
The Role of Indigenous Banking During Eighteenth Century, Rajputana

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Introduction and Summary

An analysis of the developments in the 18th century and the emerging political, social and economic configurations / developments. 18th century is generally referred to as the 'Dark Age'¹, where it is believed that the collapse of the mughal power resulted in a breakdown of the political, social, economic and cultural systems. This view has been challenged by a large number of historians/economists who argue that the collapse at the centre did not mean a collapse at the local or regional level². Mughal institutions were being revamped and changed. This led to a subtle shift of power to the regions as a result, this period saw the emergence of regional outfits such as the Marathas, the Satnamis and the Sikhs³. The paper focuses on the changing role of indigenous banking primarily in the Jaipur state and how the economy was being increasingly monetized as the Mughal power declined. The key emphasis of the Mughals during their reign was (i) military warfare (ii) encouraging and nurturing the artisans who provided luxurious goods to the mughals⁴. But this changed with the emergence of the Marathas influence over the Jaipur state.

Changing Scenarios of Trade in 18th Century

In the state of Jaipur during the Mughal influence all the nobels who were aligned with them were part of the elite of society. Historically when the Mughals were controlling the Rajputs all the kings showed a united front, but once the power of the Mughals started declining in -fighting amongst them started which lead to their downfall, this gave an entry point to the Marathas. This disintegration resulted in diversion of funds to other power centres. Bankers and traders had a major role to play in the Mughal revenue system, but during the Maratha period there was a redistribution of resources between the merchants, service gentry and landlords. This realignment was due to the protection money to be given to the Marathas by individual chieftons, to safeguard themselves from other Rajput chieftons. This lead to growing monetization and commercialization of the economy. It was now the merchants, financiers along with landlords who exercised influence over the state, trade and markets. Money was the main deciding factor⁵.

Once the economy became more monetized their was an increasing connection between the rural and the urban economy it lead to what Sanjay Subramanyam called "portfolio capitalists"⁶. These large-scale entrepreneurs not only utilized their own capital but also that of other small scale operators thus serving as conduits for indirect investment⁷.

An important aspect of monetization was increased trade activities through *qasbas and ganjs (local trading markets)* – these were meeting ground of rural and urban economies which in turn lead to the increasing importance of business families⁸. If we look at the position of Rajput rulers under the Mughals one finds that they gain due to the dual roles of administration⁹ and revenue collections.¹⁰

The bankers, merchants and traders during the mughals were basically "Modi and Poddars", besides serving the army they also engaged themselves in conducting private trade. They spread themselves to different parts of India such as Bengal, Bihar, Orissa etc. This can be seen when we look at the founder of the house 'Jagat Seth', Hira Nand Sahu came to Bihar in the 17th century as a banker and an army purveyor of Raja Mansingh of Amber and belong to the 'Oswals' a mercantile and moneylending caste¹¹. But the disintegration of the Mughal empire lead to the development of the practice of granting *Ijara* of

large tracks to the local powerful zamindars.

The Jaipur state is a classical example which acquired its position as a major state when the Mughals were all powerful. As the military exploits of the Mughals increased all those who were indispensable to them increased their land banks as this was a tribute given to them for services rendered. The expansion was not only because of military exploits but was mainly due to the transfer of various *Parganas* by the Mughal emperors in course of time which the Jaipur rulers absorbed into their own states and this continued a faster pace as Mughal control gradually weakened. The Rajput states had issues regarding many claimants, though this was not a new problem but under the Mughals it remained subdued because of the omni presence of the powerful Mughals, but as their influence weakened the nobles started revolting and to keep power with themselves they took the help of Marathas, for this they had to pay a heavy price which led them further into debt with the bankers, besides this they also had to deal with frequent Marathas raid which reduced the Rajput states to utter dissolution and dissipated the states treasury. The demand for revenue increased because of increasing desire for protection which led further to an increase in the demand for agricultural lands, leading further to an expansion in the system of revenue farming (*Ijara*) this in turn further attracted a large number of *Mahajans and Sahukars* and they played a crucial role in agrarian restoration, financing the war and meeting the demand of the Marathas.

