

International Economic History Congress, 21-25 August 2006, Helsinki

<Session 71>

**Beyond market and hierarchies: Networking Asian merchants and merchant
houses since the 19th century**

Family, caste and beyond:

**The management techniques of Bengal salt merchants,
c.1780-1840**

—Please do not cite without the author's permission—

Sayako KANDA

Keio University

2-15-45, Mita, Minato-ku, Tokyo 108-8345, Japan

saykanda@xa2.so-net.ne.jp

<Abstract>

This is a study of the business history of Bengal in the late eighteenth and early nineteenth centuries. More specifically, this paper explores how Bengali family firms ran their businesses through examining three salt merchant families, and their responses to Bengal's changing economic, social and political environment during the period under consideration.

It was the East India Company's establishment of a monopoly on salt that originally led to the emergence of salt merchants in Bengal. But during the 1820s and early 1830s, the large, Calcutta-based merchant families began to withdraw from trading activities, while up-country merchants gained control of the market. The decline of the large, Calcutta-based merchants was mainly due to their heavy dependency on the monopoly system and on the financial market in Calcutta. At the same time, this paper points out that the business environment in Calcutta began to differ from that in other areas in Bengal, by which the performance of merchants in Calcutta began to differ from that of up-country merchants.

The management techniques of Bengal firms had three main features. First, each firm sought to develop or secure its operations by utilising networks of various types of intermediaries at different levels of business transactions, and those of their business partners, rather than by enlarging the firm itself. Such arrangements provided salt merchants with greater access to information, credit, capital and markets, and would protect a family from total ruin if part of the extended network failed. In building such personal networks, membership of the same family and caste played a significant role. Secondly, there were multi-caste organisations that regulated the activities of members of various social origins and occasionally unified them in order to protect common interests. This helped to provide them with security and credit as trustworthy merchants. Finally, they diversified their business operations and kept each of them in a manageable size. It is important to note that they managed social expenditure such as religious contributions in the same way as business operations; this meant that any increase in social expenditure would lead to a decrease in commercial activities.

In the late 1820s and early 1830s, Calcutta was experiencing an economic recession and economic prospects were poor, a great contrast to the brighter picture found in the rest of the country. Since any failure in business would ruin a family's reputation and trustworthiness as merchants, failure had to be avoided in order to retain honour and maintain the family's physical continuity. Commercial activities were reduced through flexible cuts in the extended commercial networks; social expenditure was increased to enhance social status and family honour; the decisions made by multi-caste organisations were given greater weight. As a result the large Calcutta-based merchants became more dependent on landholding and entered the service sector created by the British in order to diversify their sources of income. Such flexibility seems to have prevented Bengal firms from growing, but at the same time it saved them from total ruin. Consequently, the withdrawal of Calcutta-based merchants from commerce did not necessarily mean their decline.

Introduction

Previous studies on mercantile houses in Bengal during the period under consideration have focused on those who had strong ties with the European, particularly on *banians*, and on their decline started in the 1830s. Little work has been done on mercantile houses that operated in the internal trade. One of the reasons for such negligence is a paucity of available sources. But the real problem seems to lie in the methodological framework, in which too much importance was put on the external political and economic forces as a way of understating Bengal's colonial transition. The decline of indigenous mercantile houses in early nineteenth century Calcutta cannot be explained only by external factors. This paper attaches much importance on the structure of internal trade and the rise of up-country merchants there as one of the major causes that led to a decline of Calcutta merchants. It also points out that a combination of economic, political and social factors that surrounded merchant firms played a significant role in bringing about contrasting fates between merchants in Calcutta and in the rest of the country. This paper examines the features of management techniques and internal logics of Bengal salt merchant houses and how they managed in the changing economic, political and social conditions of this period, by taking up especially the Pal Chaudhuri family of Ranghat, Nadia District.

Salt was particularly of significance in eastern India during the period under consideration for the following reasons. First, salt was one of the vital sources of revenue for the English East India Company. Secondly, it was one of the major trading items in the internal market. Thirdly, since salt began to be regarded as a speculative commodity among Calcutta's mercantile and banking communities, the salt trade became prone to be influenced by the wider economic and financial conditions. Finally, by its nature as a necessity of life, there was always a large demand from people of all classes. For the above reasons, the salt trade can be a mirror that reflects much wider economic, political and social conditions of this period—the period of colonial transition. The main sources for this study were the records of the East India Company relating to its salt monopoly, and the Supreme Court papers preserved in the Calcutta High Court.

The Pal Chaudhuris and the Rise of New Salt Merchants

Before introducing the Pal Chaudhuris of Ranaghat, let us look at the social profile of new salt merchants. By a series of institutional changes during the 1780s, the English East India Company's salt monopoly, which had established in 1772, began to produce large profits for the Company that needed an urgent

increase in revenues.¹ The high-price policy characterised the Company's system of salt monopoly, in which the Company controlled the salt production and all the production was sold by public sales. This policy was maintained by the synergy of the Company and large salt purchasers; the Company controlled the supply and large salt purchasers bought up salt at public sales and keep up prices in the market. This led to the emergence of new groups of salt merchants: purchaser-cum-merchants and purchaser-cum-speculators (See Diagram 1). Many of purchaser-cum-speculators were established merchants of Calcutta, belonging to Subarnabaniks, the long-established trading and banking community of Bengal; some belonged to higher 'castes' such as Kayasthas and Brahmans. They usually had little interest in the internal trade in salt.

Another beneficial situation contributed to the rise of new salt merchants who were based on up-country marketplaces: the Company's interference with the internal trade and marketplaces. Particularly important was 'a permanent settlement of marketplaces', as Sudipta Sen calls it.² Through a series of administrative reforms in the late eighteenth and early nineteenth centuries, the Company state tried to secure control over marketplaces by making them 'public property', and deprived zamindars and other interests of privileges and authority. This process not only made it easier for the Company to obtain access to production sites through intermediaries, but also, as Rajat Datta argues, led to a proliferation of private marketplaces and enabled merchants 'to expand their direct control over the internal market'.³

Who were these merchants? Almost all big salt merchants who were involved in the inter-regional trade were Bengali Hindus, except for Greek merchants. They were a rags-to-riches type of merchants who took advantage of the new situation in the latter half of the eighteenth century. Unlike Calcutta's purchaser-cum-speculators, purchaser-cum-merchants who exported salt to the interior belonged to certain communities such as Tilis, Tamlis (Tambulis), Sadgops, Basaks and Sahas (or Sunris)⁴—Sahas and Tilis in particular. There was such a clear difference in social origins between the two types of salt purchasers.

The Pal Chaudhuris of Ranaghat in Nadia District belonged to Tilis. The family was founded by Kishenchandra Panti. They were known as Panti, as were *pan* (betel-leaf) dealers. The title of Chaudhuri

¹ For details, see Sayako Miki (Kanda), 'Merchants, markets, and the monopoly'.

² Sen, *Empire of free trade*, especially chapters 4 and 5.

³ Datta, *Society, economy and the market*, pp.200-206.

⁴ By original occupational category, it is said that Tamlis are betel-leaf preparer-cum-dealers; Sadgops are cultivators; Basaks are cloth merchants—the sub-caste of Tantis (weavers); Sahas are the sub-caste of Sunris (distiller-cum-liquor dealers). The traditional occupation of Tilis had been rather controversial. Some say that they are a sub-caste of the oil-pressers (Telis), but others say that they are a traditional trading community (Nandy, *Life and times of Cantoo Baboo*, pp.23-24). Also see, Wise, *Notes on the races*, pp.389-391. These several caste groups had given up their traditional occupations and formed broader trading communities. According to Hitesranjan Sanyal, the continuous formation of sub-castes generated social mobility in Bengal (Sanyal, *Social mobility*). When certain sections of a community took advantage of new opportunities such as technological improvement or specialisation within their traditional occupations, they formed new sub-castes.

was conferred upon Kishenchandra by Maharaja Sib Chandra of Nadia.⁵ Kishenchandra added this title to Pal, the family's original surname. Like other salt merchants, he started business with small capital in Hatkhola, Calcutta. By investing in salt, he became one of the most prominent salt merchants in Calcutta by 1790. He was so important for the salt auctions that a sale would remain suspended when he was absent.⁶ Table 2 is the list of major salt purchasers at three sales in the early 1790s, which clearly shows the importance of Kishenchandra. Many of these purchasers were purchaser-cum-merchants, who seem to have moved to Calcutta from places in western Bengal like Kishenchandra, while Madangopal Bose belonged to one of the established rich families of Calcutta and entered in the salt business for speculative purposes.⁷

Purchaser-cum-merchants exported salt to the interior unlike mere speculators, so that they established an oligopolistic control of the up-country market, too. The Pal Chaudhuris were the most influential among them. The family's commercial networks extended across Bengal. Their salt warehouses were situated at major salt markets: Dhaka, Narayanganj, Sirajganj, Murshidabad, Bhagwangola, Hanskhali, Kanchannagar, Bhadreswar, Kalna, Suksagar, Tamluk, and Rasulpur.⁸ The last two markets were located in the salt-producing districts. They were influential not only in western Bengal around their home town, but also were seen as the most influential salt merchants at Narayanganj, the biggest salt mart in eastern Bengal, and oligopolised the export of salt to the Patna market.

