UNIT 22 BUSINESS PRACTICES AND MONETARY HISTORY

Structure

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22.1 INTRODUCTION

About the origins of many business practices, very little is really known. Simple partnership may have been an old practice but references to it only surfaced in the sixteenth century. The same could be said about brokerage but the word *dallal* is of foreign origin and has no equivalent in Sanskrit or Hindi. It appeared for the first time in fourteenth century sources to designate commercial middlemen, although much of our information about their activities came from the seventeenth century.

Usury was practiced in India as early as the sixth century B.C. but the source and use of usurious capital remain unknown. In the *Lekhapaddhati* documents of the thirteenth century, merchant-moneylenders (*dhanik*, *vyavahara*, *sresthi*) are found advancing loans on interest and it seems that it was largely merchant capital which formed the usurer's capital. The Multanis and *sahs* of the thirteenth century who lent money to the ruling class of Delhi were merchants as well. We also learn about people, not described as merchants or by any caste-name, who discounted salary drafts (*qabz*) of the soldiers in the fourteenth century under the Delhi Sultanate, as these were negotiable bills. The *sarrafs* and *mahajans* are reported to have performed this function in the seventeenth century on a regular basis. The *sarrafs* first figure in our sources as money-changers in the thirteenth century (*Kumarapalacharita* of Hemchandra) and as money-lenders in the fourteenth century (*Tarikh-i Firozshahi*). There are epigraphic references to the Jain 'bankers' in the late twelfth and early thirteenth centuries, but nothing has been explained about their functions. Firm evidence for deposit banking and book credit once again came from the seventeenth century. The term *hundi* is derived from Sanskrit *hundika*, the earliest usage of which dates back to 914 AD. The *Lekhapaddhati* and Kalhan's *Rajatrangini* (12th century) refer to the use of *hundika* by kings and nobles to make payments but it may have been used by merchants as well.

The sixteenth and seventeenth centuries brought considerable progress in monetization and techniques of transferring capital and making payments. At the same time, inland commerce and long-distance maritime trade were now open to the massive participation

of big and small merchants including the European Companies. Since business organization and practices required a developed commercial and monetary infrastructure, these phenomena were interlinked. The configuration of these factors also explains the rise of mercantile groups and firms and a certain sophistication achieved in business practices which attracted the attention and admiration of contemporary writers, both Indian and foreigner.

22.2 BUSINESS PRACTICES AND MONETARY ECONOMY: OVERVIEW

Business practices can be defined as a series of activities oriented towards organizing and facilitating the process of production and exchange of goods and services at a minimum cost. The success of business ventures depends to a very large extent on the methods employed by individuals or firms to raise and allocate resources, overcome obstacles and lower the cost of transactions. No business can be conducted without the presence of money. Money is an important medium of exchange as well as a measure of the value of goods and services transacted in the market. The availability and use of money are critical to the organization of the economy in general and of business in particular.

22.2.1 The Market and Monetary Exchange

For any business to flourish, a certain level of economic development is essential to sustain the demand and supply of goods and services. The economy of medieval India was made up of two overlapping components. The first was the subsistence economy of village communities where the exchange of goods and services was based on a socially established network of barter exchange. Here the role of money was marginal and the possibilities of business, minimal. The other was the domain of commercialized economy, both in the countryside and urban centers, where market relations of exchange prevailed. It was here that money was used on a large scale and opportunities for business were realized with varying degrees of success.

Two broad streams of exchange operated within the commercialized sector of medieval India: one local and the other linked to long-distance trade and foreign markets. The demand for money in the local network of exchange stemmed from the consumption of goods and services and the tax obligations of the rural and urban population. At the lowest level, the village community obtained its weekly supplies of various types of goods (salt, spices, metals, etc.) from the nearest *qasba* (township), and made cash payments to the state in the form of revenue. The money supply of the village came from the sale of its agrarian products in different markets. It supplied grains to the *qasbas* and nearby towns through rural merchants (*banias*; *mahajans*) and itinerant traders (*banjaras*), who brought the cash back to the countryside. Villages situated near trade routes developed their own markets for specific commodities and held big seasonal fairs which attracted buyers from near and afar.

The urban centres and entrepots of India were immersed far more deeply in the circuit of market exchange. Here, the concentration of the bureaucracy, soldiery, mercantile classes and artisans created a permanent demand for food supplies, craft goods and services. Urban taxes were always collected in cash and spent on meeting the administrative costs and consumption expenses of the resident ruling elites.

The other stream of exchange extended from the countryside to the urban entrepots for the seasonal supplies of export goods. All major commodities which generated trade surplus – textiles, indigo, saltpeter and sugar – were produced and processed in villages

before being fed into the market chain which led to export by sea and land. Indian products were sold in the markets of the Middle East, Africa and Europe in the west and Southeast Asia, China, Japan and the Philippines in the east. Returning ships and caravans usually brought foreign currencies or un-coined metal to start a fresh cycle of exchange.

The networks of commercialized exchange – spread across a hierarchy of markets (*bazar*; *hat*; *mandi*), shops (*dukan*) and office cum warehouses (*kothis*) – required the use of money at every stage. Prices, wages, salaries and taxes were expressed and paid in money. The total money supply came from internal stock as well as imports of gold, silver and copper through foreign trade. The institution responsible for supplying money to the market was the mint (Hindi *taksal*; Persian *dar-ul zarb*) owned by the state, run by administrative officials and serviced by skilled craftsmen. The most detailed description of the functioning of sixteenth century mints appears in the first chapter of Abul Fazl's *Ain-i Akbari* (*c.*1595). Mints were situated in the major commercial and administrative cities of India and operated on the principle of open coinage i.e. any supplier could obtain coins from the monetary authorities on payment of minting costs (brassage) and a tax (seigniorage).

Overtime, many changes took place in the medieval Indian market structure. The volume of agricultural production, raw materials, manufactured goods, trade and money supply expanded and contracted with changes in the population, technology, professional skills and craft techniques, economic policies of the state, and the global marketplace. Business organization and practices also varied with these changes over time and across regions.

22.2.2 Administrative and Legal Structure

The medieval Indian state contributed to the creation of a viable environment for seeking employment and doing business. Although political interference was present (such as the exaction of forced labour or extortion of money), it did not materially affect the free-trade character of the state. There were no legal restrictions on practising a profession or undertaking a business venture (including usury or lending money on interest) and no limits were placed on earning or accumulating money. Alauddin Khalji (AD 1296-1316) was the only ruler who interfered with the market to fix prices according to the cost of production and merchant's profit, but his market regulations became obsolete soon after his death. The attempts made by the Mughal Emperor Shahjahan to meddle with the market and create monopolies had to be abandoned during his lifetime.