Even though the influences of Maratha were increasing the Rajputs unlike the Sikhs and the Jats is that though they had gained considerable autonomy they never formally declared independence from the Mughals¹². Thus, there was a two-way process taking place simultaneously:

- The imposition of new taxes and contingency levies by the state to meet the enhanced fiscal needs and thus its impact on small agricultural peasants
- The incentives that had to be given to traders and bankers to invest in agriculture which in turn
- Altered the pattern of investment by traders and banker

G.D.Sharma while tracing the rise of Marwaris to a capital class has

specially emphasized the practice of usury and banking which was quite common in the different states of Rajasthan¹³. Usury the action or practice of lending money at unreasonably high rates of interest was practiced by all classes of bankers in both rural and urban areas. The operation of banking was mainly an urban phenomenon.

The practice of employing accumulated capital in money lending started because of increased monetization of the economy.

Growth of Money Lenders in the 18th Century

The traders then took on a role of dependable bankers and army purveyors (Modis) of the Rajput princes. They not only gave loans to peasants but also to the rulers. Trade and *Ijara* system were complimentary to each other as both the peasants and the rulers were dependent on the Mahajans. The interest rate could move up at times to 25% per year but during famines the rulers found it difficult to give *Tagai* loans to the peasants the state then fell back on Sahukars and Mahajans to provide the same. Thus the Mahajans and Sahukars were an important source of supply of liquid capital for the sustenance of the rural economy. Money lenders not only just lend money to the peasants and the state but they also engaged in trade. G.N.Sharma¹⁴ has said that the need to dispose the agricultural surplus, finance industry, luxurious trade and exchange of article from rural to urban centers and vice versa stimulated the growth of many middlemen such as *Bohras, Seths, Sarrafs, Baniyas etc.*

As the demands for funds increased ,the role of Mahajans also increased and with the increasing dependence of the state on Mahajans, the state decided to provide various facilities to promote trade and commerce and exempted traders and bankers from the payment of various taxes, for example ,Girija Shankar Sharma¹⁵ stated that the great *Sahukars* were often deeply involved in state finance. Instead of the 18th century being one of chaos as some historians have claimed, the Jaipur state presents the case of continuity and growth in business and close cooperation between the state, traders and bankers.Frequent famines, along with differences amongst political rivals impacted the financial problems in the 18th century, but this made the traders and bankers indispensable, as they were providing finance to the states and also paying tributes to the Marathas. The basic premise was a higher demand

for money to meet the needs of the Marathas. It is in this type of environment which lead to the growing of several activities and the increasing influence and need of indigenous bankers who participated in various activities.

There was a close connect of bankers with farmers the bankers use to provide advances on the basis of the farmers land holdings. It is during this time *Ijara* which became a wide spread practice for revenue collection in the agricultural and non-agricultural sectors of the economy. This system of revenue farming was an integral part of the *Islamic system* and it integrated political, fiscal, restoration and expansion of cultivation. All aspects were connected to the revenue collected on agricultural lands. With this various equations were developed and nurtured.

Ijara for example could be granted either for land revenue or even for the entire source of income of the states for example Mukata of total customs of Kota state was granted to Kani Ram in rs 19,636, 14 annas and 2 paise in 1891 AD¹⁶. The *Chitis* of Jaipur which contain *Likhtangs and quabulaavats and kagad and sawabahis of Bikaner*, tells us about the *Ijara* contract between *Ijara Dar* and the states¹⁷. The *Ijara* was granted to the highest bidder and this could extend for one or more years, while the *Ijara Dar* on the other hand was required to pay a fix amount as indicated so by the contract signed by both. Their are papers of Kota state which tell us that the *Ijara* that is to be granted of a village or for more than one village or *Paragana* to the *Ijaradar*¹⁸.

It was seen that there was a large scale use of *Ijara* and the increasingly direct role played by the *Mahajan – Sahukar* in revenue collection during the period of increasing Maratha influence in *Rajputana* during the 18th century¹⁹. The primary reason for this was the ever increasing demand for cash by the Marathas.

During the Mughal reign the role of *Sahukar* and *Mahajan* were primarily limited to standing surety (*Zamini*) for the *Ijaradars* bidding for *Ijaras*. During that time even the big influential zamindars and jagirdars bidding for *Ijara* had to necessarily furnished the surety (*Zamini*) of a banker and the chances of winning the contract greatly depended on the standing of the bankers who in fact use to stand bail for the entire amount²⁰ for example in Pargana Chatsu in 1754 AD, when the *Ijara* were given for Rs 99,896 and 6 paise surety was provided by a *Sahukar* named Balkrishna Moti Ram²¹. The *Sahukar* in return

got a share in the profit of *Ijaradars* which could be quite huge depending on the prevalent rates at that time and the risk involved²².