In addition to the trade in salt, the family dealt in other commodities such as grain, sugar, *ghee* (clarified butter), and cloth, and ran indigo factories. The family also started money lending, especially to landholders on security of their estates. While multiplying business operations, he acquired many landed properties in Nadia District and neighbouring Jessore District together with Sambhuchandra, his brother, after the permanent settlement in 1793.⁹ Some of their estates contained saltpans, which were leased out to the government.¹⁰ The family began to be recognised as zamindars rather than merchants. In court papers, their children and grandchildren usually called themselves zamindars. As B. Chaudhuri pointed out, while the majority of mercantile families started to purchase *zamindaris* in the 1830s, some of them

⁵ Majumdar (ed.), *West Bengal district gazetteers: Nadia*, pp.448-449.

⁶ Barui, *The salt industry of Bengal*, p.133

⁷ For details, Miki, 'Merchants, markets, and the monopoly', chapter 1. Mavrody Kyriakos was a Greek broker, who resided in Calcutta and purchased salt for his fellow Greek merchants in eastern Bengal. Greek merchants developed their own agency system (For details on Greek merchants, Miki, 'Merchants, markets, and the monopoly', chapters 1 and 5).

⁸ Woomishchunder Paul Chowdry v. Isserchunder, Joynarain, and Ganganarain Paul Chowdry, *Supreme Court Papers*, Calcutta High Court (hereafter SCP), 1824; Barui, *The salt industry*, p.133; Sinha, *The economic*, vol.3, p.95.

⁹ Miscellaneous Records, Board of Revenue, (b) Registers, etc relating to land and land revenue: Account sale or statement at lands sold for arrears at revenue, Nadia, vol.1 (1793-1800); vol.2 (1801-11); Jessore, vol.1 (1793-99); vol.2 (1800-5); Majumdar (ed.), *West Bengal district gazetteers: Nadia*, p.289.

¹⁰ Miscellaneous records relating to commerce, customs, salt and opium: Account of khalari rents, vol.12 (1783-84 to 1820-21).

had already transferred their fortunes to land purchases soon after the permanent settlement.¹¹ Among those families were the Pal Chaudhuris.¹² Landholding played an important role in their business strategies and social status, particularly for those who were inferior in social rank. In fact, the Pal Chaudhuris began to be seen as *bhadralok* (the gentry), more precisely *abhijat* (aristocratic) *bhadralok*, those who enjoyed the highest social status in Calcutta's indigenous community.¹³

The family's business became very extensive, but after the deaths of Sambhuchandra in 1807 and Kishenchandra in 1809, it seems to have been divided into two (see Diagram 3). Kishenchandra's four sons continued their joint business, but in 1821, disputes began over the estate. The brothers contested at law with Premhandra and Issharchandra on one side, and Umeshchandra and Ratanchandra on the other.¹⁴ After the death of Ratanchandra, Umeshchandra set up his own business. Sambhuchandra's two sons also separated their business in 1813, but disputes over the estate continued even after their deaths in 1822.¹⁵ Litigation continued over the family's estate, for three decades from 1821. One of the members of the family stated in court that 'serious disputes and extensive litigation were prevailing among all the members of your orator's family'.¹⁶ It was said that the family business finally went into a decline in the mid-1840s.

In order to understand the common features of Bengali mercantile houses, I would like to take up other two families: the Sahas of Faridpur and the Sahas of Baliati near Dhaka, known as the Baliati Babu family. Both were Sahas by caste.

While the Pal Chaudhuris had moved to Calcutta and became one of the prominent Calcutta families, these families remained based in and around their birthplaces. Many Sahas mainly from Faridpur District were extensively dealing in Twenty-Four Parganas and Jessore salt, distributing salt mainly in central, north and northeastern Bengal. The Sahas of Faridpur Town were an example of those families. The family tree is shown in Diagram 4. The founder was Cossyram Saha, dealing in grain and iron at Dhaka in the mid-eighteenth century.¹⁷ In about 1768, his three sons succeeded to their father's business and extended it. In addition to grain and iron, they began to trade in salt, lead and other commodities.¹⁸ The

¹¹ Chaudhuri, 'Land market in eastern India', Part II, pp.133-165.

¹² Another big salt merchant families, the Nandis (Thakurdas Nandi) also purchased many landed properties. Alexander Panioty, a large Greek salt merchant, also began to invest in land in the 1790s; for instance, he purchased one third of Pargana Chandrawip in Bakarganj in 1799 (Chaudhuri, 'Land market in eastern India', Part II, p.142).

¹³ Mukherjee, 'Class, caste and politics in Calcutta', pp.46-47.

¹⁴ There were numerous court cases of the Paul Chaudhuri family.

¹⁵ Cossinauth Paul Chowdhury v. Bycoontnauth Paul Chowdhury; Bungseedhur, Issenchunder and Joychund Paul Chowdhury v. Nilcomul Paul Chowdhury, SCP (in Equity), 1824; Sinha, *The economic history*, vol.3, pp.95-96.

¹⁶ Sinha, *The economic history*, vol.3, p.96.

¹⁷ Choitankistno Shaw and Saumporria Dossee v. Gungapersaud Shaw, Gopeecanto Shaw and Seebnaut Shaw, SCP (in Equity), 1829.

¹⁸ Manikchand's name was found among those who purchased Twenty-Four Parganas salt from the salt agent in April 1783 (Copybook of letters received by the comptroller and deputy comptroller of the salt office, April 1783-April 1784, pp.27-28).

eldest brother, Manikchand, became a regular purchaser at public sales. At the three sales in the early 1790s (see Table 2), he purchased 30,000 maunds of salt in total. His purchases were far less than those of Kishenchandra Pal Chaudhuri, but he had a large share among numerous smaller purchasers.

After the death of Manikchand around 1802, his son and Coonjeeram's two sons, 'divided all the ancestral property and also jewels and weaving apparel among themselves, and received their respective shares and separated in food and residence'.¹⁹ But they continued to carry on trade and business jointly. The family established warehouse and branches at major salt markets mainly in north Bengal, including Sirajganj, Gobindganj (Rangpur), Raniganj (Dinajpur), and Calcutta. They also purchased rent-free land in four villages in northern districts.

Interestingly, Sibnath, one of the grandsons of Manikchand, borrowed Rs. 9,000 from the funds of the joint family business in 1824, and set up a business house in Calcutta and Sirajganj in partnership with Gobindchandra Saha under the name of 'Sibgovindee'. In 1826, the trade of Sibnath was finally separated from the funds of the family business. This firm purchased salt at public sales as well as in the market, and resold to other merchants or exported it to their warehouses in the interior.²⁰ In the early 1830s, he continued to carry on the salt and rice trade at Calcutta, jointly with another merchant, Ramkissor Saha. The business of their Calcutta branch was managed by his *gomasta*, Brijokissore Saha.

The Baliati Babu family dealt mainly in Bhulua and Chittagong salt, produced in the eastern salt agencies, and distributed these varieties in eastern and northeastern Bengal through their extensive networks of salt warehouses. The founder of the family, Gobindram Saha was one of the prominent salt merchants in the mid-eighteenth century and later became a large zamindar.²¹ After the death of Gobindram, his four sons seem to have divided the family's business and estate²². Dadhiram Saha carried on the salt business with his two sons (Nittanand and Raychand). Panditram also did the salt trade with his son, Atitram, under the name of Atit Pandit. Golap Gaurhari was the name of the firm run by Golapram and his son, Gaurhari. After Golapram's death, Gaurhari carried on the business with his brother Radagobind, with the same firm name, Golap Gaurhari. Two firms—Atit Pandit and Golap Gaurhari—were business partners (See Table 3). The court papers show that Golap Gaurhari had a

¹⁹ Choitankistno Shaw and Saumporria Dossee v. Gungapersaud Shaw, Gopeecanto Shaw and Seebnaut Shaw, SCP (Equity), 1829.