The obligation for the payment of debts and settlement of liabilities was governed by customary laws enforceable in local courts. For instance, the declaration of bankruptcy by a businessman freed him from all obligations until he was proven solvent in a court of law. Lighting candles in front of the house to announce bankruptcy was a customary practice, which could have been the origin of the term *diwaliya*. The caste *panchayat* and assembly of elders were the primary institutions which adjudicated and settled commercial disputes. Beyond these, the courts (*adalat*) of the local and provincial governments heard grievances, received petitions, and passed verdicts.

Medieval rulers allowed and encouraged artisans and workers to settle in newly founded cities, and the territorial unification and political stability achieved under successive regimes facilitated the short and long-distance migration of professionals and businessmen to areas of opportunity. The standardized currency system, the organization of the mint, the taxation system, and the maintenance of law and order worked together to provide stability to the economic structure.

22.2.3 Social and Professional Structure

The largest group of businessmen in medieval India belonged to a sub-division of the Vaishya caste known as *bania*. Although there were other social groups such as the Khatris of Punjab, the Bohras and Parsis of Gujarat, and the Chettiars of South India, the *banias* were arguably the most widespread and influential. There were large groups of *banias* in Isfahan and Bandar Abbas (major cities in Iran) as well as Mokha, the famous Red Sea port of Yemen. The *banias* specialized in various branches of business, such as commerce, brokerage, money-changing (*sarrafi*), banking and insurance. Specialization and the pursuit of commercial interests turned them into distinct and separate groups. Big *banias* who conducted their business from their offices (*kothi*) with the help of agents and correspondents were known as *seths*, *sahukars* and *kothiwals*. Members of the *bania* community who combined commodity trade with money-lending and banking were known *as mahajans*. The Persian writers used the generic term *baqqal* for all *banias* when they were not referring to a specific sub-group.

The dominance of the *banias* in the business world of medieval India was made possible by the many qualities they possessed. Even though the community was divided into distinct professional groups which often competed with one another, there was a larger sense of fraternity which enabled them to join together in social intercourses and business enterprises. They learnt and perfected their skills with vigour and intelligence and transmitted them from one generation to another. The *banias* were driven by a spirit of acquisition to attain success in a competitive environment, but they had the good sense to temper it with thrift, patience and perseverance. A seventeenth century French jeweller and a frequent traveller to India, Jean Baptiste Tavernier, gave a profile of the *bania* community which brings out some of its best features:

> The third caste is that of the Banians [*banias*], who attach themselves to trade, some being shroffs [*sarrafs*], i.e. money-changers or bankers, and the other brokers, by whose agency merchants buy and sell. The members of this caste are so subtle and skilful in trade that, they could give lessons to the most cunning Jews. They accustom their children at an early age to shun slothfulness, and instead of letting them go into the streets to lose their time at play, as we generally allow ours, teach them arithmetic, which they learn perfectly, using for it neither pen nor counters, but the memory alone so that in a moment they will do a sum, however difficult it may be. They are always with their fathers, who instruct them in trade and do nothing without at the same time explaining it to them. [They use the same] figures in their books, both in the Empire of the Great Mogull [Mughal], as well in other parts of India, although the languages may vary. If anyone gets in a rage with them they listen with patience, without replying, and withdraw coldly, not returning to see him for four or five days, when they anticipate his rage will be over.

Another jeweller, an Indian named Banarasidas, offered at about the same time an intimate portrayal of the social and professional world of north Indian *banias*, as well as valuable information on the methods of doing business, in his autobiography. Banarasidas composed his autobiography in verse at the age of fifty five and called it *Ardha-kathanak* (Half a Tale) because, being a Jain of the Srimal sub-caste, he believed that the ideal life span of an individual was a hundred and ten years. He went to school at the age of eight in his native town of Jaunpur and later learnt double-entry book keeping at home and money-testing in the market (*lena dena bidhisaun likhay - baithe hat sarrafi sikhay*), and finally set out on his maiden business venture to sell jewellery, gems and other goods at Agra. We will refer to Banarasidas on and off in our reconstruction of the business methods and practices of his kinsmen and compatriots.

22.3 MONETARY ECONOMY AND CURRENCY CIRCULATION

If we take a long-term view of the history of pre-colonial India, three broad cycles of monetary movements can be discerned. Gold and silver were used in the Indus civilization (2600-1800 BC) as money-metals but there was no coinage and pieces of precious metals were circulated on the basis of assumed or assayed purity. The hoard of a thief found at Harappa included ingots of gold and silver among items of jewellery. The Rig Vedic Aryans generally counted their wealth in cows, camels, horses and slaves but there is also evidence of the use of unstamped silver pieces of different units (*pada*) and valuable objects (*nishka*) for exchange. On the eve of the rise of Buddhism (6th century BC), a second 'urban revolution' was accompanied by an expansion of trade, the use of gold dust in annual tribute payments and the circulation of silver punch-marked coins (5th to 3rd century BC). A high point of monetization was reached with the extensive use of gold and copper currencies in the Kushana and Gupta periods (1st century AD to 6th century AD). The cycle ended with a period of monetary contraction, following a decline in the exchange network and commerce under the phase of 'Indian feudalism' (*c*.500- *c*.1000 AD), in which gold coinage practically disappeared, silver money became rare and copper currency circulated on a moderate scale. (For details see Blocks 2&3 of the present Course).

Medieval Coins

1

Gold *Tanka*, Alauddin Khalji

2

Silver *Dirhem*, Mahumud Ghaznavi

3

Silver *Tanka* of Ghiyasuddin Balban

4

Silver *Tanka*, Bengal, Muhammad Shah

5

Silver *Tanka* of Mohammad Shah I (Gulbarga)

6

Husain Shahi *Tanka* (Billon), Jaunpur

7

8

Coins of Raziya, Two Billon *Jital*

Source for Nos. 1, 2, 4-8 : Collection of Mr. Jean-Michel Dumont, Brussels, Belgium (afterwards Jean-Michel Dumont); Source for No. 3 : RBI Monetary Museum Gallery – Medieval India Coinage

A gradual reorganization of the monetary economy took place in early medieval India (AD 11th century), with the revival of urbanization and foreign trade, and the introduction of monetary and fiscal institutions from Central Asia. The establishment of the Delhi Sultanate in the thirteenth century, and its extension to Gujarat in 1299 and to Sind and southern India a few years later, brought about a perceptible change in the production and circulation of currency money. The Delhi Sultanate promulgated a standardized multi-metallic currency system of gold and silver *tankas*, billon *jital* or *damma* (base metal mixed with silver) and copper *paika*. The widespread circulation of gold, silver and billon currencies indicates large-scale transactions and fuelled the expansion of the Sultanate's exchange network. It was possible for the state to realize revenue in cash, for peasants to pay taxes by selling their products in the market, and for merchants, manufacturers and bankers to make money out of cash and credit transactions. We gather this from both numismatic and textual evidence, such as coin specimens preserved in museum and private collections, the *Drvyapariksha* of Thakkura Pheru, a Khalji mint official, and the *Tarikh-i Firozshahi* of Ziauddin Barani, a fourteenth century Delhi intellectual and companion (*muqarrab)* of Sultan Muhammad Tughlaq (AD 1325-51).

