

Baroda Currency.

Still other question of financial-cum- jurisdictional sphere where Baroda State stood to lose a great deal was the problem of Baroda currency rights. Whatever Baroda could gain, whether from Port or Salt rights, or from Armar cesses and derelict goods or from opium and currency, it could be done only with the concurrence of the British Government, as a defacto supreme power in India. Wherever British Interests were at stake due to competition of any Indian Native State, the latter had to withdraw in favour of the British Government whether it liked it or not.

Previous History.

Now, previously, before the coming of the British on the Gujarat scene and even in the early years of their association with Gujarat, Gaekwad was more or less independent in his internal administration. He had the right to coin his own money and possessed full rights in respect of exchange and currency in the State. Baroda had its own silver and copper currency which circulated not only in the limits of the State but also in parts of the surrounding British districts of Broach, Kaira and Panch Mahals and in most Indian States in Rewakantha Agency including Rajpipla and Chhota Udepur.* Owing to the defective nature of the old Baroda Currency, the rate of exchange between the British and the Baroda rupee fluctuated considerably and caused much detriment to the trade of the State, with British India. In 1876, it was proposed to remedy this state of things by availing of the provisions of the Native Coinage Act of 1876 and to assimilate in a way the Baroda

*H.P.O. Selection "Baroda Currency" P. 1.

currency with that of British India. The proposals advanced at the time are set forth in detail in Raja Sir T. Madhav Rao's Memorandum *. As the British Government declined to agree to the condition that they should make an annual payment to the Baroda Government in lieu of the profits of the coinage, the proposal was dropped for the time being.

The question was revived in 1878, but with no better results.

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Important step by British mints ~~at~~ the year 1900.

The state of things became aggravated by the closing by the British Government of the British Indian mints to the free coinage of the British Indian rupee%. The rate of exchange between British and Baroda Rupee began to fluctuate very considerably and adversely affected the trade of the State. In 1900 A.D. therefore, the Baroda Government by an arrangement with the British Government decided to substitute the British Indian Silver currency for the Baroda Currency for a period of not less than 50 years, reserving their right to reestablish the Baroda Currency at the end of 50 years. The terms of the arrangement were set forth in detail in letter No. 33-5 dated 5th May 1900 from the officiating Resident at Baroda to the Minister of the Baroda State, and subsequent correspondence @ under the arrangement the British Government minted and supplied the silver coins required for the substitution of the Babashai coinage (The Baroda currency was called Babashai) and undertook in effect to supply from time to time such further stocks of British Indian rupees as might be required for circulation in Baroda territory. Thereafter for a term of 50 years, and in consideration of their doing this, the Baroda Government agreed that the Babashai Silver currency shall not be legal

**H.P.O. Selection "Baroda Currency" Pp. 17-36
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tender in the State for a term of 50 years, the period of 50 years expiring on the 12th February 1951.*

Under this arrangement, the British Government derived a considerable profit from the currency transactions in the State. The profit derived by the British Government from the currency transactions of India as a whole amounted to few hundred lakhs of rupees, and on a population basis, the share of this profit attributable to Baroda, as pointed out by the latter, would come to Rs. 2 to 3 lakhs for the year. This sum represented approximately the yearly loss to the Baroda State under the arrangement.

There was still another question regarding currency. It was the participation in the profits of the silver and nickle coinage of the Government of India, by Baroda Government. Even though the question of sharing profits resulting from the Silver coinage adopted by the State in 1900 was still to be solved, Government of India introduced in 1919 another measure by which Nickle Coinage were put in circulation. The Baroda Government were however quick to examine their position in the light of an Agreement of August 1900 by which they withdrew the Babashai silver coins ~~substituted~~ from circulation in Baroda territory and substituted British silver coins instead.

Notification dated 9th August 1900.

The Notification dated 9th August 1900 issued at that time read thus:-

"His Highness the Gaekwad of Baroda having in view the depreciation of Babashai currency in relation to the British currency, the constant fluctuations in the rates of exchange

between the two currencies and the serious impediments to trade and losses to all classes of his subjects resulting therefrom, decided under arrangements with the Government of India to substitute for a term not less than 50 years British Indian Silver coinage through out his territory by withdrawing the same from circulation and giving in exchange for the said Babashai coinage, the equivalent in British Rupees ." etc.*

Stand taken by the Baroda Government.