²⁰ For instance, a record shows that his firm, 'Sibgovindee', purchased 1,000 maunds of salt at the public sale in July 1828, and sold it to Hurry Radamohun Saha, one of the leading Narayanganj merchants (Bengal Board of Revenue Miscellaneous Proceedings-Salt, hereafter BRP-Salt, IOR P/101/56, 25/9/1829, no.85).

²¹ Allen, *Eastern Bengal district gazetteers: Dacca*, p.170.

²² The descendants of Dudheerem's two sons (Nittanund and Raychund) formed the 'east' and 'west' houses of the family. Panditram's family formed the 'middle' house, and Golaupram's the 'north' house. The descendants of Gobindram's second son (Anandram) were known as 'golabari'. See, Allen, *Eastern Bengal district gazetteers: Dacca*, p.170.

money-lending business in Hatkhola, Calcutta.²³

Table 3 is the list of prominent salt merchants in eastern Bengal in the early 1840s, who were thought to have established a cartel. They originally came from the area around Dhaka and established branches and warehouses at Narayanganj, Nalchiti, Louhajang and other major markets in eastern Bengal.²⁴ Many of them were zamindars, too. As the salt agent at Bhulua observed, these merchants were grouped by brothers, family and caste, and each group had their respective commercial territory. For instance, the merchants in the bottom box had strong interests in Bakarganj District. In eastern Bengal too, family and caste (Sahas or Tilis) were important strength of mercantile activities. From the late 1820s, the wholesale trade in salt in eastern Bengal began to be oligopolised by these merchants, who gradually drove the big Calcutta-based merchants including the Pal Chaudhuris from the eastern salt market.

The business operations of the Pal Chaudhuris and other two families show similarities: close family and caste ties in business and in finding partners, multiple operations such as landholding, money lending²⁵ and trading in other commodities. The following sections examine these features in detail.

Family, Caste and Beyond—Personal Networks and Merchants' Organisations

The above three examples show that the importance of personal networks in business. How such networks were established? Clearly, family and strong ties between its members were important strengths of mercantile activities. Merchants generally traded in salt in partnership with their brothers or sons. The eldest member of the family usually ran the business. When the eldest brother died, an experienced uncle usually took on the management. For instance, when Premchandra Pal Chaudhuri died, the management was taken over by the new head of the family, Issharchandra. This type of arrangement, which was also common in north India, was important not only to avoid risks, but also to fulfil the elder's 'prime moral duty of arranging for the physical continuity of the family and the increase of *dharma*'.²⁶

The example of Sibnath Saha shows that merchants occasionally went into partnership with others outside their joint family. As in this case, merchants would choose partners from extended family members or from members of the same caste. Some looked for partners outside their community. For

²³ Gourhurry Saha v. Bholanauth Ruckit, SCP (Plea side), 1833.

²⁴ BRP-Salt, P/106/47 (18/1/1844), no.36.

²⁵ Like Golap Gaurhari, Odhub Bulram Poddar in Table 3 was also engaged in banking. This firm was a big banking house in Dhaka, having large dealings with European indigo planters (Ahmed, *Dacca*, p.111). Many of the Dhaka bankers were involved in salt trade.

²⁶ Bayly, *Rulers, townsmen and bazaars*, pp.377 and 418.

instance, Oditcharan De, a large salt purchaser, often exported salt to Patna with Bihari merchants.²⁷ Partnerships with merchants of different castes appear to have been common, though on a temporary basis.

Joint enterprises on temporary basis were seen in north India too among grain and opium merchants. As C. A. Bayly suggests, merchants would be able to diversify risks and utilise knowledge and experience of their partners.²⁸ In Bengal, there was 'a good deal of petty trade carried on by small joint stock companies, frequently consisting of a number of individuals to whom the merchandize belongs, and also of the owners and crews of boats, who receive instead of wages a share of the profits of the speculation'.²⁹ The Pal Chaudhuris seem to have carried on this type of business with boatmen; they kept an account-book, called *manjees hath-chita nakal khata*, which is likely to stipulate the contract with boatmen.³⁰

In addition to business partners, linkages with financial sources were an essential part of the mercantile activities, particularly for large salt purchasers. They had to establish close relationships with *shroffs* in order to secure sufficient funds for keeping on buying salt and running business without interruption. By keeping good relationships with *shroffs*, merchants would be able to enhance their creditworthiness in the mercantile and banking communities in Calcutta. Wider recognition of salt papers as a proper security for loans enabled new salt merchants to gain access to the financial support of *shroffs*. Then, they themselves gradually gained credit in the indigenous mercantile community.

Intermediaries too played an important part in the business of salt merchants. Practically, *gomastas* of merchants would manage their masters' business. The Calcutta branch of Golap Gaurhari was managed by their *gomasta*, Joykishen Saha.³¹ Sibnath Saha also did business in Calcutta through his *gomasta*, Brijokishor Saha.³² It seems that the *gomastas* of salt merchants were members either of the same or of higher castes. Upper-caste *gomastas* would make dealings with other kinds of merchants easier. A *gomasta* would serve the same family for generations. Durugaram Rudra had been the *gomasta* of Kashinath Pal Chaudhuri at Calcutta, and he entered into the service of Bangshidar, the eldest son of Kashinath, after the death of Kashinath in 1822.³³ As Durugaram Rudra stated, *gomastas* were well acquainted with all matters regarding their masters' business. W. Bradden, Commissioner of Revenue Circuit for the Burdwan Division also stated that since *gomastas* of salt merchants resided on the spot,

²⁷ BRP-Salt, P/100/69 (18/6/1824), no.24.

²⁸ Bayly, *Rulers, townsmen and bazaars*, pp.417-421. Bayly suggested that these enterprises were different from joint-stock companies, since 'there is certainly no question of limited liability'.

²⁹ Taylor, *A sketch of the topography*, p.186.

³⁰ Woomishchunder Paul Chowdry v. Isserchunder, Joynarain, and Ganganarain Paul Chowdry, SCP, 1824.

³¹ Ibid.

³² Seebnauth Saha v. Bholanauth Ruckit, SCP (Plea side), 1833.

³³ Cossinauth Paul Chowdhury v. Bycoontnauth Paul Chowdhury, SCP (In Equity), 1824.

they were likely to have more information of the state of market around the area than their masters.³⁴ *Gomastas* would always gather information and send it to their masters. On the other hand, mere speculators of Calcutta without *gomastas* or other agents in the interior 'have hardly any just or accurate knowledge of the state of the markets in the mofussil [up-country]', and 'constantly received information from the Board [of Customs, Salt and Opium]', which could be false.³⁵

Gautam Bhadra described a *gomasta* as 'a paid manager of the private trader's concerns', and claimed they had 'hardly any share in the profit and loss of his employer's business'.³⁶ Although some *gomastas* traded on their own account, the degree of their independence was limited in comparison with other intermediaries such as *dalals* (brokers). However, *gomastas*' profound knowledge about a particular area and their negotiating ability with local smaller merchants would be indispensable to a firm. Their importance was also clearly shown in the management of estates of new zamindars. It was said that the estates with *gomastas* who were well acquainted with the area and people were usually well managed, which led to extended cultivation.³⁷ Other intermediaries, such as *dalals* (brokers or commission agents), also played a crucial role in business, though they were not involved directly in managing a firm. As will be discussed later, the features of the internal trade in eastern India necessitated and strengthened the role of such intermediaries.

We have seen so far that personal ties with family, caste members and intermediaries were integral part in a mercantile house. Then, how did merchants who shared common commercial interests come together? Many examples demonstrate that merchants of different social background often united in order to secure their common interests. The government tended to see caste linkages as an important reason for enabling merchants 'to form combinations against the public with greater facility than in other countries'.³⁸ Caste certainly played a role in interlinking merchants, but there were many cases of 'combination' of merchants of various social origins and from different regions. When something occurred, by which their common interests were threatened, merchants united and expressed their dissatisfaction.