Monetary Observations in the *Drvyapariksha* of Thakkura Pheru

Classification of Coins (withdrawn from circulation or still being manufactured, *c*. AD 1318)

Obsolete Coins

Silver Coins	(*gathas* {verses} 51-5)
Gold Coins	(*gathas* 56-61)
Trimetallic Coins (Gold & Silver & Copper)	(*gathas* 62-72)
Bimetallic Coins (Silver & Copper):	
Khurasan Coins	(*gathas* 73-7)
Athanari Coins	(*gatha* 78)
Vikrama Coins	(*gathas* 79-81)
Gurjara Coins	(*gathas* 82-93)
Malava Coins	(*gathas* 94-100)
Nalapura Coins	(*gathas* 101-3)
Chanderi Coins	(*gathas* 104-8)
Jalandhara Coins	(*gathas* 109-10)
Delhi Coins:	
Tomara Rajputs	(*gatha* 111)
Delhi Sultanate	(*gathas* 112-13)

Current Coins

Emperor Alauddin's Coins:	(*gathas* 134-8)
King Qutbuddin's Coins:	
Gold Coins	(*gathas* 139-42)
Silver Coins	(*gatha* 143)
Billon Coins	(*gathas* 144-7)
Copper Coins	(*gatha,* 148)

Metrology

Thakkura Pheru used a system of mass measurement denominated in the following units:

1 *tola*	= 3 *tanka*	= 12 *masha*	= 192 *java*	= 3840 *visva*
	1 *tanka*	= 4 *masha*	= 64 *java*	= 1280 *visva*
		1 *masha*	= 16 *java*	= 320 *visva*
			1 *java*	= 20 *visva*

Occasionally, the *rati* or *gunja* was incorporated in this system:

1 *tola*	= 3 *tanka*	= 12 *masha*	= 72 *rati*
	1 *tanka*	= 4 *masha*	= 24 *rati*
		1 *masha*	= 6 *rati*

John S. Deyell, *Living Without Silver:The Monetary History of Early Medieval North India*, OUP, New Delhi, 1990, pp. 254, 256

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The second cycle ended in the downturn of the fourteenth century (1350-1540 AD) with a transition from precious to base metal coinage and shift in the mode of payment from cash to kind. Once again, gold disappeared entirely from the circuit of exchange, silver gave way to billon, and currencies reserved for petty transactions, such as copper and cowries, began to compete for a larger share of the market. The monetary contraction coincided with a worldwide shortage of silver, designated 'bullion famine' in Europe. It was under these circumstances that the much derided policy of Muhammad Tughlaq to establish a fiduciary currency came into effect.

The third cycle began with the establishment of a new currency regime by Akbar on the foundation laid by Sher Shah Sur, the Afghan ruler. Sher Shah revived the classical tri-metallic currency of the Delhi Sultans to strengthen his political authority and organize the finances of the territories he had conquered from Humayun. A pure silver coin by the name of *rupiya* was introduced along with the gold *ashrafi* or *muhr* and a heavy copper coin called *paisa* or *dam*. Akbar's administration expanded this currency structure and displaced the previous billon and copper regime, reflecting a series of developments within and outside India.

Mughal & Sur Coins

Mughal *Muhr*, 1) Humayun, 2) Akbar, 3) Aurangzeb (Obverse & Reverse)
RBI Monetary Museum Gallery – Mughal Coinage

Silver *Sharuki*, Babur (After Jean-Michel Dumont)

Silver *Rupiya*, Sher Shah (After Jean-Michel Dumont)

Silver Coins of Akbar : 1) Square Silver *Rupiya*, 2) Square Silver 1/2 *Rupiya*
(After Jean-Michel Dumont)

Silver *Rupiya* : 1) Nur Jahan and Jahangir, 2) Aurangzeb
(After Jean-Michel Dumont)

THE WORKMEN OF THE MINT

1. The *Darogha*. He must be a circumspect and intelligent man, of broad principles, who takes the cumbrous burden of his colleagues upon the shoulder of despatch. He must keep every one to his work, and show zeal and integrity.

2. The *Sayrafi*. The success of this important department depends upon his experience, as he determines the degrees of purity of the coins. On account of the prosperity of the present age, there are now numbers of skilful *sarrafs*; and by the attention of his Majesty, gold and silver are refined to the highest degree of purity. The highest degree of purity is called in Persia *dahdahi*, but they do not know above 10 degrees of fineness; whilst in India it is called *barahbani*, as they have twelve degrees. Formerly the old *hun*, which is a gold coin current in the Deccan, was thought to be pure, and reckoned at ten degrees; but his Majesty has now fixed it at 8½ : and the round, small gold *dinar* of Alau 'd-Din, which was considered to be 12 degrees, now turns out to be 10½.

   Those who are experienced in this business have related wonderful stories of the purity of gold at the present time, and referred it to witch-craft and alchemy; for they maintain, that gold ore does not come up to this fineness. But by the attention of his Majesty, it has come up to this degree; hence the astonishment of people acquainted with this branch. It is, however, certain, that gold cannot be made finer, and of a higher degree. Honest describers and truthful travellers have indeed never mentioned this degree; but, when gold is put into fusion, small particles separate from it, and mix with the ashes, which ignorant men look upon as useless dross, whilst the skilful recover the metal from it. Although malleable gold ore be calcined and reduced to ashes, yet by a certain operation, it is brought back to its original state; but a part of it is lost. Through the wisdom of his Majesty, the real circumstances connected with this loss, were brought to light, and the fraudulent practices of the workmen thus put to the test....

3. *The Amin*. He must possess impartiality and integrity, so that friends and enemies can be sure of him. Should there be any differences, he assists the *darogha* and the other workmen, maintains that which is right, and prevents quarrels.

4. The *Mushrif*. He writes down the daily expenditure in an upright and practical manner, and keeps a systematic day-book.

5. *The Merchant*. He buys up gold, silver, and copper, by which he gains a profit for himself, assists the department, and benefits the revenues of the State. Trade will flourish, when justice is everywhere to be had, and when rulers are not avaricious.

6. *The Treasurer*. He watches over the profits, and is upright in all his dealings.

   The salaries of the first four and the sixth officers differ from each other, the lowest of them holding the rank of an *Ahadi* [gentleman trooper].

7. *The Weighman*. He weighs the coins. For weighing 100 *jalali* gold-muhrs he gets 1¾ *dams*; for weighing 1000 rupees, $6\frac{19}{25}$ *dams*; and for weighing 1000 copper *dams*, $\frac{11}{25}$ of a *dam*; and, after this rate, according to the quantity.

