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CONTINUUM”

NO READY MONEY? NO PROBLEM
- **THE ROLE OF *HUNDIS* (BILLS OF EXCHANGE) IN EARLY MODERN
INDIA,
C. 1600-1800**

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Abstract

[The main objective of the paper is to demonstrate how significant was the role of the *hundis* or bills of exchange in the commercial life of India/Bengal in early modern India. As India/Bengal was one of the most important theatres of international trade in the seventeenth and eighteenth centuries, traders from various parts of the world including Europe thronged there in search of export commodities. While the Asians procured mainly textiles and raw silk from Bengal, the Europeans exported, besides these two commodities, saltpeter too. But as Bengal was self-sufficient and as the balance of trade was highly in favour of Bengal, there was only a demand for silver or cash in the province, and nothing else was accepted in exchange for the export commodities. As a result, the traders, whether Europeans or Asians, had to bring in silver/cash for procuring Bengal commodities. But as the commodities had to be procured from different centers in the country, the traders had to transmit money/cash, sometimes very large amount, from one place to another. But given the risk involved in transporting cash, the traders, both Europeans and Asians, availed universally of the system of *hundi* which was in vogue in India from a very early time, as is apparent from the observation of Abul Fazl, the 16th century Mughal historian. In fact the political instability and chaos in the late seventeenth and early eighteenth century in India helped strengthen the ties between distant credit markets through the *hundis*. The merchant networks provided channels and trust for the *hundis* used for financing trade and remittances of tribute and revenue by regional authorities. The *hundis* were issued mainly by a specialized category of merchants, known as *shroffs* (money-changers) or merchant-bankers. The paper explains the different characteristics of *hundi* – the rates of exchange, time schedule, obligations, the fines in case the drawee failed to make the payment on schedule, the measures to be followed if the drawee refused to make the payment, which was however very rare, etc. It also shows that the *hundis* could be drawn from any place to another, irrespective of the distance involved. It first examines the Mughal practice regarding the *hundi*, then tries to compare it with the Armenian usage as it was resorted to by them extensively in New Julfa as well as in India, and finally it explains working of the instrument in the Bengal milieu.]

The main thrust of the paper* is to examine the role of *hundis* (bills of exchange) in the early modern time in India, with special reference to Bengal. Needless to say that Bengal in the seventeenth to the early eighteenth century was of the most prosperous *subas* (province) of the erstwhile Mughal empire. Attracted by the immense possibilities of trade in the province which emerged as a great centre of international trade and the consequent handsome profit, it was not only the European trading companies like the English East India Company, the Dutch East India Company, the French East India Company, etc. began their trade in Bengal in right earnest from around the mid-seventeenth century, the merchants and traders from different parts of India and Asia thronged there to procure export commodities for trade to various parts of India and Asia. While the Europeans exported mainly textiles, raw silk and saltpeter, the Asians concentrated primarily on textiles and raw silk. What is significant in this connection is that Bengal had a highly favourable balance of trade, and all the traders, whether Europeans or Asians, had to bring in silver or cash for the procurement of the export commodities from Bengal. It is also important to note that it the Asians, and not the Europeans, who were the major importers of bullion/cash into Bengal throughout the period under review.

As there was brisk trade in Bengal during the period, there was bound to be lot of financial transactions. But as transfer of ready money/cash from one place to another was not always safe, there has to be some means for transfer of the necessary funds, sometimes quite a large amount, even to distant places. As for example, huge amount of cash had to be transferred quite often from Murshidabad¹, Kasimbazar², Hughli³, or

*In writing this paper, especially the section on Mughal Practice, I have taken lot of help from Irfan Habib's article "The System of Bills of Exchange (*Hundis*) in the Mughal Empire", *Proceedings of the Indian History Congress*, Muzaffarpur, 1972, pp. 290-303.

¹. Murshidabad was the capital of Bengal for most part of the eighteenth century. It was also a great center of silk and textile production and trade.