It had always been said that there was a 'sub-monopoly' by 'combinations' among large salt purchasers. The repeated petitions led by Calcutta's privileged speculators, who were known as the *dhuratias*, in the early 1830s, were regarded as 'combinations' against the public interest. However, H. M. Parker, the junior member of the Board of Customs, Salt and Opium, was of opinion that 'there is no

³⁴ *Proceedings of Bengal Board of Customs, Salt and Opium-Salt*, West Bengal State Archives (hereafter BCSO-Salt), vol.263 (4/12/1829), no.9.

³⁵ BRP-Salt, P/105/5 (21/11/1834), no.1B.

³⁶ Bhadra, 'The role of pykars', Part I, pp.160-161.

³⁷ Chaudhuri, 'Agriculture growth in Bengal and Bihar', p.319.

³⁸ Datta, *Society, economy and the market*, p.234.

general organised system of submonopoly strictly speaking',³⁹ and 'submonopoly is hardly a correct word. It is rather an understanding a feeling of common interest which unites the Dhuratea [privileged] merchants in some cases, though even in those very loosely'.⁴⁰ But there was an exception; merchants 'combined' at the time of re-sale of defaulters' salt, since having the salt re-sold was regarded as extremely humiliating and shameful for respectable men.⁴¹ They always tried 'to make all re-sales in short as difficult and disagreeable to this office as they possibly can'.⁴² In many cases, either up-country merchants or non-Hindu Greek or Jewish merchants bought salt at the re-sale.

When salt belonging to a Brahman was to be re-sold, the sale would become a disaster. According to the government, 'a Bramin, besides resorting to the customary modes of exciting the sympathy and procuring the support of the other dealers, used those means which a Bramin alone can employ to deter them from breaking him down'.⁴³ Many Brahmans were involved in the salt business during the period under consideration. They were at first acting just as *dalals* (brokers), since 'although the Shasters [Shastras] prohibit trading in salt to a Brahman, that prohibition ... is not considered to extend to agents between the buyers and the sellers to the article'.⁴⁴ The government saw the *dalals*, who were mainly Brahmans, as one of the chief impediments to the operation of salt sales. Brahman *dalals* were able to bring the up-country merchants into the 'combination' of large purchasers of Calcutta. For up-country merchants, it was important to keep good relationships with Brahmans in order to run business smoothly and to enhance their status in society.

The Brahmans' role in interlinking various merchants was encouraged by the institution called *dals* or *dalas*. According to S. N. Mukherjee, *dals* 'were social factions, formed under the leadership of a rich man, a *dalapati*'.⁴⁵ *Dals* dealt with all matters concerning caste rules. Importantly, 'most *dals* were multi-caste bodies; *Baidyas*, *Kayasthas*, *Tilis*, *Kaibartyas*, *Sadgops*, *Weavers*, *Subarnabaniks* and Brahmans could belong to the same *dal* and the Brahmans in many *dals* accepted the leadership of other castes'.⁴⁶ 'Some castes, like the *Subarnabaniks* had their own caste *dal*. Many new *dals* were formed in Calcutta in the latter half of the eighteenth century, as rich Hindus of different castes moved in. These families, who were big zamindars, merchants or top administrators, formed the *bhadralok*—an open social group of elites.⁴⁷ Every *bhadralok* belonged to a *dal*, and influential *bhadraloks* among them set

³⁹ BRP-Salt, P/105/17 (1/12/1835), no.24.

⁴⁰ BRP-Salt, P/105/20 (2/1/1836), no.16.

⁴¹ BRP-Salt, P/105/17 (1/12/1835), no.24. When purchasers failed to pay for their purchases within a certain period of time, their salt was re-sold by the Company.

⁴² *Ibid.*

⁴³ BRP-Salt, P/105/17 (1/12/1835), no.24.

⁴⁴ BRP-Salt, P/105/26 (19/7/1836), no.8.

⁴⁵ Mukherjee, 'Class, caste and politics', p.71.

⁴⁶ *Ibid.*

⁴⁷ Mukherjee, 'Class, caste and politics', pp.47, 51-52, 56 and 71.

up *dals* and acted as *dalapatis*.

Mukherjee did not mention the influence of *dals* on their members' trading activities. However, since the majority of the wealthy population in early nineteenth century Calcutta was associated with commercial or banking activities, *dals* must have affected the business of their members. Rajat Datta's work shows that 'the *dalapatis* in Murshidabad managed the business in Murshidabad for the collective body', and 'regulated the activities of its members spread out over an extensive catchment area'.⁴⁸ In these districts too, *dals* were multi-caste bodies; 'other castes had to be incorporated in the wider network of the *dalas*',⁴⁹ including those who belonged to lower castes. The influence of *dals* and *dalapatis* was not limited to large towns such as Calcutta and Murshidabad. Most Calcutta *dalapatis* had followers in the rural areas, in their *zamindaris* and their ancestral villages.⁵⁰ North Bengal merchants had regular meetings with their *dalapatis* in Murshidabad. The existence of such organisations seems to have had influenced on the formation and division of commercial zones, as was seen earlier. Such multi-caste organisations were not unique in Bengal. Merchants' corporations, known as *sabhas*, in north India were also multi-caste bodies.⁵¹

Techniques of Managing A Family Firm

Many salt merchants extended their business operations to the trade in other commodities, banking and money lending, and investment in landed properties. Large Calcutta merchants also invested in government bonds and opium. According to C. A. Bayly, these mercantile behaviours should be seen as ways of avoiding risk.

Dealings in other commodities were one of the means to avoid risks that would arise from the trade in one article. Under the condition that merchants were unable to establish vertical control from production to distribution of salt, which was another way of risk aversion,⁵² salt merchants would become keener to diversify trading articles in order to reduce uncertainty and insecurity surrounding the salt trade. Alternatively, they would form a monopoly, oligopoly or cartel; such horizontal integration was also used as a method of avoiding risks, as was seen earlier the example of merchants in eastern Bengal (see Table 3).

⁴⁸ Datta, *Society, economy and the market*, pp.211-212.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

⁵¹ Bayly, *Rulers, townsmen and bazaars*, chapter 4, pp.163-196.

⁵² Bayly, *Rulers, townsmen and bazaars*, pp.399-400.

Though salt merchants had no access to salt production, they developed a way of securing salt directly from producers through landholding. Landholding was not only a tactic to secure supply⁵³, but had another important function in the salt trade. Under the monopoly system, in which the production level had been kept low and the price was extremely high, the market in illicit salt became extensive, forming an integral part of the salt market.⁵⁴ It was strategically important for large merchants to control all the supply coming into the market including illicit salt to control prices, on which the government high-price policy was dependent. In order to do so, they needed to get involved in the illicit trade and production; otherwise the same amount would be supplied into the market without their hands.⁵⁵ For the above reasons, many salt merchants started buying landed properties around the salt-producing localities, as in the case of the Pal Chaudhuris.

Their land investment was very different from that of the *banians*, who purchased real estates in Calcutta rather than *zamindaris* until the 1830s.⁵⁶ As we have seen several examples in the present study, new commercial men, particularly up-country merchants, definitely had started buying *zamindaris* and other landed properties soon after the permanent settlement. This was not limited to salt merchants; for example, large silk *paikars* and boat owners became landholders. The investment in land by up-country merchants, motivated both commercially and socially, began three decades before the men of capital in Calcutta joined this type of investment.

How did merchants manage diversified businesses? According to C. A. Bayly, it was necessary for them to divide capital into small and manageable 'portfolios'.⁵⁷ How to allocate capital between different business operations would depend on their capabilities as merchants. Different 'portfolios' were managed by several account books that contain entries of shares, profits, and trade and dealings of every branch of a firm.⁵⁸ Particularly, the daily cash account book (*rokar khata*) played an important part in controlling all other subsidiary accounts, and in understanding the firm's diversified business operations on a daily basis in order to enhance security against risks.⁵⁹ The list of the account books of the Pal Chaudhuri family (Kishenchandra's branch), which were submitted to court for inspection by Issharchandra, clearly shows that many kinds of books, including *rokar khata*, were used.⁶⁰

⁵³ Ibid., p.422.