8. *The Melter of the Ore*. He makes small and large trenches in a tablet of clay, which he besmears with grease, and pours into them the melted gold and silver, to cast them into ingots. In the case of copper, instead of using grease, it is sufficient to sprinkle ashes. For the above-mentioned quantity of gold, he gets $2\frac{3}{5}$ *dams;* for the same quantity of silver, 5 *dams* and 13¼ *jetals*; for the same quantity of copper, 4 *dams* and 21½ *jetals*.

9. *The Platemaker.* He makes the adulterated gold into plates of six or seven *mashas* each, six fingers in length and breadth; these he carries to the assay master, who measures them in a mould made of copper, and stamps such as are suitable, in order to prevent alterations and to show the work done. He receives as wages for the above-mentioned quantity of gold, $42\frac{1}{3}$ *dams.*

Abul Fazl Allami, *The Ain-i Akbari*, trs. H. Blochmann, New Delhi, 1977, Third ed., Vol. I, pp. 18-21.

The most important external development at this time was the eastward transmission of European silver obtained from the mines of Peru and Mexico (Spanish colonies in America) to finance the Indian Ocean trade. The Mughal Empire alone received an annual supply ranging from 85 to 131 metric tons of silver to become the biggest importer of foreign money outside Europe in the late sixteenth as well as the seventeenth centuries.

At the same time that Spanish-American silver was on its outward journey to India, the Mughal Empire expanded westwards to embrace the coastal regions of Gujarat and Sind, which were direct recipients of foreign bullion not only from Europe but also from Japan. In the second half of the seventeenth century, Bengal emerged as a major destination for the transmission of precious metals by the Dutch (VOC) and the English East India Companies. The territorial expansion of the Mughal Empire created conditions for the integration of coastal hinterlands into a single network of commodity exchange, fiscal remittances and currency circulation.

The absorption of external and internal stocks of monetary metals was facilitated by the state and the market. The Mughal state adopted fiscal and monetary policies which streamlined and expanded currency circulation in the empire. A policy of collecting taxes and disbursing salaries in cash triggered a cycle of monetary circulation aided by the open coinage system of the imperial mints. A series of measures were taken from 1582 to create a standardized currency system in the empire through the replacement of regional as well as old and sub-standard coins with freshly minted Mughal currency. Money-changers and merchants offered a certain uniformity and cohesion to the areas covered by the network of monetized exchange, by negotiating the movement of cash, goods and services across customs barriers and between different sectors of the economy.

The uniform and standardized currency system which emerged after three decades of intense administrative and market changes was sustained by a constant flow of silver through foreign trade and its absorption into the circuit of exchange. The domain of petty transactions was dominated by the use of fractional pieces of the silver rupee (*ana*) and copper currencies (*paisa*/*dam*). At the levels of exchange where prices needed to be expressed in units lower than the copper coin, metallic currency was supplemented by cowrie shells (Hindi *kauri*; Persian *khar muhra*) in Bengal, Bihar and Orissa and bitter almonds (*badam*) in Gujarat. Being imported respectively from the Maldives and Iran, cowries and almonds were more abundant at the coast but were in greater demand in the hinterland.

The Deccan and South India were different from the north insofar as their monetary systems were based pre-dominantly on gold with copper as the second metal. The principal gold coin of this region was known as *hun* locally and *pagoda* internationally. It was modelled on the Venetian gold coin, *ducat*, which was a major currency of international commerce on the Mediterranean-Indian Ocean axis, and has been rightly called the 'dollar of the Middle Ages'. The *ducat* came to India in large quantities in the fourteenth and fifteenth centuries and inspired a series of imitations, the *hun* being one of them. The *hun* was of the same weight, fineness and appearance as the *ducat*, the only difference being that the latter had portraits of the Venetian duke (*doge*) and Saint Mark (the patron saint of Venice), while the former had images of Indian deities, such as Uma-Maheshvara. For this reason, Persian writers often used the term *ashrafi do buti* for the two coins. From the second half of the seventeenth century, those areas of the Deccan which came under the influence of the Mughal administration had to pay tribute in silver rupees and began to turn tri-metallic.

Coins of the Regional Kingdoms

Coins of Vijayanager Empire
RBI Monetary Museum Gallery – Medieval India Coinage

Gold *Pagoda*, Bijapur
(After Jean-Michel Dumont)

Silver *Tanka*, Bahamani
(After Jean-Michel Dumont)

Nizam Shahi Copper *Falus*, Ahmadnagar
(After Jean-Michel Dumont)

Copper Coins, Golkonda
(After Jean-Michel Dumont)

22.4 BUSINESS PRACTICES

Partnership and brokerage were two major aspects of business practices. Both Usually operated within the extended family and the success depended largely on the co-operation of the members.

22.4.1 Partnership

The two principal components of any business venture are capital and labour. If an individual possesses both, he can operate on his own for as long as the scope of his business permits. In the absence of either, or due to their limitations, the option to seek co-operation from kinsmen, members of the same caste and sub-caste, and even outsiders becomes desirable. The formal arrangement in which two or more parties bring together their labour, skill and capital is known as partnership. Partnership is an important business practice which assumes complex forms depending upon the nature of the enterprise and obligations of the participants.

In medieval India, partnership (Hindi *sajha*; Persian *shirkat*) was a recognized form of financing and expanding a business venture and offered the best means to share risks

and profits. Banarasidas' father, Kharagsen, began his career by joining his maternal uncle, Sundardas, at Agra as a partner in the business of money-changing and sale and purchase of gold. They pooled their capital and commissioned it to a joint fund which they both operated. In those days, changing one currency into another was a task which required specialized knowledge of exchange rates and was done mostly by the *sarrafs* (money-testers) who charged commissions for their service. In four years, the profit earned by Kharagsen was so good that he got married and bought a separate house for his family. The partnership was dissolved automatically when Sundardas died without a male heir. Kharagsen handed over the share of his deceased partner to the latter's daughter in front of the elders of the business community (*panch*), and left for Jaunpur with his goods and cash.

Partnerships which involve the extended family appear to have been the most common form of doing business in medieval India. However, the search for suitable partners encouraged prospective entrepreneurs to seek wider co-operation beyond the kinship circuit. Banarasidas once became the partner of an Oswal Jain, and Kharagsen had a Shaivite as his long-standing business partner. In both cases, partnerships were formed among members of *bania* sub-castes who were unrelated to each other.

Partnerships could further involve merchants and businessmen of different social classes. It was not unusual for small traders to acquire cash and goods from big merchants or nobles to start trading under *commenda* (Persian *muzarbat*), a practice which allowed investing and travelling merchants to combine their resources for mutual benefit. Profits earned from *commenda* were common enough in the seventeenth century to be considered legal and taxable by the Mughal state.