Calcutta and other trade marts and cities to places in Northern India like Agra, Delhi, Patna⁴, Lahore, Multan, or Surat, Ahmedabad, etc. in western India. Not only that. Even the surplus revenues of Bengal, to the tune of Rs.1.3 million a year, had to be sent to Delhi as tribute to the Mughal emperors. Luckily, the credit market in Bengal during the period under study was highly organized and efficiently managed. There was indeed a remarkable growth of the financial machinery for credit and exchange, and the specialized activities of a large class of merchants, especially *shroffs*

undoubtedly point towards the fact that merchant capital and commercial organization were highly developed in the early modern period. And it was the *hundis* or bills of exchange which served the purpose of transferring cash and/or securing loan very well. It was not only the European trading companies which resorted to *hundis* for their transactions but also the Asian merchants and even the Armenians used this instrument for their commercial activities.

In the Indian usage the bill of exchange was termed *hndvi* or *hundi* whereas the Armenians who used this instrument widely as a system of crediting and money transfer called this *avak* in the New Julfan documents, as *barat* in the Law book of the Armenian colony in Astarakan and as *hndvi/hundi* among the Armenian merchants trading in India.⁵ In fact the political instability and chaos in the late seventeenth and early eighteenth century in India helped strengthen the ties between distant credit markets through the *hundis*. Actually the use of bills of exchange and *hundis* in place of ready money became increasingly common. The merchant networks provided channels and trust for the *hundis* used for financing trade and remittances of tribute and revenue by regional authorities.

². Kasimbazar, a suburb of Murshidabad, was the most important centre of raw silk and textile production and trade.

³. Hughli was the premier port of Bengal in the late sixteenth to mid-eighteenth century.

⁴. Patna was the most important centre of saltpeter production and trade, as also of textiles.

⁵. Sushanik Khachikian, 'The Bill of Exchange in the Milieu of New Julfan Armenian Merchants', paper presented at the International Seminar on "Armenians in Asian Trade, 1600-1800", MSH, Paris, 1998.

From around the 1730s, the house of Jagat Seth⁶ transferred the surplus revenues of Bengal amounting to Rs. 1.3 million for payment to the Mughal emperors by *hundis* to its agents in Delhi and Agra.

Mughal Practice

It is difficult to say when the use of *hundi* started in India. But it should be from a very early period. Writing about 1596, Abul Fazl, the greatest historian of medieval India, has given a detailed account of *hundi* from which it appears that the instrument was quite well-known by that time, and frequently used in monetary transactions. He writes:⁷

In this country when any one wishes to transmit money to a distant place, without undertaking the risks of journey and expenses of conveyance, he delivers the money to a financier. The latter gives him a written paper, which he draws on the place desired; and there he (the drawee) hands over the money upon sight of that hand-written paper. Wonderful it is that no seal or witness is required. That document they all know by the said name (*hundi*). In accordance with place and time, on some occasions the payment is made at par while on others gain accrues to one of the two parties.

What Abul Fazl implies above is that depending upon the stream of remittances and reverse-remittances between any two places, a *hundi*, drawn at one place upon the other, might carry either a premium or discount.

⁶. For the house of Jagat Seth, see, S, Chaudhury, *From Prosperity to Decline – Bengal in the Eighteenth Century*, New Delhi, 1995, pp. 109-16; paperback, New Delhi, 2000; *The Prelude to Empire : Plassey Revolution of 1757*, pp. 117-23, New Delhi, 2000.

⁷. Abul Fazl, *Akbarnama*, Bib. Indica, vol. III, p. 762, quoted in Irfan Habib, “The System of Bills of Exchange (*Hundis*) in the Mughal Empire”, *Proceedings of the Indian History Congress*, Muzaffarpur, 1972, p.290.