⁵⁴ For the illicit salt market and the preventive measures of the Company, see, Miki 'Merchants, markets, and the monopoly', chapters 2 and 3.

⁵⁵ For details, Miki, 'Merchants, markets, and the monopoly', chapter 5.

⁵⁶ Basu, 'The Banian and the British'; Chaudhuri, 'Land market in eastern India', Part I; Ray, *Change in Bengal agrarian society*, pp.256-259.

⁵⁷ Bayly, *Rulers, townsmen and bazaars*, pp.396-397.

⁵⁸ Ramdhone Paul v. Fucker Chand Dutt and others, SCP, 1826.

⁵⁹ Bayly, *Rulers, townsmen and bazaars*, pp.396-397.

⁶⁰ The list clearly suggests that salt had a large share in their business. They had three books particularly for salt: salt *jankar* (conditional purchases), salt purchase and *char nakal* (register of salt papers). Woomishchunder Paul Chowdry v. Isserchunder, Joynarain, and Ganganarain Paul Chowdry, SCP, 1824. For details, see Miki, 'merchants, markets,

J. Taylor observed that at indigenous elementary schools in Dhaka, pupils would learn not only reading and writing of Bengali, but also 'arithmetic, or the mode of keeping agricultural and commercial accounts'.⁶¹ Though we need further examination on what type of bookkeeping Bengali merchants used, they certainly had a sophisticated mode of keeping accounts to run various businesses smoothly. This not only rejects the Europe-centred views that see 'the Europeans' as more rational so that they were able to develop 'scientific' book-keeping skills,⁶² but also denies that the only successful mercantile and banking communities such as the Marwaris had developed skills of sophisticated book-keeping.⁶³

In addition to multiple business operations, merchants would allocate joint family businesses among family members. The Pal Chaudhuri family appears to have divided the family estates and business, usually when all brothers died, between their children. Families of smaller scale would keep their joint family business and estates for a much longer period. The Saha family of Faridpur had kept their joint family business for at least three generations.⁶⁴ It seems that they separated their joint business when it became too big to manage. Important was to keep the business in a manageable size. Sometimes the division of family properties caused rows between family members. Yet, in order to manage the family business and to maintain its physical continuity, it would be the best to divide family estates and business and to keep loose relationships between branches within an extended family (*paribar*).

Interestingly, merchants managed social and cultural spending such as religious contributions, charity, litigation and household expenses in the same way as business operations. This suggests that the social and cultural aspects in mercantile activities would influence their business decisions and would impose some restriction on commercial activities.

The Features of the Internal Trade

We have seen so far that Bengal salt merchant families had several ways of keeping the family business in manageable size. First, they tended to diversify business operations. Secondly, a joint family business was divided when it became too big to manage between brothers. Thirdly, social spending sought to be managed in the same way as commercial spending. Finally, merchants sought to develop or secure their

and the monopoly', chapter 6.

⁶¹ Taylor, *A sketch of the topography*, p.271. In north India, there were merchant *mahajani* schools run by retired clerks in the major commercial towns (Bayly, *Rulers, townsmen and bazaars*, p.397).

⁶² About rationality and book-keeping skills, see, Goody, *The east in the west*, chapter 2, pp.49-81. See also, Bayly, 'Pre-colonial Indian merchants'.

⁶³ Ray, 'Asian capital'.

⁶⁴ The Des of Srirampur, another big up-country salt merchant family, also kept joint family estates and business for three generations (Barui, *The salt industry*, p.135).

operations by utilising networks of various types of intermediaries—*gomastas*, *dalals* and *paikars*—at different levels of business transactions, and those of their business partners, rather than by enlarging the firm itself. Though the same family and caste ties were important strengths in establishing personal networks, merchants needed to set up personal networks beyond family and caste and to depend on multi-caste organisations.

In this section, I would like to point out that the indigenous trading system and the structure of the market influenced the management of a firm and mercantile activities. The internal trade in eastern India had three features. First, the trade was structurally divided into the inter-regional trade and the local trade. Secondly, there was a clear regional division of the market. Thirdly, such divisions, both structural and regional, were inter-linked by personal networks of different groups of merchants, by the role of intermediaries and by the function of wholesale markets. This enabled a large flow of commodities, cash, credit and information, despite such divisions.

From the structural point of view, the internal trade was dual-structured—the inter-regional trade and the local trade. The former involved big merchants in urban commercial centres and large transportation of goods between wholesale markets, known as *ganjs*. The movement of commodities between wholesale and rural markets and within rural markets by numerous smaller merchants should be categorised as the local trade. Each trade maintained its own structure and together worked as one trading system, inter-linked by wholesale markets (see Diagram 2).⁶⁵

Salt was produced at the six salt agencies (Hijili, Tamruk, Twenty-Four Parganas, Jessore, Bhulua and Chittagong) along the Bay of Bengal, whence exported northwards to the interior (Bengal and Bihar). Almost all salt was first conveyed from the salt agencies to the large salt entrepôts near the salt districts, whence distributed to wholesale markets, bazaars (regular markets) and *hats* (periodic markets) in towns and villages around them, and to distant regional wholesale markets. The major salt entrepôts were of particular importance in distributing salt, in adjusting the balance of supply-demand, and in controlling prices.⁶⁶ The detailed price data at major salt markets suggest that these salt entrepôts influenced prices in the neighbouring wholesale markets which depended on them for the supply of salt, and that accordingly the salt market was divided into several regional market zones centred on these markets.⁶⁷

As is shown in Table 1, these regional market zones were included in larger commercial zones. There were roughly four commercial zones in eastern India: western Bengal and Bihar; central Bengal;

⁶⁵ For detailed discussion on the indigenous trading system, see Miki, 'The English East India Company and indigenous trading systems'; Miki, 'Merchants, markets, and the monopoly', chapter 6.

⁶⁶ Wholesale markets in general had this function. See Bayly, *Rulers, townsmen and bazaars*, pp.411-412; Datta, *Society, economy and the market*, pp.213-216.

⁶⁷ For details, see, Miki 'Merchants, markets, and the monopoly', chapter 2.

eastern Bengal; and Midnapur and westwards.⁶⁸ In the western Bengal and Bihar zone, salt produced in western agencies (Hijili, Tamruk, part of Twenty-Four Parganas) and foreign salt was exported from the salt entrepôts along the Hugli to places in western and north-western Bengal, and Bihar. Twenty-Four Parganas and Jessore salt was supplied to places in central and north Bengal mainly through Madhukhali and Sirajganj, which formed the central zone. In the eastern Bengal zone, eastern varieties (Bhulua and Chittagong) were distributed mainly through Narayanganj in markets in eastern and north-eastern Bengal. In the Midnapur and westwards zone, salt was exported to places inland, mainly through Kashiganj. The Sahas of Faridpur played a part in forming the central Bengal zone, and the Baliati Babu family was a key player in the eastern Bengal zone. The salt distribution networks of the Pal Chaudhuris once covered the three zones except for the last one, but was gradually confined to the western Bengal and Bihar zone, as other regionally-oriented merchants began to control their respective territory in the 1820s.

The geographical division and the structural dualism were important institutional features of the internal trade, and different types of merchants operated in each zone or in trading process. How were these different sets of merchants inter-linked with each other? Under the public auction system, the Calcutta-centred salt trading system emerged, since up-country traders had to attend the sales in Calcutta, to send their agents (*gomastas*) to the sales, or to meet first purchasers through brokers, known as *dalals*, in order to buy salt, to pay for it and to obtain necessary documents to transport it. This system strengthened the role of Calcutta-based merchants and speculators who tried to make profits by buying up salt at public sales and re-selling it to up-country merchants. As is shown in Diagram 1, salt was exported to the up-country market either through purchaser-cum-merchants, or through up-country merchants via purchaser-cum-speculators who had little access to the internal market. Purchaser-cum-merchants consisted of large Calcutta-based merchants such as the Pal Chaudhuris and larger up-country merchants who were able to attend public sales.

In addition to merchants' *gomastas*, as was seen earlier, brokers (*dalals*) played a role in mediating between buyers and sellers in the market and as agents for up-country merchants. Their role is pictured in Diagram 1. The *dalal* was 'essentially a contact man and information supplier', and 'received a commission on the transaction and as such no capital was necessary for his work'.⁶⁹ The *dalal* played a crucial role in 'introducing the parties to a bargain, setting a price, weighing or assessing the produce, verifying the payment, accepting it, and recording the deal', even in a small market.⁷⁰ Without them,

⁶⁸ Regional difference in salt prices and the consumer preference, in addition to the eastern India's physical feature, supported such clear division of the market. For details, see Miki, 'Merchants, markets, and the monopoly', chapters 2 and 4.