Business firms and mercantile groups often contracted members of their own profession to trade on their behalf not as partners but factors or agents (*gumashta*; *bapari*). The factors closely followed the orders and serviced the requirements of their principals (*sah*) while conducting their own independent business. The factors usually received a commission or a share of the profit. Agreements could also be reached between two independent merchants or firms doing the same business in two different parts of the country to represent each other's interests in their respective areas as correspondents. The *sahukars* and *sarrafs* of the Mughal Empire had both factors and correspondents in major cities and courts who stayed in close touch with one another through a vigorous exchange of letters and commercial intelligence. In many cases, news of the latest political developments reached the merchants first and state officials later. The purpose of such practices was to widen the scope of business and keep a close tab on markets without incurring the cost of establishing a full branch.

22.4.2 Brokerage

As economy develops, the immediacy and transparency of doing business begin to diminish. The multiplicity of business transactions tends to separate the parties from each other and from their markets. To overcome such obstacles, businessmen require the services of a broker to close the space between transactions that remain distant in time and space. It is difficult to conceive of any successful business world without the institution of brokerage.

In medieval India, the practice of conducting business with the help of brokers (Arabic *dallal*; Persian *gumashta*) was fairly common. Present in all commercial centres, the brokers belonged mainly to the *bania* community, with a few Parsis and Muslims. It was customary for all big merchants to have a broker to obtain various types of commodities

and keep them ready for shipment or sale in the right season. We will discuss shortly how brokers and sub-brokers were employed to make cash advances to manufacturers of cloth and indigo. Mulla Abdul Ghafur, the merchant prince of Surat, had a broker called Gangadas, while his grandson, Muhammad Ali, had two. Foreign merchants (notably European and Armenian) always had brokers, who, according to Englishmen J. Ovington and John Fryer visiting Surat in the 1680s, were of the 'Banian caste, skilled in the Rates and value of all the commodities in India' and without whose assistance no one could 'do any Business' in India.

The brokers usually organized their business as family firms with joint investments and accounts run by a senior member chosen for his experience and expertise. At the end of each day, all working members of the family assembled to discuss the deals they struck and give account of the money they received and spent. Normally, the brokers charged one percent as commission from each party on every business deal, but the rate could go up if the transaction was complex or the amount of investment large. The brokers closely guarded the secrets of their trade and used codes and symbols to communicate with buyers and sellers as in modern stock markets. We know of two seventeenth century firms of Chhota Thakur and the Parakh family operating in western and northern India respectively, which counted European and other merchants among their clients.

22.5 CREDIT PRACTICES AND INSTRUMENTS

In developed market economies, currency alone does not constitute money. Specific exchanges can be made by employing a system of credit or deferred payment. Cash and credit co-exist in complementary modes to facilitate the movement of goods and money between markets and individuals. In medieval India, an important practice was to use other people's money to finance and reduce the cost as well as the risk of business transactions. The group of people who specialized in extending credit facilities to their customers was the *sarrafs,* who combined currency exchange with banking. The term 'banker' was first used for Italian money-changers who sat on benches (*banco*) and offered credit to merchants in the fairs of Champagne (France) and money market of Bruges (modern Belgium). Indian *sarrafs* too used diverse commercial strategies to raise and deploy capital more efficiently.

22.5.1 Money-lending and *Dadani*

Demand for money and the freedom to charge interest on loans underpinned the business of money-lending in medieval India. Money-loans were the most popular form of financing commerce, while trading on borrowed capital was the norm among small and big merchants. Half of the capital for Banarasidas' first business venture came from his family and half of it was borrowed (*kachhu ghar ke kachhu par ke dam - rok udhar chalayo kam*). The *sarrafs* took a leading position in financing business by advancing short and long-term loans depending on the seasons and circumstances of the borrowing. The rate of interest charged on loans was determined by the supply and demand of money and creditworthiness (*sakh*) of the borrower.

In big cities like Surat and Agra, the dominance of the *sarrafs* can be explained by the presence of the mint and bullion market, which were cornerstones to their business activities. In townships (*qasbas*) and villages, or even in big towns where the line separating commerce and money-lending was thin, it was the *mahajans* who provided commercial and consumption loans to peasants to raise crops and pay taxes and to the *mansabdars* (Mughal bureaucrats) against their *jagirs* (revenue assignments).

Vyavahara-Patra (Debt Deed) from _Lekhapaddhati_

In the Samvat year 1332 Asvina Sudi 10 Sunday today here at Anahillapatana, during the victorious and auspicious reign of Shri Sarangadeva, who is adorned with the line of kings... While his obedient and loyal servant Mahamatya Shri Dharnidhara holds the office of Shri Karana etc. and conducts the entire business of the royal seal; in these circumstances, while Maharajakula Shri Dharavarsha, is immensely prosperous in Chandravati Karana, which is being enjoyed by him as a consequence of the king's grant of benefice (*prasad*), and while *Mahantaka* Vijayasimha of Pathaka so-and-so acts as an officer incharge of Dravya Mudra(?) This deed of debt is written in the presence of the *Panchakula,* including Chandisimha who was appointed (by Dharavarsha), in the following manner. Ganapati son of Sahu Jayacandra of Oswal caste and resident of Prahladanapura borrowed: for legitimate purposes, from Vyasalakshmidhara 5,000 *drammas*, in words fifty thousand *drammas* (in) old *drammas* issued by *Visvamalla*(?) which were uttered at the mint of Shrimala, thrice tested, and which are still current in the gold market as merchant's money (*Shresthartha*) in one instalment. The monthly interest on these *drammas* is two *drammas* percent per month and interest percent will be accumulated. These *drammas* without the layer of mud; without dispute, quarrel and anxiety, within 24 hours (of the demand) renouncing all claims to it, should be returned all at once with accumulated interest of *drammas* to the satisfaction of Vyasalakshmidhara. For giving (assuring the payment) these *drammas* with interest, for preventing all controversy and harassment Padamsimha, son of Sahu Jagasimha of the Oswal caste (*jati*) and the merchant (*vanij*) Vikramasimha, son of merchant Dharna of Shrimala caste, both residing at the same place are made surities for mental and inner satisfaction of Vyasalakshmidhara. When one is approached the other is supposed to be approached. If one is available and the second is not responding to the summons then the person who is available should take the responsibility of the deed of debt or promissory note, just like the debtor to the money-lender. In this sense the agreement of the debtor and of the sureties is recorded by their signatures/given by their own hands and to the best of their knowledge and judgement. Mahantaka Shri Pala wrote this deed at the request of both the parties. Omission or addition of letters should always be treated as legal/should be condoned.