Some of the important features of *hundi* are revealed from in the description of another historian, Sujan Rai Bhandari who wrote in 1695-96:⁸

If, because of dangers on the routes, a person cannot convey sums of money to a near or distant place, the *sarrafs* take it from him, and give him a piece of paper written in Hindvi characters, without a seal or envelope addressed to their agents, who have their shops in the various towns and places throughout these lands; and this paper in the language of this country is known as *hundi*. The *gumashtas* (agents) of these honest dealers, pay out the money, in accordance with that document, without any argument or objection, though the distance may be two hundred leagues and so they keep their dealings straight. It is still more wonderful though that document is nothing more than a piece of paper, if its possessor wish to sell it at a place other than the one where payment is promised, it is sold for the sum that it specifies, and the purchaser, obtaining a small amount from the seller, receives the sum stated in it, at the promised place.

Two things emerge very clearly from the above. First, it was the *shroffs* who specialized in issuing *hundis* to facilitate remittances to be made. This is also corroborated by foreign travellers, the prominent among them being the French traveller, Tavernier.⁹ The records of the Companies also attest to the above. In general, most often than not, they approached the *shroffs* for bills of exchange/*hundis* for remittances to different subordinate factories. Secondly, it is amply clear from Sujan Rai's description that the *hundi* was a negotiable instrument, usually transferred at a small discount. It was thus convertible from a means of remittance to an instrument of credit. It is also clear that the *shroffs* specialized not only in issuing *hundis* but also in discounting them. This is apparent from the records of the English Company. The English factors in Agra reported

⁸. Sujan Rai Bhanmdari, *Khulasatu-t Tawarikh*, ed., Zafar Hasan, quoted in Irfan Habib, op. cit., p. 291.

⁹. Tavernier, *Travels in India, 1640-67*, tr. V. Ball, ed. W. Crooke, London, 1925, p. 24.

that the *shroffs* were not lending out money at interest for they could earn ‘more profit by exchange’, that is by using their funds to discount *hundis*.¹⁰

Rates of Exchange

It is probable that when remittances and loans were few, or trade was not extensively supported by credit, the rate of exchange, that is the amount of money paid at the place of issue of the *hundis* as against the amount to be paid by the drawee, might vary considerably on *hundis* drawn by *shroffs* and on those discounted by them. But if extensive dealing in such bills had been established, the two rates converge. Thus we find in the English Company records that only a single rate of interest is quoted for bills drawn at one place upon another, irrespective of whether it was a *hundi* drawn by *shroffs* to arrange remittance or one drawn by a merchant seeking credit. However it is important to note that whenever there was stiff competition among the *shroffs* and a sizable development of commerce, the rates of exchange between any two places were likely to be determined by the total ‘balance of payments’ position of each place. A sudden spurt of payments made in any direction might create pressure on the *shroffs* for cash at one place, while leaving more in their hands at another – a situation that they could only rectify by discouraging remittances from the former to the latter and encouraging reverse remittances, through modifying the exchange rate.

However there were seasonal fluctuations too in the premiums/discounts on remittances, depending on when the local produce (say raw silk of Kasimbazar) came to the market at one place (Kasimbazar) and sold at another (Patna/Agra). This is well borne out by the correspondence of John Kenn, the chief of the English factory at Kasimbazar, in 1661:¹¹

¹⁰. W. Foster, ed. *English Factories in India, 1655-60*, London, 1922, pp. 18-19.

¹¹. British Museum Addl. Mss., 34123, f. 42a, British Library, London.

To pay money in Kasimbazar and receive it in Patna, upon bill of exchange a month after date, always yields profit. I have known it from 1 to 6 p.c: when the silk sells well at Agra, the produce (proceeds) is usually sent to Kasimbazar in money overland, which is the reason that when great sums of money come from thence the exchange of money to Patna in one day doth sometimes fall 2 and half to 3 p.c.