The ~~then~~ Dewan Sir Manubhai Mehta pointed out that from this Notification it was clear that the Baroda Government had adopted British Silver Coinage only and the whole correspondence carried on with the Residency on the subject led to the same thing. However, for the convenience of the State subjects, Baroda Government had accepted sovereigns nickle one anna pieces and copper quarter anna and half anna pieces in Government dues. It was maintained that it was not binding upon the Baroda Government to accept the subsidiary nickle coinage issued by the Government of India as announced in their Gazettee dated December 13, 1919.

The Baroda Government further stated that as His Highness' Government were under no obligation to accept the Nickle Coinage in the Baroda State, they proposed that they may be allowed a fair share in the profits of the Nickle coinage also, or in the alternative be supplied at cost price with quantities of coins bearing some distinctive Baroda emblem sufficient for currency purposes in the State. At the same time to obviate the inconvenience to public, they instructed the Accountant General to get two anna nickle pieces accepted at the

State treasuries. No other nickle coins were to be regarded as legal tender. (*Vide letter dated 17th March 1920 from the Dewan to Lt.Col. C.J. Windham, the Resident).

The Government of India did not accede to the proposal of His Highness' Government and the question appears to have been kept on the dormant list by the Baroda Government to be taken up again when suitable opportunity occurred as seen from the following Residency letter dated 6th ~~xx~~ July 1920.*

"Para 2. x x The Government of India regret their inability to accede to those requests. (above referred).
If the Baroda Darbar desire to maintain their orders that the State treasuries should not accept nickle coins in payment of State dues, the Government of India apprehend that the result will be considerable inconvenience to the subjects of the State, but since the Government of India are in the position of having to maintain their currency as a whole, with all the obligations which this implies, they do not, consider that they should admit claims to reimburse-ments on account of any gains which may be made on one, and that an ^{un}important item in their currency."

To this letter Mr. Manubhai had given a reply which makes ~~clear~~ Baroda Government's stand very clear (*Vide letter No. 835 dated 27-10-1920). The letter may be usefully quoted:-

"I have the honour to acknowledge the receipt of your office letter No. 8211 dated 6th July last regarding the request of His Highness' Government to be allowed a fair share of the profits of the nickle coinage or as an alternative to be supplied at actual cost price with a quantity of nickle

* From H.P.O. 'Printed Memorials' on the subject.

coins with some Baroda emblem marked thereon sufficient for the currency needs of the State. In reply I beg to forward herewith a statement prepared from the financial statements of the Government of India from which it will be seen that the profits from the ~~Sixty~~ said coinage are not inconsiderable. They show an appreciable rise in the past two years and owing to the introduction of the four anna and eight anna pieces it is not unreasonable to suppose that they will go on increasing in years to come. As the currency of the coins in the State will undoubtedly contribute - though in a small measure - to these profits, the claim of His Highness' Government to share in the profits seems to be only fair.

"3. In this connection I beg to refer you to the proposals made by Raja Sir T. Madhav Rao in 1876 (basis VII) when the assimilation of the State Silver Currency with that of British India was contemplated. In the reply of the Government of India, the principle that if the State gave up its right to coin its own money and assimilate its currency with that of British India, it was entitled to a share in the profits was indirectly recognised. It was stated that the Government of India did not agree to pay a lump sum as asked for by Raja Sir T. Madhav Rao in return for the right to coin because they did not anticipate any large profits on silver coinage. It was thus implied that had there been then any likelihood of considerable profits ~~according~~ accruing the reasonable request of the Baroda State would have been acceded to - Vide correspondence ending with your office D.O. Letter No. 1 dated 27th March 1878.

"4. On ~~nickle~~ coinage with small intrinsic value the profits are sure to be considerable and the ground for which a similar

proposal in respect of Silver Currency was not accepted in 1878 does not hold good in this case.

"5. The claim of His Highness' Government is therefore, a fair and just one and I request you to be so good as to address the Government of India in view to their kindly reconsidering the matter and agreeing either to give His Highness' Government a share in the profits of nickle coinage on the basis of population or to supply His Highness' Government with a fixed number of coins with some distinctive state design annually at cost price for circulation in the limits of the State." *

Mr. Manubhai then gave a statement showing the profit derived by the Government of India from nickle coinage.

Year 1912-13	Out of profit	Rs. 2202778.
x	x	x
1918-19		" 13100000
1919-20		" 9500000
		*(Budget)

*From H.P.O. 'Printed Memorials' on the subject.