II B

In the Samvat Year 1288 Vaishakha Sudi 15 Monday today, here at Anahillapataka, during the auspicious and victorious reign of Shri Bhimdeva, who was adorned with the line of kings... while his loyal servant Mahamataya so-and-so holds the office of Shri Karana and conducts the entire business of the (royal) seal (*Samsta Mudra Vayapren paripanthayti*); while here in the pathaka such and such *mahantaka* Vijayasimha acts as the officer incharge of *dua Mudra* (?), in these circumstances in Balua village situated in the Dandahiyapathaka, which is being enjoyed by *rajaputra* Chaturbhuja, having received it from the king as a benefice (prasad), this debt deed is being written in the knowledge of the *Panchakula*, consisting of the *Vahaka* (an official), *rajaputra* Ajayasimha who was appointed by him (*rajaputra* Chaturbhuja), *Mahantaka* Jajala son of *Mahantaka* Yashacandra, and others thus.

The creditor known by the name, 'Shresthi son-and-so, son of Shresthi so-and-so, resident of this place employed his money for profit. This (is) his signature, creditor by name. The resident of this very place the cultivator so-and-so, son of cultivator so-and-so, out of genuine need or for legitimate purpose, received 210 *paraupatha drammas* in cash, in words two hundred ten *dr*., which were uttered at the mint of Shrimala, thrice tested and meant for commercial transactions, and the money, to be paid as interest on these *drammas*, is 2 *drammas* percent per month. These *drammas* should be paid annually in the month of Karttika along with interest, without layers of mud (*Matta-skandha*) renouncing all claim to it (*Niryogakshema*), all at once (*Yekmushtya*) within eight *pahars* (*Asta praharika*) (a day-and night). In order to execute the above mentioned conditions, in order to ensure the payment of the *drammas* and in accordance with the common practice of borrowers, the cultivator so-and-so has been appointed surety and cultivator so-and-so the second surety. Here signature, here witnesses.

Pushpa Prasad, 'Credit and Mortgage Documents in the *Lekhapaddhati*', *Puratattva,* No. 18, 1987-88, pp.94-95.

Some idea of the size of capital advanced by the money-lenders can be formed by the transactions of the European merchants. Throughout the course of their trade, English and Dutch factors had to grapple with the problem of arranging finances for their purchases. It appears from their correspondence that they always remained short of capital and took recourse to the credit market to meet their investment needs. Table 1 suggests that in three months of the year 1670, around 3.4 *lakh* rupees were borrowed by the English from the *sarrafs* of Surat. By the end of the year, their loans reached 6 lakhs or 75 per cent of the total investment the East India Company made in that year. This was not the case with the English alone. The Dutch merchants at one time were reported to have run up a debt of 80 *lakh* rupees.

Table 1

Money borrowed by the English merchants at Surat: 1670 AD

Dates	***Amount (Rs.)***	***Money-lenders***
March 1670	5000	Vallabhdas Gokuldas
March 1670	25000	Banwalidas Surdas
March 1670	25000	Jagjivandas Kishandas
April 1670	26000	Samdas Gopaldas
April 1670	22000	Banwalidas 'Ckaundas'
April 1670	8000	Vallabhdas Banwalidas
April 1670	100001	Kalyanchand 'Jeswang'
June 1670	30000	Name not mentioned
July 1670	25000	Velji Anand
July 1670	25000	'Rounsee'
July 1670	30000	Shankar Bhagwan
July 1670	18000	Surdas Kapurchand
July 1670	22500	Biharidas Surdas

Credit was also supplied by merchant-borrowers themselves to peasants and artisans to ensure the supply of goods at bargain prices. This practice was known by the technical name of *dadani* (giving out). Although manufacturers of textiles or indigo (*nil*) were free to sell their products in the local market, they often had to rely on brokers and merchants to buy raw materials and maintain the desired level of production for a regular market. In areas where merchants had to face competition for supplies, loans were extensively used to establish precedence over other buyers. Where the manufacturers happened to be peasants and were required to pay land revenue, the dependence on merchant capital was often dictated by the need to keep production going if taxes had to be paid before the harvest.

This network of credit and production was sustained by a succession of intermediaries acting as links between artisans and merchants. In order to obtain Bengal textiles, for instance, brokers were engaged to give money to the *paikars*. The latter delivered it to the weavers. The brokers received 1 to 2 per cent from the *paikars* who, in turn, charged commission from the weavers. Since the finished products were mostly obtained by merchants at pre-fixed prices, which took into account interest charged on *dadani*, the cost of credit was eventually passed on to the weavers.

22.5.2 Banking and Bills of Exchange (*Hundis*)

The expansion of the exchange economy and business opportunities created greater demand for money and exerted pressure on available credit resources. While money-lenders and bankers attempted to enlarge their loanable capital by reinvesting profits earned from interest, in due time, they also tapped resources outside the money market to run their business operations. Deposit banking emerged to provide another important source of money supply. Medieval bankers – *sarrafs*, *mahajans* and *sahukars* – accepted deposits from individuals, merchant-groups and state officials who had cash to put out on interest. Deposits accepted from investors were then employed as interest-bearing loans.

***Sarraf* (money-changer): Photo Bibliotheque Nationale, *c.* 1760; After Fernand Braudel, *Civilisation and Capitalism 15th-18th Century,* Volume II, *The Wheels of Commerce*, trs. from French by Sian Reynolds, London, 1982, p. 126.**

The banker accepted short-term time deposits against bills of exchange (*hundi*). The *hundi* was a piece of paper, usually written in Hindi or any other Indian language, promising the payment of a sum of money to the bearer at a particular place either immediately or afterwards. The *darshani hundi* was paid at sight whereas the *miyadi hundi* was redeemed after a stipulated period of time. It was called bill of exchange because the device was originally associated in Europe with the exchange of foreign currencies given at one place and taken at another. Two types of *hundis* were popular in medieval India: one which was an instrument of money transfer, and the other which was an instrument of credit. It was the first type which was used by the bankers to accumulate capital. If a businessman decided to send money from one place to another, he could deposit the cash with a *sarraf* in exchange for a *hundi* and avoid risks of transportation. When a merchant-caravan from Surat to Agra was intercepted by a band of highway robbers, the bag carrying the *hundi* was opened by them and eventually returned. The *hundi* was delivered to the shop (*dukan*) of the *sarraf's* agent or partner where it was honoured and the amount specified in it was paid to the bearer. The *sarrafs* charged a small fee for providing the service which, among other things, determined the exchange rate of the *hundi*.

Raja - *Hundika* (Royal Drafts/Bills)

Hail i *Mahamandalesvara ranaka* so-and-so instructs officer so-and-so of his *mandala* in the following manner. The order is like this: You should pay 3000 *dr*. in words three thousand ***drammas***, out of these *dr*., first collected and to be sent to the royal treasury, to *rajaputra* so-and-so. Likewise you should pay to eight foot soldiers belonging to him (i.e. *rajaputra*) who have come here, 8 dr., per day towards undressed provisions until the account is clear. Samvat year (802) Jyestha Sudi 15, Thursday, signature of Sri. Instructions (have been given to) the messenger.