In 1678 the Kasimbazar factors reported that ‘exchange to Agra is much fallen from 99 to 96 the 100 and leave came to the Gujarat merchants to draw thither which makes us fear our silver will not sell so soon as otherwise it might have done’.¹² The next year they wrote that ‘rise in the exchange caused abatement’ in the price of silver.¹³

Time Schedule

The *hundi* itself specified whether it was to be payable on sight, or payable at the end of a particular period after its presentation to the drawee. It is very probable that the payment schedule varied broadly considering the distance. A few examples¹⁴ will suffice to establish the point. A bill drawn on Cambay (in western India) to Allahabad (in north India) was payable two and half double days after sight. A bill drawn on Surat from Burhanpur (central India) was described as payable ‘four double days as per custom’. Another bill from Allahabad upon Surat was ‘payable four double days accustomed’. Thus it can be assumed that *hundis* between these towns were usually payable 8 days after sight. It took a messenger less than 9 days to convey letters from Ahmedabad to Surat. So it can be further assumed that the discount/premium on the bill between these two places had to allow for interest for about 17 days. Between Agra and Patna, the specified period was 40 or 45 days, and allowing 11 days for fast messengers to cover the

¹². Factory Records, Kasimbazar, vol. 1, Diary, 17 August 1678, India Office Records (henceforth IOR), British Library, London.

¹³. Ibid. Diary, 29 September 1679.

¹⁴. All these examples are taken from Irfan Habib’s article, ‘The System of Bills of Exchange’, op. cit.

distance, it would mean interest to be calculated for 51 or 56 days. However, for longer distances, the period might have been for 60 days or more. Tavernier¹⁵ states that 60 days were customary for payment of bills from inland towns to Surat. And as the bills from towns in eastern India such as Dhaka, Patna, Benaras, etc. were to be drawn first upon Agra, and then only upon Surat, and taking into consideration that it took a messenger to traverse the distance in about 34 days, the discount/premium must have had to allow for interest for a period of more than 90 days.¹⁶

Obligations:

We have already mentioned that Sujan Rai Bhandari stated that *hundis* were transferable instruments. An ‘established customary law’ appears to have governed the obligations of the different parties involved. If the drawee refused to pay, then *hundi* was returned to the drawer, and the latter had to pay 5% over and above the value of the *hundi*.¹⁷ It appears from English Company’s records that the drawee too was held liable, until the drawer paid up, and even after that the drawee might be called upon to pay 1% of the value of the *hundi*. It is quite significant that where the *hundi* had passed through many hands, the person who presented the *hundi* to the drawee could on the latter’s refusal to pay, demand its value from the person who had sold it to him; and so, up the chain, the principal could ultimately be claimed from the drawer.¹⁸ The English reports also mentioned that this custom of the country is quite different from others since elsewhere, e.g. in England, a person who had once sold a bill was no longer under any obligation to pay anything if it was not honoured.¹⁹

¹⁵. Tavernier, op.cit., vol. I, pp. 30-31.

¹⁶. W. Foster, op. cit., 1622-23, p.79.

¹⁷. W. Foster, ed, op. cit. vol., 1655-60, p. 363.

¹⁸. Ibid. vol. 1622-23, pp. 110, 115-16.

¹⁹. Ibid. vol. 1668-69, p.177.

Thus it becomes apparent that a *hundi*, which had been discounted by merchants of credit, could be confidently purchased in the knowledge that in the event of the drawee's failure, the amount of the principal could be claimed from those who had discounted it earlier. Moreover the negotiability of the *hundis* led to a situation in which a large number of *hundis* were simply drawn and honoured against other *hundis* without the intermediation of actual cash payments. The simplest case is represented by the drawing of a *hundi* to meet another which is due. One *hundi* may then be exchanged for another.