So it is with the growing influence of the Marathas from the middle of the century that the *Sahukars* and the Mahajans themselves started investing their own money in obtaining the *Ijara* for themselves²³. Suddenly acquiring an *Ijara* became very prestigious and profitable as an investment. This was seen in the instance *Pargana Chatsuin* 1754 AD when a trader Jiwan Ram Sodhi Ram took the *Ijara* for Rs 99,896 and 6 paise payable in two installments²⁴. Some of them tried to get the *Ijara* contract through influential officers.

Thus what was an apparent outcome out of the system of revenue farming (*Ijara*) especially in the 2nd half of the 18th century which is the time period where the influence of the Marathas were on the rise is that the state had a stable income which was most important as the Rajputs could buy peace from the Marathas. The change in the character of the *Ijara* in the 2nd half of the 18th century was basically an institutional means to tap the resources of men who had the capital and transfer the claims of the state creditors to the revenue farmers. This practice was not just restricted to those who were primarily connected to the agricultural sector but also that urban based traders and bankers started speculating in revenue farming as they had in depth knowledge of the revenue paying capacity of the land²⁵.

Financing apart from Money lending in the 18th Century

Indigenous bankers were in a unique position, with respect to their efficiency and accuracy. They were available at all times and as far as possible could disperse money free of formalities and delay. What we need to know is that there was a difference between indigenous bankers and the modern banking system as we think of it today. Indigenous bankers had comparatively little deposits, discount business or with dealing with other people's money, they were largely lending their own money. Thus indigenous banking was primarily money lending.

Indigenous bankers thus were connected to a number of activities that were taking place in the state besides money lending, there was money changing, issuing and discounting of hundis, insurance and trade. What is

most relevant is the fact that state and the rulers were heavily dependent on these bankers for their financial requirements during war, famine and scarcity, in return the rulers provided patronage and protection. The involvement of *Sahukar and Mahajan in Ijara* was a new feature in the process of accumulation of capital. It was a new area of capital investment one that was lucrative and highly profitable.

What has also been discovered is the private and government records with respect to insurance and other business transactions, details of which can be seen in the form of *Bahi, Chithi, Parwana etc.* Most of the insurance business was in private hands which is why details of them have been found in writings from private sources. During the perusal of various documents at the *Archives* one heard about the famous Podar family of Churu they were active in trade during the 18th and the 19th century eg. in *Bahi* which are from 1797 AD there are references of *jokhim* of Rs 5000, Rs 3800, and Rs 7500²⁶.

Jokhim or *Bima* as the word later came to be known tells us about the nature and extent of insurance business, the type of commodities involved and also the premium charged by them. There were a lot of risks involved in trade, if transportation took place by river then there was danger of fire and sinking of boats besides this there was the fear of their goods being robbed by bandits and dacoits, or the risk of a sudden flare up of war.

In Rajasthan during the 18th and 19th century the *Marwari* community played a dominant role in trade and commerce activities in India. The insurance business was known as *jokhim* or *bima* or *hunda-bhara* which means risk-cum-transportation charges.²⁷

The *Marwari* firms actually provided insurance on transported goods in order to cover the risks against bandits and other natural calamities this has been written in Rajasthani Dialect assuring that *tati silly chorijorikeji-mmewarhumhain* this means that the *Marwari* business man took entire responsibility of transferring the commodity safely to its destination and in case of any calamity like fire or theft, the insurance company would be totally responsible.²⁸

Under the system *jokhim-hunda-bhara*, the insurance firm transferred the goods or cash through their own means of transport example: a *jokhim-hunda-bhara* contract for goods worth for Rs2,598 was undertaken in

Farrukhabad for 2.5 months by Mirjamal Harbhagat, total weight of goods was 4 maun and 8 seer, rate of jokhim was 10 annas and hundahara was Rs 7.5 per maun²⁹. After scrutinizing the business papers of Mirjamal Poddar of Churn, it was seen that an owner of an insurance firm provided insurance to different traders worth many lakhs of rupees from Calcutta branch during the years 1826AD to 1830AD³⁰.