II B

Hail! *Mahamandalesvar Ranaka* so-and-so instructs certain officer as follows. The order is like this. You should pay 3000 *dr*. in words three thousand *drammas*, out of these *dr*., first collected and due to be sent to the royal treasury, to Paramara *rajaputra*. Like-wise you should pay to the eight foot-soldiers belonging to him, who have come here, 8 *drammas* per day towards undressed provisions until the account is clear. Samvat year 1288 Vaisakh/Sudi 15, Monday. The instructions have been given personally to the messenger.

III B

By the order of king, on the word of so-and-so of such-and, such territory, a bill of exchange is issued to so-and-so in the name of so-and-so as follows. You should pay to *rajaputra* so-and-so son of so-and-so *dr*. 124 in words, one hundred and twenty four *drammas* when the bill (*hundika*) becomes due (*phalit-pade)* according to the usage of the bill. The period (of payment) is 15 days. For each day beyond the limit, you should pay 1 *dramma* 2 ka (=Kala, i.e. 1-3/16 *dr*.) Samvat year 1533. Jyestha Sudi 8, Tuesday. Signed.

Pushpa Prasad, 'Credit and Mortgage Documents in the *Lekhapaddhati*', *Puratattva,* No. 18, 1987-88, p.94

The English and the Dutch were two of the several merchant groups trading in India who remitted money through *hundis* to supply capital to their areas of investment. Individual merchants travelled with little cash and kept their main capital in circulation by transferring it from one place to another through *hundis*. The remittance of money from the state's treasury to its officials in different parts of the Mughal Empire was also affected through *hundis* drawn by the *sarrafs*. In the sixteenth century, Akbar sent 3 lakhs of rupees to the Mughal army in the Deccan. Later, a similar amount was remitted by the governor of Patna to Agra.

Drawn against a deposit with a banker, the *hundi* had a cash value. As a result, it was saleable in the market at a small discount (a hundred rupees *hundi* sold for 98 rupees), which accounted for the gain of the buyer, whose cash was locked up till the bill's maturity. The buyer could receive cash from the drawee (the *sarraf's* agent) or use the bill to make payments. This form of credit, emerging out of the negotiability of the bill, endowed it with a purely monetary function and contributed directly to increasing the volume of money in circulation. While the money deposited for the bill was lent out by the banker, claims against it were used simultaneously to settle other transactions.

The bankers also accepted deposits from their customers which were payable on demand at any time of the month. A classic description of this practice at Agra could be found in the letter of an English Factor dated 1645 AD:

> Those that are great monied men in the towne, and live only upon interest receive from the sheroffs [*sarrafs*] no more than 5/8 percent per month. The sheroffs dispose it of to others from 1 to 2.5 percent... Now when the sheroff (for lucre) hath disposed of great sommes to persons of qualities at great rates, not suddenly to be called in to serve his occasions, then beginn his creditours (as in other parts of the world) like sheepe one to runn over the neck of another, and quite stifle his reputacion. Thus ... hath two famous sheroffs bynn served within a month, one of which failing for above three lack of rupees, diverse men have lost great somes and others totally undone thereby; which hath caused men of late to bee very timerous of putting their monies into sheroffs hands.

This is an interesting example of deposits payable on demand which the Agra *sarrafs* accepted from wealthy people of the city. The amounts were lent out at higher rates of interest to creditworthy clients. The difference between rates paid on deposits (0.625 per cent per month) and loans (1 to 2.5 per cent) constituted the profit of the banker. As borrowers were not expected to return the money at once, when depositors demanded their money back, the *sarrafs* had no choice but to declare bankruptcy. The depositors lost their money and the *sarrafs* their reputation.

The passage quoted above shows that opportunities for converting idle wealth into capital were acknowledged and used. This serves to correct the notion that surplus money in India was either locked up in chests or buried in courtyards. It also appears that the practice of investing funds in deposits or loans was so common that but for a series of bankruptcies, it may not even have attracted the attention of contemporary observers. Another English merchant noted with care that cases of bankruptcy in India were 'farre lesse than in England' because it was considered socially disgraceful, and there were 'stricter lawes to binde men to honest performance' of their business.

In order to avoid a shortfall in their cash holdings and preempt the failure to meet obligations, the bankers adopted two practices. The first was to discourage the conversion of bills into cash through book credit. In this, the bankers made payments for the incoming *hundis* not in cash but by opening a credit account in the name of the bearer for that amount or by making an entry in the ledger against his name if he already had an account with them. This practice was known as *anth*. On the strength of his account, the creditor made payments to others by drawing a *hundi* on his banker. The facility was also available to those who had cash deposits with the bankers. The banker employed the same technique while honouring his client's *hundi* and thus created a system of book credit which dispensed with the requirement of cash payment. If any one decided to break the network of floating credit by demanding cash, he was paid in coins of inferior value, called *kachcha anth*, even though his account was kept in newly minted coins of higher value called *pakka anth*. The difference in the exchange values of old and new coins

determined the rate of *anth* (Hindi *Ankara*; Persian *sigha i anth*) and fluctuated with the availability of money in the market. The bankers often raised the rate of discount while en-cashing *hundis* when there was a shortage of money (*kami i zar i naqd*). According to the local history of Ahmadabad, *Mirat i Ahmadi*, the *sarrafs* once increased the rate of *anth* deduction to 20 per cent (or 8 per cent, as *bist* and *hasht* in written Persian can be confounded) which drew huge protests from the merchants and brought the market to a standstill.

The second practice of the bankers was to use *hundis* to transfer money from a place where it was in plenty to another where there was a shortage. This was achieved by encouraging people to deposit cash where it was required and borrow where it was in abundance. The merchants often borrowed money to finance their business by issuing their own *hundis*. One month after his father's death, when Banarasidas decided to commence a fresh cycle of business, he wrote a *hundi* for 500 rupees, collected cash and bought cloth (*mas ek bityo jab aur - tab phiri kari banaj ki daur - hundi likhi rajat sai panch - liye karan lage pat sanch*). Such *hundis* were discounted by the bankers at a price which included interest for the duration of payment and determined the exchange rate of the *hundi*. By altering exchange rates of the two types of *hundi* – bill of remittance and bill of credit – the bankers induced merchants to give or take money and improve their cash balance position. If this did not work, for a variety of reasons, they transported money physically to their agencies through couriers if the money happened to be in gold or by carts if large quantities of silver were required.