It is also probable that during the seventeenth century, the system of book-settlement of *hundis* already existed, so that the *hundis* served as alternative media of payment. If then, the *hundis* or bills served as alternative currency, it was simply a voluntary process, arising out of commercial convenience. But how far the *hundis* substituted for coins, or contributed to the money in circulation, can hardly be answered. But comparing the situation in contemporary England, Irfan Habib holds that towards the end of the seventeenth century, according to the estimate of Davenent, the assignable instrument in circulation in England totalled 15 million and exceeded the coinage in the proportion of 5 to 4. No such estimate is available for India. However, as Habib thinks, 'there is little reason to believe that at that time the *hundi* was any less used in Indian commercial transactions than bills in England.'²⁰

That the *hundis* were quite popular and widely used for remittances is clear from Tavernier's observation, perhaps with some exaggeration, that 'in India a village must be very small indeed, if it has not a money-changer, called a *shroff* who acts as banker to make remittances of money and issue letters of exchange.'²¹ However the transfer of very large sums of money by *hundis* attest to the vast volume of money carried by *hundis*, for obviously a single large transaction in one direction did not only imply a converse transaction in the other, but generally speaking, a stream of such transactions. The record

²⁰. Irfan Habib, "The System of Bills of Exchange", op. cit. p. 300.

²¹. Tavernier, op. cit. vol. I, p. 24.

relating to large transfers and remittances by the English Company is very impressive as has been shown by Irfan Habib and also me.²²

The French traveller Tavernier mentioned that *hundis* or letters of exchange on Agra could be given from Surat, Dhaka, Patna, and Benares, etc. So it can be assumed that there were many *shroffs*/bankers with their *kuthis* (agency houses/branches) at Agra, and also at other places. This is the implication too of bills/*hundis* being drawn on Surat from (besides Agra) Lahore, Ahmedabad, Burhanpur, Golconda and other places. The *shroffs*/merchant-bankers must have had *kuthis* at Surat as well as at other places.²³ Some *shroffs* had branches closer together as well. In 1717 Keshav Rai Kishanchand, whose headquarters seem to have been at Agra, discounted Surman Embassy's (official embassy of the English Company to the Mughal emperor) on Calcutta through his factors at Delhi, Kora and Alahabad to the total sum of Rs. 59,000.²⁴

It is not only the merchants and *shroffs* that remitted large sums of money through *hundis* but the administration as well as the nobles did the same. It is reported that the entire tribute of Golconda amounting to Rs. 1 million was sent to the Mughals by *hundis* drawn on Aurangabad. Similarly, the Mughal nobles also sent vast amount by bills. Thus we find a Mughal noble, Muqarrab Khan, delivered Rs. 0.3 million to the *shroffs* at Patna to be paid to him in Agra. In 1706, another noble, Sultan Ghakkar, an important chief in the Punjab, remitted Rs. 50,000, being part of his tribute to the imperial camp in the Deccan by *hundis*. But the most important evidence that the capacity of *hundis* to remit vast sums of money is provided by the Mughal emperor Aurangzeb who ordered Prince Azim-us-Shan, the *subadar* (governor) of Bengal *suba*, that the accumulated wealth of

²². Irfan Habib, op.cit. p. 300; S.Chaudhury, *From Prosperity to Decline*, op. cit. pp. 47-91; *Trade and Commercial Organization in Bengal, 1650-1720*, Calcutta, 1975, pp. 128-33.

²³. Tavernier, op. cit. vol. I, p. 30.

²⁴. Irfan Habib, "Merchant Communities in Pre-Colonial India", in J. D. Tracy, ed. *The Rise of Merchant Empires*, Cambridge, 1990, p. 391.

Bengal and Bihar to the tune of Rs. 8 or 10 million be transported to the imperial camp in the Deccan, because remitting it through *hundis* would involve much delay.²⁵

The Armenian Practice and Bengal

As the Armenians were one of the important groups of foreign traders in Bengal right from early seventeenth century, if not earlier, and as they usually followed the indigenous practices of trade, it will be interesting to examine how they perceived and took the advantage of *hundis* for their commercial activities. We have already mentioned earlier that in the Indian usage they used the term *hundi* while in New Julfa it was known as *avak*. It is significant that they resorted to *hundis* in their transactions not only in New Julfa but also in Astrakhan.²⁶ To the Armenians, *hundi* or *avak* was a system of credit and money transfer. In this context, it will be instructive to see the differences and/or similarities, if any, between the Indian and Armenian practices.