⁶⁹ Bhadra, 'The role of pykars', Part I, p.161.

⁷⁰ Robb, 'Peasants' choices?', p.98.

merchants of various castes or from different localities could not meet.

When the public auction began in 1788, rich men in Calcutta entered the salt business as *dalals* of up-country merchants, as they were familiar with the business customs and mode of transactions in Calcutta. Some of those *dalals* themselves started buying salt on their own account, and formed the privileged class of salt purchasers, called *dhuratis*. This kind of agency system was particularly common among merchants in the western part of eastern India, since merchants there were more diverse in social origins. The role of *dalals* became more important to mediate between anonymous buyers and sellers, as the trade in salt, or salt papers for speculative purposes, in the Calcutta market became popular in the first decade of the nineteenth century.

Once merchants procured salt and salt papers, they transported it from the salt districts to major distribution markets where they had warehouses for storing it. At these markets, wholesale merchants of other markets and smaller merchants, who were variously called as *byaparis*, *paikars* and *farias*, gathered to purchase salt. Such smaller merchants who operated in the sphere of local trade were not necessarily subordinate to wholesale merchants at urban centres. This was because it was crucial for marketing strategies of wholesale merchants to utilise the local information and commercial networks of smaller merchants.⁷¹ Thus, the relationships between big wholesalers and smaller merchants were not necessarily hierarchical but more flexible and independent. *Gomastas* (agents) of wholesale merchants who stationed at these distribution markets played a role in dealing with such different types of merchants. *Gomastas* practically managed the merchants' business, by using their experience and profound knowledge about a particular area. When a merchant extended his business to unknown places the role of a variety of intermediaries was reinforced as sources of information, credit and security.⁷²

As said, it was strategically important to establish warehouses at major markets for big wholesale traders, by which they would become able to influence prices in and around these markets. But having warehouses itself was not sufficient in order to utilise the price-controlling mechanism of wholesale markets. It was necessary for merchants to establish personal networks so as to deal with different types of merchants and to be recognised as creditworthy merchants in unfamiliar places. Geographical features and merchants' territories divided the market in eastern India regionally (commercial zones) as well as structurally (inter-regional trade and local trade). However, these divisions did not contradict the region's buoyant economy. This was because extended personal networks, connected by a chain of intermediaries,

⁷¹ For details, see, Miki, 'Merchants, markets, and the monopoly', pp.269-275.

⁷² There were local commercial languages and modes of trade, which outsiders were not able to understand. For example, in eastern Bengal, there was a peculiar language called *tar* between weavers and cloth merchants, and the practice, known as 'arithmetic of the touch', in which the parties touched each other's hands under a cloth (Taylor, *A sketch of the topography*, pp.267-268).

enabled and supported the large flow of commodities, cash, credit and information.

Changes in the 1820s and the 1830s

The Pal Chaudhuris and other Calcutta-based large salt purchasers, both merchants and speculators, began to face financial difficulties, lose control of the salt market, and finally withdraw from the salt business from the late 1820s. By contrast, regionally-oriented merchants such as the Sahas of Faridpur and the Baliati Babu family came to dominate the market.

The decline of the Pal Chaudhuris, who had all the keys of success, was brought about by a combination of factors: heavy dependency on the government policy of high salt prices; close relationships with the financial market in Calcutta; and high social status. The family's close relations with the government and with the Calcutta economy, which were common features of Calcutta-based merchants and speculators, made their salt business vulnerable to the working of the monopoly system and the changing economic conditions in the 1820s and 1830s.⁷³ The structural deficiencies in the monopoly system allowed a large increase in the circulation of cheap Coromandel salt, and in the illegal production, which reduced the price of salt. Repeated financial crises from the mid-1820s aggravated the finances of large purchasers who were dependent on borrowed capital from the Calcutta's money market. Large salt purchasers were thus put in a vicious spiral of speculation and loss, and lost control of the market. Salt prices at the Company's commercial stations once synchronised with each other, began to fluctuate differently from region to region (between the commercial zones in Table 1) in the 1820s. This suggests that the salt market became regionalised when control of Calcutta-based merchants had weakened. The monopoly system, which was based on the mutual dependency of the Company and large purchasers to keep up prices, no longer worked to produce profits.

The high social status of the Pal Chaudhuris too, which they had acquired through the salt trade and landholding, imposed restrictions on the family's commercial activities. As said, there was a commercial and social gap between these new merchants and established mercantile communities—the *bhadralok*—in Calcutta. However, this gap became narrower and new rich merchants began to be recognised as the *bhadralok*.

How and when did new salt merchants, who were inferior in social status, get involved in the

⁷³ For details of the decline of Calcutta purchasers, the structural deficiency of the monopoly system, the movement of salt prices, and the transformation of the salt market, see Miki, 'Merchants, markets, and the monopoly', chapters 3 and 4.

formation of the *bhadralok* and *dals* in early nineteenth century Calcutta? The participants in the petitions by salt purchasers to the government would indicate any changes in the social status of new salt merchants. Those involved in large-scale petitions were always multi-caste. Until around 1820, there were two types of petitions in terms of the participants: those led by large speculators and by merchants. Purchaser-cum-speculators of Calcutta, who were mainly influential *shroffs* or established merchants, organised petitions of their own rather than joining new merchants such as Kishenchandra Pal Chaudhuri. Differences in interests between these two groups would explain this division; speculators looked only at the state of Calcutta market, while the merchants were interested both in the Calcutta and up-country markets. But a social and cultural gap too demarcated between them.

The situation changed in the mid-1820s; established merchants began to join petitions organised by new Calcutta merchants. The repeated petitions in the early 1830s involved many large salt purchasers of different social origins, known as the *dhuratias* [the privileged]. This suggests that large salt purchasers in Calcutta, both merchants and speculators, united to secure their common interests, across the boundaries of social background. What brought about the change? First, the vulnerable situation of the monopoly system and the repeated financial crises in the 1820s revealed the common interests of Calcutta's large salt purchasers—the maintenance of high salt prices for speculative reasons—and necessitated their unity.⁷⁴ Secondly, it appears that, as many new salt merchants had become wealthy under the public auction system, large salt purchasers began to be recognised as a collective body—the *dhuratias*—and as a status group in the society. Thus, new rich salt merchants became able to join the *bhadralok*, and some of them, such as the Pal Chaudhuris, were even seen as Calcutta *abhijats* (aristocrats).⁷⁵ Considering that the Pal Chaudhuris often led petitioners in the 1830s, the family's enhanced social status must have helped to bring different groups of merchants together.

Why did high social status of the Pal Chaudhuris and other Calcutta-based salt merchants impose restriction on their business? First, the image of illegality and smuggling began to make them to hesitate to get involved in the internal trade. Public opinion 'had some weight and respectable people wanted to avoid the disrepute of being considered to be smugglers'.⁷⁶ Under the condition that the trade in illicit salt was an essential part in the salt trade, the salt trade itself would become unprofitable when they lost control of the illicit market. Secondly, they had to avoid becoming a defaulter, which would harm the family's honour and credit as a merchant. This fear grew particularly when the salt speculation actually

⁷⁴ The vulnerability of the monopoly system and the impact of financial crises on salt purchasers are discussed in detail in Miki 'Merchants, markets, and the monopoly', chapters 3 and 4.

⁷⁵ Mukherjee, 'Class, caste and politics', pp.46-47.

⁷⁶ Sinha, *The economic history*, vol.3, pp.46-47. The internal trade in general was seen as corrupt because of the existence of the transit and town duties.

produced many defaulters from the late 1820s and economic prospects were not at all promising. Thirdly, a higher social status encouraged them to spend more on social spending, which reduced the share of commercial spending as all items of expenditure were managed in the same way.

