, generally a credited State banker. Though there were no cash deposits made by the State with the banker, the State granted a *varat* or a letter of credit on some *ijaradar* or a revenue farmer - usually also a banker. The revenue-farmer paid cash in return for that *varat*. This was repaid to the lender, when the banker received payment, at the time of the revenue collections whereby, deducting the loaned amount from the total payment received. These credited State bankers were known as *potedars*. Thus, they performed the function of supplying the Government with ready cash, which was later retrieved from the revenue farmers.<sup>299</sup>

The Gaikwad had adopted this system from the Peshwa administration. Under the Peshwa government, it was customary for rich merchants to accompany the troops to the battle-fronts, and take care of all the financial needs of the army. In return the revenue

<sup>298</sup> Note: Their main occupation was to exchange the currency.

<sup>299</sup> Gazetteer of the Baroda State Vol – II, *Op cit.*, p-403.

demands were often sold to them at a discount. Though the system was wasteful and avaricious, it provided the State with a source of ready cash. Nothing could have been more ideal for the purposes of the Gaikwads. They had to meet the Peshwa's insatiable thirst for money, provide for their own armies and raise funds for their almost unending streams of military exploits. This would have been impossible without the support of the *potedari* system, as even-if the *ijaradars* were regular in meeting their obligations to the State, they could not have ensured a steady flow of cash. The only solution was the establishment of a well-organised State treasury which the early Gaikwad rulers were too busy or too incapable to establish.<sup>300</sup>

During Anandrao Gaikwad's reign, there were five principal banking houses, which had acted as the State *potedars*, namely, Haribhakti, Mairal Narayan, Ratanji Kandas, Mangal Sakhidas and Samal Bechar. The *potedari* of the State was with five bankers collectively in the first decade of the nineteenth century. Their respective shares were fixed, for example out of a rupee HariBhakti and Mairal Narayan advanced five to five and a half annas (approximately 34.4%) each. The remaining three houses had to share the balance equally. In 1816, Dhakji Dadaji, the Dewan of the Baroda State was appointed as the State *potedar*.<sup>301</sup> The regular interest on the loan during the time ranged from 9% to 12% per annum.<sup>302</sup> The *potedari* system used to work on a regular understanding between the State and the creditors. The *potedars* used to deduct about 3.75% as the *potedari* interest

<sup>300</sup> Dwijendra Tripathi and Priti Mishra, *Op , cit.*, p-20.

<sup>301</sup> Genese and Banaji, *The Gaikwads of Baroda*, Vol-X, Anandrao Gaikwad and Sayajirao Gaikwad, (1818-1820), *Op.,cit.*, pp 194-195; *M.S.A, Diary No-469*, 2<sup>nd</sup> July – 20<sup>th</sup> September, 1819, Minute by Mr Warden 9<sup>th</sup> March, p-427; *Gazetteer of the Baroda State*, Vol-II, *Op.cit.*, pp-404-405.

<sup>302</sup> *Gazetteer of the Baroda State*, Vol-II, *Op cit* , p-404

and agents commission.<sup>303</sup> Another charge payable to the *sahukar* was *manoti*, a special premium due from the State, whenever the amount mentioned in the *varat* was paid in full. The *manoti* was usually charged at 2%.<sup>304</sup>

The disbursements of the State towards the *potedar* also had a distinct feature. The *potedar* had to hand over to the *ijaradar* the order of the State for monthly payments, along with the receipt of his payment made to them. The payment of loans and interests was made, only when the rent of his farm fell due. At the time of the settlement of accounts, the *ijaradar* had to make a statement of the sum paid to the *potedar* and had to submit it to the State. Though this was rarely done as the *ijaradar* were usually paid the rent in four installments and most of it was utilised to pay the *potedars*.<sup>305</sup> The *potedars* charged interests on disbursement made to them and they had to credit interest in the account of the State. This was the case, if the receipts from the farmers exceeded the disbursements. Such occasions were rare, as most of the time, the State had remained a debtor to these *potedars*.

This system was recognized and promoted by the British, when they appointed Samal Bhakti of the firm of HariBhakti as the main State *potedar*, in 1807. In one single year, he had loaned 30 lakhs of rupees to the State and had charged two percent as *potedari*, to discharge the troops. In return, he had retained the *mamlat* of Baroda. This meant that he was bound to disburse all the payments of the State within one month of the receipt of the notes from the *Darbar*. As a result, he had charged an interest at 12%. The Resident,

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<sup>303</sup> Note: ¼% of the total was made to the *gumashta*

<sup>304</sup> Gazetteer of the Baroda State, Vol-II, *Op. cit.*, p-404.