22.6 RISK-SHARING PRACTICES:INSURANCE AND RESPONDENTIA

Bankers and businessmen living in medieval times knew only too well the dangers of long-distance trade and travel and the risks to which their capital and goods were exposed. In its most elementary form, risk-sharing was witnessed in the partnership arrangement we saw above (*commenda*) where two or more persons shared profits and risks in an agreed proportion. However, in such cases, the management of risk was internal to the process of trading and did not provide full cover against losses and uncertainties. Insurance was an important business practice which brought in a third party to underwrite risks on payment of a small sum known as premium. The first firm evidence of inland and marine insurance (*bima*) in India came from the seventeenth century.

In India, two types of insurance arrangements were provided by the *sarrafs*. In the first and more elaborate system, described by a late 17th century writer, Sujan Rai Bhandari, the author of *Khulasat-ut Tawarikh*, insurance proper was joined to carriage and the insurers undertook the conveyance of the merchant's consignment as well. Here, insurance covered not only risks of loss but also tax payments and transport costs. The rates for such arrangements were therefore higher than ordinary insurance for the same merchandise and destination. In running the business of carriage and insurance, the *sarrafs* made use of a class of people, called *adhvaya*, who specialized in cartage and the payment of transit dues (*rahdari*) for a fixed sum of money. The *adhvayas* (meaning carters) were essentially carriers (probably *banjaras*) who made profit out of savings from tax payments while accepting a lump sum from merchants or insurers.

Besides this specifically Indian form, there existed the more usual form of insurance which was devoid of any obligation on the part of the *sarrafs* to convey goods. This included insurance of goods and money in transit over land and sea at a cost. The rates for inland and marine insurance were based on the conditions of security on roads and

seas. Any breakdown in law and order, rise in the incidents of robbery and piracy, political instability or a natural calamity enhanced the premium. It is noteworthy that the rates of insurance in the Mughal Empire were considered moderate by contemporaries and were not higher than those prevailing in Central India in the nineteenth century. Sujan Rai mentioned that travellers could undertake their journey without fear of thieves and robbers, and we know from other sources that the Mughal state had an outstanding policy of holding officials responsible for the crimes committed in their jurisdiction and making them pay for the losses suffered by the victims.

The availability of finance and protection against loss were the two major concerns of medieval businessmen and they were together taken care of in a single practice. In many cities of the Mughal Empire, merchants had the facility of borrowing money by drawing *hundis* payable at Surat on condition of the safe arrival of their goods. The rates of such *hundis* were higher than ordinary credit bills because they included insurance premium. The maritime version of this practice was known as *avak* in India and respondentia in Europe. At Surat, respondentia loans advanced to maritime merchants to ship their goods to the various port cities of the Indian Ocean have been described by Jean-Baptiste Tavernier:

> On arrival for embarkation at Surat, you find there plenty of money. For it is the principal trade of the nobles of India to place their money on vessels in speculations for Hurmuz, Basra and Mokha, and even for Bantam, Achin and Philippines. For Mokha and Basra the exchange ranges from 22 to 24 percent; and for Hurmuz from 16 to 20; and for the other places which I have named the exchange varies in proportion to the distance. But if the goods happened to be lost by tempest, or to fall into the hands of the Malabaris, who are the pirates of the Indian seas, money is lost to those who have risked lending it.

Much like marine insurance, respondentia rates were calculated after an assessment of the nature and size of the risks such as the quality of the ship, route of the voyage and threats from pirates. Respondentia rates were also determined by the duration of the loan which combined both the length of sailing and the time taken for repayment after arrival at the destination. The returns were so high on such loans that even smaller merchants were enticed to speculate on borrowed capital. Respondentia loans provided merchants and businessmen with the initial capital without making them liable for anything until the venture was successfully concluded. We know from our sources that merchants and investors showed little sign of distress regarding their losses because of respondentia arrangements, while their attitudes were different in such situations where no security was extended to capital and goods.

Insurance and respondentia complemented each other because they were both risk-sharing devices. Just as the insurers accepted the risk of loss of goods, they also underwrote the risk of loss in financial transactions. This meant that all those who advanced risk-sharing loans, either on land or sea, could themselves go to a *sarraf* to insure their losses for a premium which was lower than what they charged the borrowers. The practice of credit insurance was known as *avak vyaju*. The development of credit insurance is usually considered to be a nineteenth century phenomenon, but in 1648, the English merchants sent money from Gujarat to Sind through *hundis* and insured them against the risk of non-payment.

The function of credit practices and instruments was to make existing money circulate more efficiently and take its place when it was not physically present. To that extent, the scope and size of credit were defined by the volume of metallic money. The continued influx and absorption of precious metals, particularly silver, provided the monetary basis upon which the credit structure rested. With the growth in money economy aiding

specialization in commodity exchange and multilateral payment, credit also grew in proportion. Interest rates signified this reciprocal relationship. In the second half of the seventeenth century, when the circulation of money reached a point where it exceeded the demand for commercial capital, interest rates fell. The lowering of the cost of credit helped investment and further broadened the parameters of monetized exchange and business operations.

22.7 SUMMARY

Medieval period represents the sharp contrast between the rural and the urban economies; the former was largely subsisted on 'barter exchange' while the brisk market and monetary exchanges prevailed at urban centres. In the exchange network coinage occupied the foremost place. Mughal coinage was basically an 'open coinage' so was the market. It largely operated on free trade principle. *Banias*, Bohras, and Chettiars were the prominent social groups involved in trade and commercial activities during this period. The beginning of our period saw the introduction of 'standardized multi-metallic currency system' resulting in the expansion of trade and exchange network. However, there was a down-trend during 14-15th centuries leading once again to a shift from precious to base metal. This coincided with the 'world wide shortage of silver'. Sher Shah and later the Mughals revived the Sultanate tri-metallic currency. This combined with the flow of European silver influx to Indian markets during the late 16th and early 17th centuries. In south India gold currency was supplemented with copper so it was largely a bi-metallic coinage.

Partnership was a known and common business practice during this period. *Sarrafs* enjoyed an important position as money lenders. Even the Europeans banked heavily for credit on them. Bills of exchange (*hundi*) used largely as 'money transfer' than as 'credit'. To cover the risk in trade from 17th century onwards we get definite evidence of '*bima*' (insurance). In all these transactions *sarrafs*, played the pivotal role.

22.8 EXERCISES

1) Critically analyse the growth of coinage during the Mughal period.

2) In what ways Mughal coinage was different from contemporary south Indian currency system?

3) Critically analyse the interdependence of market and monetary exchange. What role did the state play in controlling the market forces during the medieval period?

4) Discuss the social background of various groups involved in trade and exchange activities. What role did they play in organising and facilitating the trade during the medieval period?

5) Analyse the growth of business practices in medieval period.

6) Discuss the working of the joint-venture enterprises during the 16-17th centuries.

7) Examine the position of *sarrafs* during the medieval period.

8) Analyse the growth of banking in medieval India.

9) Critically examine the working of the *hundis* (bills of exchange) during the medieval period.

10) To what extent *commenda,* insurance, and respondentia facilitated the trading activities during the medieval period?

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