In the Armenian usage, the whole amount and its half were mentioned in the bill of exchange in order to avoid any misunderstanding or tampering. The place where the payment is to be made and the time schedule were also stated in the bill. It is known from extant bills of exchange that in almost all the documents drawn in Isfahan which were to be repaid at different places in Bengal, the payment period was 5 months. For *hundis* between Dhaka and Calcutta, it was 15 days while it was 61 days between Basra and Madras. The same was the time schedule between Basra and Isfahan, from Amsterdam to Basra via Venice it was 7 months while it was 105 days between Moscow and Amsterdam. Thus it seems that when fixing the payment schedule, the distance, the state of the routes and means of transportation were taken into consideration.

It is known from the bills of exchange preserved in New Julfa and in the Lansdowne Collection of the British Library that there were a number of cases when the

²⁵. Irfan Habib, op. cit. p. 301.

²⁶. Most of the material in this section is taken from Sushanik Khachikyan's article, "The Bill of Exchange of New Julfan Armenian Merchants", op. cit.

loan-payer/drawee refused to pay the money stipulated in the *hundi*. In such cases the procedure was that the loan-demander sent the creditor a document about the loan-payer's refusal to repay the debt, attested by witnesses (Armenian merchants as a rule). According to this document, the loan-taker or his family, by the order of the self-administrative bodies of New Julfa, had to repay the loan-giver the claimed sum. Quite a few such cases are found in the records. In an extant document from Bengal, one certain Hovhannes, son of Emniaz, wrote in 1744 from Saidabad in Bengal that the loan-payer had presented a bill of Rs. 220 to Paron Petros who was to repay the loan but the latter refused to pay. The letter was attested by three merchants from the Armenian *jamat* (community of merchants) of Saidabad.

The rate of fine for delay in paying the promised sum beyond the stipulated period in the *hundi* is also mentioned in the documents. It appears that in general the fine ranged between 6 to 12 percent. In all probability, it was the lowest when all the parties of the contract belonged to or were economically associated with the same Armenian trading company. This is implied by the fact that in a number of bills of exchange it was mentioned that the loan should be paid 'out of the money belonging to our company'. In the Armenian usage, the *hundi* was often used as instrument of credit. New Julfan ladies took loans to meet their household expenses but transmitting the responsibility for the loan to their husbands or other male members of the family who were abroad. In such cases however the rate of interest was usually as high as 0.75% per month or 9% per annum. A case in instance was that of a lady in New Julfa, named, Anam, mother of Shahamir Shahamirean, a prominent figure of the Armenian liberation movement of the eighteenth century, had borrowed Rs. 85,521 in 1747 from different merchants for a period of 5 months. It was stipulated in the *hundi* that the loan was to be repaid by her husband Sultanum in Bengal or wherever he happened to be.

In the Armenian tradition, the *hundi* or bill of exchange could be transferred to a third party by a special warrant. The transfer operation was considerably simplified in the seventeenth and eighteenth centuries by a new, more flexible, type of bill of exchange (endorsement). Here a note on the bill of exchange about transmitting the right to receive

the loan to another person, made by the loan-demander sufficed, and no special document was needed any longer. There is documentary evidence that the practice of endorsing bills was also practiced by the Armenian merchants. Thus according to a note made on a bill of exchange in 1679 in Calcutta by a certain Moscov, the loan-demander, the sum of the bill was to be received by Paron Hovhannes. It can be reasonably assumed, though not too many examples have been found as yet of such endorsements, that endorsement was widely used in the Armenian milieu. Thus we find, from the above discussion, there were quite a few similarities as well as some differences between the Indian and the Armenian practices regarding the *hundis*.