Alexander Walker, had also understood the need for the system. Therefore, he had chosen to retain it, while introducing his financial reforms. Realising the powers and wealth of the firm of HariBhakti, he decided to provide guarantee to the firm. Accordingly, on 27<sup>th</sup> March 1807, a Memorandum was sent from Anandrao Gaikwad to HariBhakti, stating the four articles:-

- a) All the revenue collections of the *paraganas* and districts etc. were to be deposited with him. He was to also liquidate all written orders that were issued upon him by the *Sarkar*, for the expenses of the State.
- b) In regard to the advantages to be derived from concerns of the office, he(the *potedar*) had to be careful in the explaining of the rendering of the yearly accounts to the *Sarkar*.
- c) *Chitthis* up to rupees five lakhs could be issued and the payment was to be made without demand or difficulty. Also, he had to remit half the banker's fees levied on government's drafts.
- d) In regard to the settlement of his past concerns as well as for the future, the guarantee was provided by the Company's government.<sup>306</sup>

From then on, HariBhakti's firm, besides making huge disbursements, also had to encash the smaller drafts. For instance, they had to honour the letters (*chitthi*) for the amounts incurred on the presents of Major Walker; the monthly expenses of any visitor of the State; prizes to the maid servants; expenses of the relatives of royal family, for example- the pension of Malharrao and Kanhojirao; rewards to the officers of the State for their

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<sup>305</sup> *Ibid.*, p-404.

<sup>306</sup> M S.A. Political Department Diary No-432, James R. Carnac to Francis Warden, Baroda, 16<sup>th</sup> December, 1816, *H.S.B S R.*, Vol VII, Anandrao Gaikwad, No-104, dated 27-03-07 from Anandrao to Hari Bhakti, *Op., cit.* p-557



loyalty etc.<sup>307</sup> In order to pay off the loans, the *mamlat* of the *pargana* yielding about 1/5<sup>th</sup> of the total revenue of the State, was assigned to the firm. The *potedar* had the responsibility to preserve the tranquillity and peace of the *mahal*. The British had their own interests in it as they had realized the value of the *pargana* of Baroda. It was beneficial for them to strengthen those who had their loyalties with them. Therefore they took away the Baroda *pargana* from the firm of Samal Bechar (with whom they had entered into a number of conflicts) and gave to the firm of HariBhakti.<sup>308</sup>

The office of *potedari*, thus had a lot of scope of embezzlement. The lowest *chithis* which the state *potedar* had honoured was of Rs. 50/-, thus affording him a chance to make maximum gains. Therefore the end of the decade of the nineteenth century, the State was indebted to the bankers for about 50 lakhs of rupees, which the next Maharaja had difficulty in handling.

In the above study, an attempt has been made to understand the variety of roles performed by these banking firms, which had established them as a power to reckon with in the State.

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<sup>307</sup> H.S.B.S.R., *Op cit*, Vol – VIII, Anandrao Gaikwad, No-113, Dated 30-6-1807; p-565, No-115, Dated 7-8-1807 p-567, No-46, Dated 10-8-1807, p-567; No-118, Dated 5-11-1807, p-566, No-119, Dated 6-11-1807, p-569, No-126, Dated 23-5-1808, p-573.

## BANKERS PAYING PENSION FOR THE BARODA GOVERNMENT

In the absence of a proper, established treasury, the merchant bankers were to pay pension or other such expenses on behalf of the State to the relatives of the Gaikwads. There have been various instances where the State bankers were paying pension to the relatives or the government officials, as well. The amount of the pension could be paid monthly, half-yearly or thrice a year. From 1804, the house of HariBhakti was paying pension to Malharrao Gaikwad, the step brother of Anandrao Gaikwad. These expenses, of the pension holders, included the wages and salaries of the servants or the maintenance of either building or post.<sup>309</sup> The pension, which was fixed to them, also included the stipend of the widows of immediate kith or kin.<sup>310</sup> The remittances were also made to various branches of these banking firms. The amount was either individually remitted or was jointly paid by various prominent bankers of the time. In 1813, Malharrao Gaikwad was jointly paid by the firms of HariBhakti and Arjunji Nathji Travadi. On the remittances, the bankers were making profit not only on the *hundawan* charges or the exchange, but they were also given discounts on each transaction.<sup>311</sup> For example, the sum of rupees 1811.12, rupees 109.5 were deducted as the *hundawan* charges and a further discount of four hundred *babasahi* rupees were deducted, as well.<sup>312</sup>

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<sup>308</sup> M S A. Political Department Diary No-432, James R. Carnac to Francis Warden, Baroda, 16<sup>th</sup> December, 1816.

<sup>309</sup> G.S.A, B. S. R. R., B. P. D., Daftar No.2, File No. 10, 1806, pp-532-535.

<sup>310</sup> Note Here the stipend was given to the widow of Malharrao's brother.

<sup>311</sup> G.S.A, B.S.R.R., B.P.D, Daftar No-16, File No.78, 1807., Daftar No. – 20, File No. – 99, 1818.

<sup>312</sup> *Ibid.*



Similarly in 1808, the Gaikwad government decided to pay an annual pension to Kanhojirao Gaikwad amounting to rupees 50,000. This pension was to be paid in three instalments by HariBhakti, who at that time was the State *potedar*. The government of Baroda State issued a pay order for a sum of rupees 16,000, to be paid in three instalments.<sup>313</sup>

In the Baroda State first two decades of the 19<sup>th</sup> century, were the zenith of the indigenous banking. The banking-firms had gained a position of prominence at the Gaikwad Darbar as well as at the British Residency. They were appointed at almost all the important beureacratc positions. However, from (1819-1875), due to the certain political changes, indigenous banking underwent different corresponding shifts in its status. The banking firms gradually showed a downward trend. This phenomenon is explained in the next chapter.

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<sup>313</sup> H. S. B S. R , Vol-IV, 1799-1813, No-131&140, pp-575, 583