As N. K. Sinha argued, the joint family system would hinder the accumulation of capital, because the division of family properties often ended up in costly litigation, which would exhaust family fortunes, and 'could not create a tradition of continued success in business.'⁷⁷ This partly explains the decline of the Bengali merchants in early nineteenth century Calcutta. As was seen earlier, it has been thought that the decline of the Pal Chaudhuris was attributed to repeated costly litigation. Why did merchants in Calcutta spend huge sums on litigation? We need to consider the importance of litigation among rich merchants in Calcutta. According to *Samachar Darpan*, a Bengali newspaper, 'for the Zemindars lawsuit in the Supreme Court was esteemed a token of respectability and when to say that a man had two or three cases in equity gave him as great distinction as to say that he had spent [Rs.] 20,000 at the Doorga Pooja'.⁷⁸ Many rich men in Calcutta, thus, went to court to display prominence. This situation encouraged particularly *nouveaux riches* like salt merchants, who were socially inferior.

Why did Calcutta elites become so dependent on the new British legal system? Though we need further and close analysis of this matter, it is likely that Calcutta's rapid changes were one of the main reasons. The rapid growth of the *bhadralok* and diversification of its members' social backgrounds in Calcutta needed new orders among them beyond customary law. Calcutta was different from the rest of the country, where any codified legal systems were not prevailing yet.⁷⁹ It was necessary for newly settled Calcutta merchants to resort to any institution that would provide them with security and credit; it was necessary for elites in Calcutta too to solve a confusion brought about by such growth of the new community. At the same time, the fact that the new legal system protected property rights would encourage merchants to resort to it. In addition to lawsuits, salt merchants spent huge sums on religious contributions and established close relationships with Brahmans, which would promise them higher social status and credit. Elite status, thus, imposed some restriction on their commercial activities. When a larger amount of capital was ought to be allocated to social spending, commercial investment would then be reduced.

All these factors, commercial and social, furthered a scaling-down of the salt trade of Calcutta-based merchants. Clearly, their decline as merchants was caused by the fact that they had got involved in the

⁷⁷ Sinha, *The economic history*, vol.3, pp.94-101. Bayly also suggested that 'the operation of Indian family business and marriage patterns tended to break up and disperse fortunes' (Bayly, 'South Asia and the "great divergence"', p.96).

⁷⁸ Cited from Chattopadhyay, 'Police tax and traders' protest', p.31. Durga Puja is the biggest festival in Bengal held in autumn for worshipping the goddess Durga.

⁷⁹ Bayly, *Rulers, townsmen and bazaars*, pp.420-421.

vicissitudes of the metropolitan economy and rapid changes in the Calcutta's indigenous society, and that accordingly their connection to the internal market became weaker for both economic and social reasons. Crucial was that regionally-oriented merchants, including the Saha families, began to replace large Calcutta-based merchants in the up-country market. Up-country merchants, being largely independent of the working of the monopoly system and the state of the financial market, successfully gained control of the market. The metropolitan elite culture did begin to influence the wealthy classes in other big urban centres, particularly Dhaka. Wealthy Hindus in Dhaka too spent huge sums in social and cultural activities, were influenced by the new legal system, and 'imitated the Calcutta people in their mode of speaking, writing and living'.⁸⁰ This indicates that the *bhadralok* salt merchants in Dhaka, such as the Baliati Babu family, had become analogous to Calcutta *bhadraloks* socially and culturally.

Yet their strong commercial interests in the up-country market enabled them to carry on trading and to dominate the market. Some large up-country merchants occasionally joined the petitions led by Calcutta purchasers. But they seem to have done so, only because of friendship or because pressed by the Brahman *dalals*. Other up-country merchants, like the Faridpur Sahas, never joined them. This suggests that since Calcutta-based merchants of up-country origin like the Pal Chaudhuris had been assimilated to the elite community in Calcutta, the difference in commercial interests between large Calcutta-based and regionally-oriented merchants had become larger. In spite of the deteriorated state of the Calcutta economy from the late 1820s, the internal salt trade was still lucrative.

Conclusion

The Pal Chaudhuris and other Calcutta-based salt merchant families declined as merchants, together with the established merchants including the *banians* in Calcutta in the 1830s and 1840s. However, many of them managed to survive the crisis, though not as merchants. In order to allocate a large amount of capital to social expenditure when profits from commerce were declining, Calcutta merchants began to lean towards the investment in both urban and rural properties, which would promise them a steady rental income. Some merchant families also extended their careers outside commerce; the growing service sector under the British seems to have been popular among higher caste families.⁸¹ This suggests that withdrawal from or scaling-down of commercial activities of a merchant family did not necessarily mean

⁸⁰ Taylor, *A sketch of the topography*, p.264.

⁸¹ Stokes, 'The first century', pp.151-152; Cohn, 'The initial British impact', pp.240-244; Bayly, 'The age of hiatus:', p.249.

the decline of the family. By managing commercial, social and household expenditures, the family's continuity would be maintained. The Pal Chaudhuris did survive; Srigopal, son of Nilkamal 'by good management saved himself from the ruin that overtook the other branches of his family, and he is now adding to his zemindaris and has regained the position of a large zemindar'.⁸²

The division of the family would cause rows among family members, which would lead to the family's decline, but, as the case of the Pal Chaudhuri indicated, this could also save the family from a total ruin.⁸³ It appears that flexible ways of management made this possible. The most distinctive feature of Bengal salt merchant families as business enterprises was to keep the family business in manageable size in several ways. They would utilise the networks of partners and intermediaries rather than enlarge the firm itself. They would diversify business operations and divided the business between brothers when it became too big to manage. Extended commercial networks across Bengal and Bihar of large merchants such as the Pal Chaudhuris were thus seen as a congeries of several regional networks, in which the connection between branches was not strong. Such flexibility in their business operations can be seen as risk diversification, which would prevent a merchant family from a total ruin due to a failure of a part of their extended networks or of their multiple business operations.

Such flexible ways of management techniques seem to have been determined largely by the structure of internal trade and market, which was divided both regionally and structurally. These divisions did not contradict the buoyancy of the internal trade. The role of wholesale markets and personal networks of salt merchants through business partners and intermediaries supported a large flow of commodities, cash, information and credit. With such advantages, merchants would become able to react flexibly to external changes and become recognised in unknown places where would harm their honour. Such divisions also necessitated layers of institutional and personal networks beyond boundaries of family and caste, which characterised the mercantile activities of this period.

The new political and economic conditions under the British in the latter half of the eighteenth century led to the emergence of not only *banians* and large salt speculators but also up-country merchants who dealt in salt, grain and other commodities mainly for the domestic market. The transformation in mercantile and banking activities in Bengal during the second quarter of the nineteenth century was characterised by the retirement of *banians* and other Bengali merchants from business and the emergence of the Marwaris. However, as this study stressed, the rise of up-country merchants who emerged in the late eighteenth century were another important aspect of this change. Their dominance in the internal trade continued into the latter half of the nineteenth century.

⁸² Westland, *A report on the district of Jessore*, p.189.

⁸³ For similar examples of merchant families in India, see Goody, *The east in the west*, pp.141-148.

The contrasting fates among salt merchants of up-country origin in the 1820s and 1830s indicate that the influence of external economic conditions and the government policies on mercantile activities was not universal, and that Bengal's economy was not so well-integrated.⁸⁴ This was reflected in the physical feature of eastern India's internal trade. The physical division was indicative of social differences among Bengali merchants—customs, language, appearances, and values, as well as castes. The Company's governance too was not free from the changes within the indigenous economy. Such influence became visible in the modification of the system of monopoly in 1836, by which the mutual dependency between the Company and Calcutta large purchasers was finally dissolved. This suggests the end of 'the eighteenth century order', which were based on the collaboration between states and merchants.⁸⁵ Importantly, the changes in the indigenous economy played a crucial role in bringing about such transformation, and affected the Company's policy and its practice.

⁸⁴ My findings contradict the view of Rajat Datta, who stressed the emergence of an integrated provincial market in Bengal. See, Datta, *Society, economy and the market*.

⁸⁵ For detailed discussion on the eighteenth century debate, see Marshall, 'Introduction'.