The Bengal Milieu

As we said at the very outset that the credit machinery and financial institutions were well organized and highly developed in Bengal in the seventeenth and eighteenth centuries, there is little doubt that *hundis* played a significant role in the commercial life of the province. The Armenians were one of the major foreign groups of traders who were very active in Bengal trade even before the arrival of the Europeans. As they were quite familiar with the indigenous mechanism of trade and well-acquainted with *hundis* which were widely in use in New Julfa, it is no wonder that they availed of this instrument in their numerous transactions in the province, some indications of which we saw in the earlier section. They even accepted bills of exchange on the Company in London for goods supplied in Bengal. Thus one of the most prominent Armenian merchants of Calcutta, Khoja Surhaud Israel, in the late seventeenth and early eighteenth century, received three bills of exchange on the Company in London for 1,356 pound sterling against Rs. 7,000 worth of goods supplied by him.²⁷ As a matter of fact it was a practice for long in Bengal that Asian merchants from various places came to Bengal for procuring export goods with cash or bill of exchange which will be borne out from the

²⁷. S. Chaudhury, *Trade and Commercial Organization in Bengal*, p. 131.

observations of many Company officials who lived in Bengal in the 1750s and 1760s, prominent among them being Luke Scafton who wrote in 1757:²⁸

Till of late years (referring mainly to the period prior to 1757) inconceivable numbers of merchants from all parts of Asia in general, as well as from the rest of Hidostan in Particular, sometimes in bodies of thousands at a time, were used annually to resort to Bengal *with little else than ready money or bills* to purchase the products of these provinces.

We are fortunate that Edmund Herzig came across in the British Library a hundi from Saidabad, an Armenian colony in Murshidabad, which is written in both Gujarati and Armenian. It will be interesting to have a look at it:²⁹

In the name of God

Saidabad: I, Grigor's son Yohannes received from *sarra*f Mearam Dearam four thousand and seventy mint rupees, half of which is 2,035 rupees. I gave this *hundi*, which God-willing will go to Calcutta, and on three days usance after its arrival the late Khojamal's son Sahib Khachik Aga or the late Manuel's son Paron Estepan will give the above sum of 4070 rupees, 28 in current mint rupees to Puri Mal Devchand. 15th Nirhan (11th March), 1746, Saidabad.

Verso : The amount of this *hundi* is correct and accepted by us, Khojamal's son Khachik and Manuel's son Estepan. 17th Nirhan 1746, Calcutta.

²⁸. S. Chaudhury, "The Asian merchants and Companies in Bengal's Export Trade, Circa, Mid-Eighteenth Century", in S. Chaudhury & M. Morineau, ed. *Merchants, Companies and Trade: Europe and Asia in the Early Modern Era*, Cambridge, 1999, p. 316.

²⁹. Edmund M. Herzig, "The Armenian Merchants of New Julfa, Isfahan", D. Phil. thesis, University of Oxford, 1991.

It is to be noted in this context that there are quite a number of such *hundis* in the Lansdowne Collection of the British Library.³⁰

Needless to say that the European Companies who suffered from chronic shortage of working capital had to resort to *hundis* for their commercial operations. What they usually did was to take money from bankers and *shroffs* in prominent towns and send the money to their different factories in smaller places. The main creditor of the Companies was the house of the Jagat Seth, the greatest banker of the then known world as attested by several foreign travelers, and especially all the Directors of the Dutch Company in Bengal. As the Seths had their *kuthis* in all the important trade marts all over India, and even in the Red Sea and Persian Gulf regions, the bills issued by the house was welcome everywhere. As a matter of fact, the house was like banker to the Bengal government from around the 1720s to 1770s, as reported by Luke Scrafton.³¹ To give just one instance of how rich was the house and how much it was involved in issuing bills of exchange/*hundis*, it can be mentioned that in a raid on Murdhidabad by the Maratha army in 1742, a sum of Rs. 20 million was looted from the house of the Seths. The translator of the near-contemporaneous Persian chronicle, *Seir-ul-Mutaqherin*, was struck by the remarkable fact that ‘so amazing a loss which would distress any monarch in Europe, affected him so little, that he (Jagat Seth) continued to give government bills of exchange at sight of full one crore (10 million) at a time’.³² It was this house which sent the Bengal revenues on behalf of the Bengal *nawabs* (rulers) to the Mughal emperors from around early 1730s to early 1740s amounting to Rs. 1.3 million every year by *hundis* on its *kuthis* in Delhi/Agra.³³