Insurance seems only to be restricted to goods in transit and of ships not on houses or life insurance etc. In most of the cases the insurance also meant that it included the transport of goods too that is the insurance agent actually made arrangement for transportation along with insuring safe delivery. The insurance was carved out on basis of trust and all that was required was a *Jokhim ki Chithi* (letter of insurance) and *nondh* of goods insured.

A *Jokhim Ki chithi* was the first contract between the two parties for the sale and purchase of insurance. The *chithi* mentioned all details of the goods the destination point, the name of the parties and date of the contract etc. Once this *Chithi* which was recorded in the *Bahi* was given to the firm, all the liability fell on the firm for risk and compensation. Generally this *Chithi* could not be revoked and if it was done then a steep fine *furoti* had to be paid. The written agreement was necessary requirement by the owner of the good to avoid future dispute regarding insurance otherwise the insurance firm could avoid payment. All the above also indicates how far and wide transportation and trade of goods from Rajasthan use to take place.

The next step was *nondh* of goods insured. *Nondh* was nothing but complete details of the goods, this was either written on the backside of the *Chithi* or on a separate invoice. The details of the *nondh* were copied in the *bahi* by the insurance firm. In case the insured goods were completely destroyed then the complete payment was made, but if there were only a partial loss then accordingly only part payment was made.

The degree of loss and damage which was partial was known as *bararh* beside this the date of delivery was also mentioned in the *chithi* this was called *thick* within which time the goods must reach the point of destination any deviation from the date meant that the insurance firm had to pay interest on the insured amount as per the agreement for the delay time period. This normally varied between 6 annas per cent to 8 annas percent per month³¹.

Besides this the time and date of payment of compensation was decided too. Besides the members of the family or merchants themselves or munims and gumasthan, there were other people involved in the process example like the dalal, adhati, qasid (messenger), chadadar (loader), chowkidar (watchman), then there was the boatsmen, cartsmen, camelman, bahgiwalas (those who carried the goods tied to both ends of a pole which he placed on his shoulder).

Almost all communities and castes were involved for example Brahmanas, Jats, Charan, Gasains, Rajputs, Brijwasi, Kotwals, Muslims etc..

A large number of caravans and camels carried goods from Rajasthan to Amritsar and Ludhiana, these were guarded by men on horses with guns a lot of these can be seen when one peruses *Chithis* obtained from the Poddar paper. From these documents one can also note that besides goods it was also cash (*Hundi*) which could be transported from one place to another.

The Poddar letters gives us a lot of inside into the working of the indigenous banking system. They had their own business houses, shops and *gaddis* (*seats of business*) in various parts of the country. Each branch was looked after by a duly appointed munim who acted on behalf of the main firm. There were also detail reports which were sent by agents on the current situation regarding risk and uncertainty.

The items transported include coin, gold and silver, coins and currency, bullion etc were transported from one corner of the country to the other newly covered by the risk insurance or *jokhimhunda-bhara*. But what is most apparent in the Poddar records is that the Marwari firms never insured cattle, wood, salt, grain etc.

Thus we see that the integration of the Rajput state with the Mughal Empire lead to relative peace and security which helped in the growth of the economy. The establishment in the 18th century of the cash nexus in the agrarian economy and more of revenue payment created conditions which furthered growth of mercantilism, this further involved traders and bankers on the one hand and the state on the other. Especially during the 18th century after the decline of the Mughals the local kings became practically independent and they were keen to increase their revenues and thus were continuously looking out for new avenues for income. As has been said earlier this lead to greater commercialization of state power. *Wahis* provide reliable and accurate

information of the type of budgeting and decision making that took place at that time even the private traders and bankers kept a proper record of their transaction. The bankers and money lenders exercised a considerable influence over socio economic life of the region they existed in almost all important trade centers of Rajasthan. The dependents of the state of traders and bankers increased to very high level in the second half of the 18th century which coincided with the decline of the Mughals and the growing influence of the Marathas. Thus we see that the role indigenous bankers were extremely important in the 18th century. The first half of the 18th century under the Mughal reign their existence helped in various activities but their importance increased after the Mughal declined and this was directly related to increase monetization of the economy.

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