It was not only in Bengal that the Company took recourse to *hundis* to finance its trade in smaller factories, it also used this instrument to finance its commerce in different

³⁰. Ibid., Shushanik Khachikyan, “The Bill of Exchange”, op. cit.

³¹. Luke Scrafton to Robert Clive, 17 Dec.1757, Orme Mss., India XVIII, f. 5041, IOR.

³². S. Chaudhury, *From Prosperity to Decline*, p. 114.

³³. Ibid. pp. 114-15.

parts of India. The *hundis* were often drawn on the merchants in Murshidabad to transact the Company's business at Surat which will be apparent from the following letter:³⁴

Our customary method of supply has been by the bills drawn in favour of the Surat factory by the Moorshidabad ... we cannot suppose that with all our endeavours we shall be able to raise drafts to near the sum (13 lakcs - 1.3 million of sicca rupees) they require.

In the 1760s, even the English Council at Bombay asked for a loan from the merchants in Murshidabad which was to be sent there by *hundi*. We can have a rough estimate of the amount usually asked for as loans from Murshidabad to be sent by *hundis* from the following excerpt: 'In one year the amount of draft on us (at Murshidabad) for the sums from Bombay and Surat exceeded 4 lacs (0.4 million) of rupees and seldom has it equalled 3 lacs.'³⁵

As we have mentioned earlier, the house of Jagat Seth whose headquarter was at Murshidabad, stood as a colossus in the world of commerce and finance in India, and it was this house which provided maximum facilities for *hundis* till 1765. Up to 1765 we find bills of exchange drawn for the Company's investment in favour of the house of Jagat Seth. A sum of Rs, 1 lakh was drawn in Dhaka for the purpose of investment. Again three *hundis*, one for Rs. 500,000 and two for Rs 100,000 were drawn in the year 1765. But after the acquisition of *diwani* (the right to collect revenue) by the Company in 1765, the house began to loose its importance in the financial world of Bengal. This is demonstrated by the fact that in 1767, the Company asked the Seths to issue *hundis* for Rs. 0.5 million on the Surat merchants but the latter expressed their inability to comply with the request as they had stopped business at Surat and had no agent or *kuthi* there.³⁶

³⁴. Quoted in Gautam Bhadra, "Social Groups and Relations in the Town of Murshidabad, 1765-1793", *Indian Historical Review*, 1976, p. 316.

³⁵. Ibid. p. 318.

³⁶. Ibid. pp. 318-19.

So it can be said in conclusion that the instrument of *hundis* played a very significant role in the commercial life of India, especially in the seventeenth and eighteenth centuries. As it has been shown in the foregoing pages, there was no problem in remitting money from one place to another, however, distant it might have been. At the same time, the *hundis* also provided the facility for credit not only in India but also in the Armenian usage. It is also to be noted that it was because of the *hundis* that the European Companies found it much easier to trade in different parts of India even though they suffered from a chronic shortage of working capital. And needless to say, that all the groups of Asian merchants trading in India found the system of *hundis* very convenient for their trade and resorted to it extensively. The system was so perfected that the merchants, whether foreigners or Indians, did avail of the instrument without any hesitation or doubt about the *hundis* being honoured. They were absolutely certain that even if the *hundi* was not honoured by the shroff/banker on whom it was drawn, which was very unusual, they knew that the drawer would return the money without much acrimony. So even if the traders had no ready money, there was no problem – the instrument of *hundi* came to their rescue, and they could go ahead with their commercial pursuits.