Table 1: Commercial Zones in Eastern India's Salt Market

Commercial Zones	Major Varieties of Salt	Major Distribution Markets	Business Bases of Major Wholesale Merchants	Major 'Castes' of Merchants
<i>Western Bengal & Bihar</i>	Hijili; Tamluk; 24-Parganas; Foreign	Ghatal; Amta; Ghirihati; Kalna; Katwa; Sutanuti (Calcutta); Patna; Salkhia (Market for foreign salt)	Calcutta (Hatkhola, Chitpur); Kalna; Katwa; Marketplaces along the Hugli	Bengali: Tili Sadgop Tambli, etc. Bihari: Kalwar, etc.
<i>Central Bengal</i>	24-Parganas; Jessore; Bhulua	Madhukhali; Sirajganj	Faridpur District; Tallyganj (south Calcutta)	Tili Saha
<i>Eastern Bengal</i>	Bhulua; Chittagong; Jessore	Narayanganj; Nalchiti	Narayanganj; Dhaka & Faridpur Districts	Saha Tili (Greek)
<i>Midnapur & Westward</i>	Hijili; Tamluk	Kashiganj	Kashiganj; Midnapur District	Tili?

Table 2: Major Salt Purchasers in the Early 1790s

Name of Purchasers	Quantity* (maunds)
Mavrody Kyriakos	206,000
Kishen Panti (Kishenchandra Pal Chaudhuri)	167,000
Thakurdas Nandi	152,819
Ramhari Khan	101,000
Ramconny Paramanik	87,000
Madangopal Bose & Sambhu Holdar	79,000
Sartuck Shoy	70,000
Sambhunath Pal	70,000
Oboycharan Chand	69,000
Guruprasad Sen	51,000
Samchand Sarkar	51,000
Jaggarnath Paramanik	50,000
Jaggarnath Poddar	48,000
<i>Total of top purchasers</i>	1,201,819
<i>Grand total</i>	2,889,439
<i>Share of top purchasers</i>	41.6%

Sources: Appendix for the month of September and November 1790, *Bengal Board of Revenue Proceedings*, P/71/34; *Bengal Board of Revenue Proceedings-Salt*, P/89/2 (13/7/1792).

* Total of the three sales (September and October 1790, and July 1792)

** 1 maund is about 37 kilograms.

Table 3: Large Merchants in Dhaka and Bakarganj Districts in the early 1840s

Names of Merchants	Relation	Remarks
Guruprasad Kundu Choitunkistno Pal	Same Caste Relation	Tili?
Nittanund Saha Raychund Saha	Brothers	The Baliati Babu Family Dadhiram's two sons
Golap Gaurhari (Saha) Atit Pandit (Saha)	Partners and Relations	The Baliati Babu Family
Susseemohun Saha Oadychund Saha	Related [sic]	Saha
Hurry Radamohun (Saha) Raychund (surname unknown) Ram Hurry (surname unknown)	Relations	Saha
Odhub Bulram (Poddar) Muddunmungul (surname unknown) Jeebunkistno Poddar Kissenmungul Paul Gour Poddar Telluck (chunder) Rammohun (Poddar)	Relations	Tili?

Source: BRP-Salt, P/106/47 (18/1/1844), no.36.

Diagram 1: The Relationship of Calcutta Merchants with Up-country Merchants

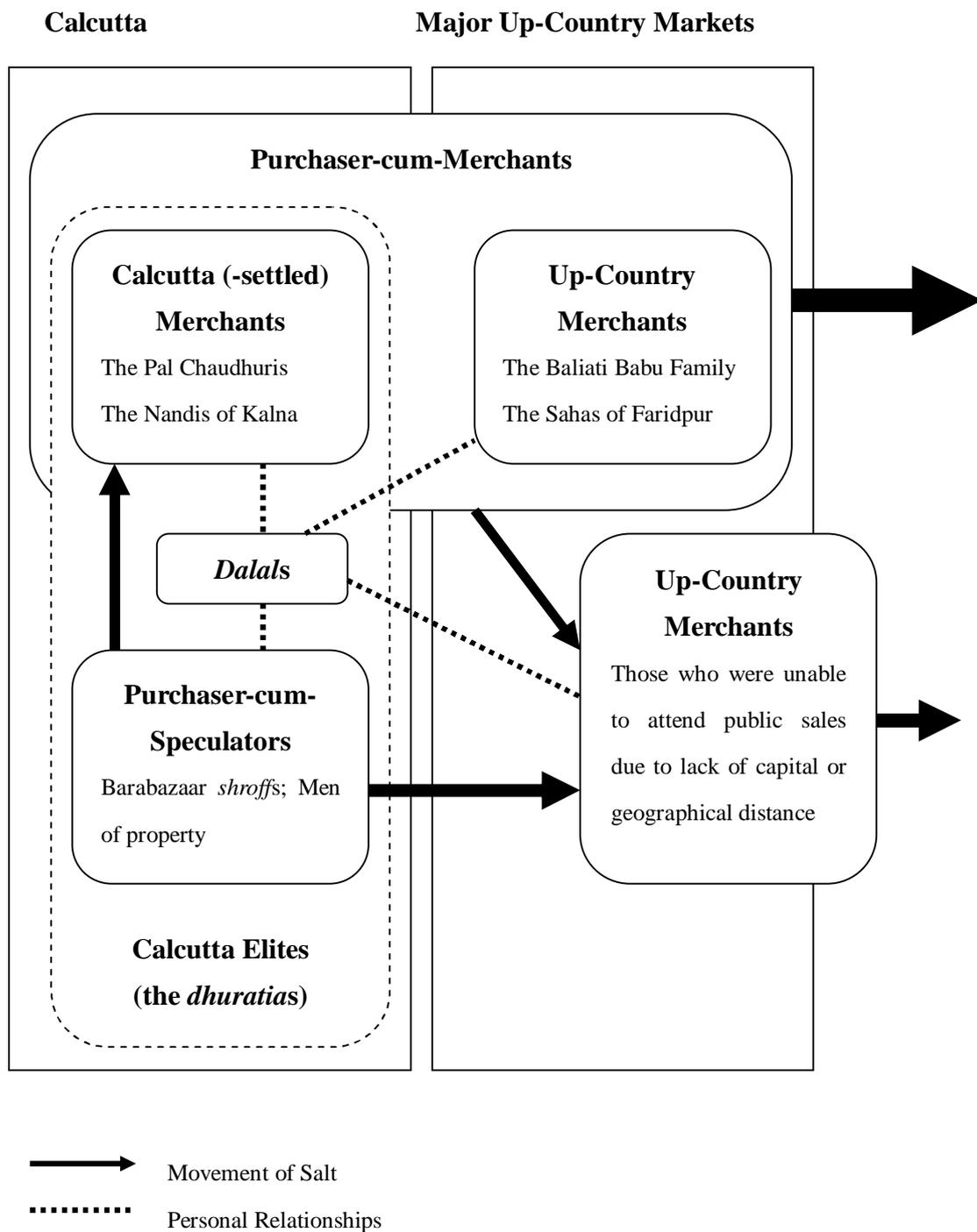


Diagram 2: Personal Networks in the Indigenous Trading System

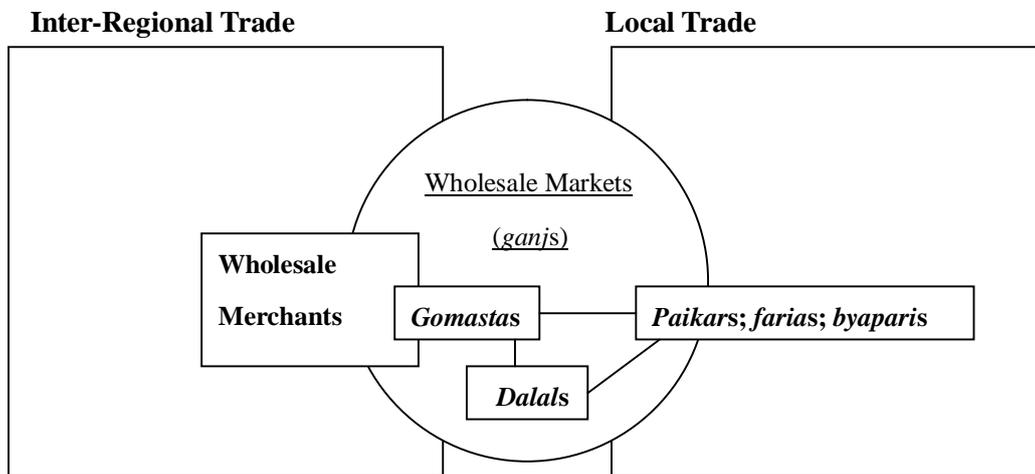


Diagram3: Family Tree of the Pal Chaudhuris of Ranaghat

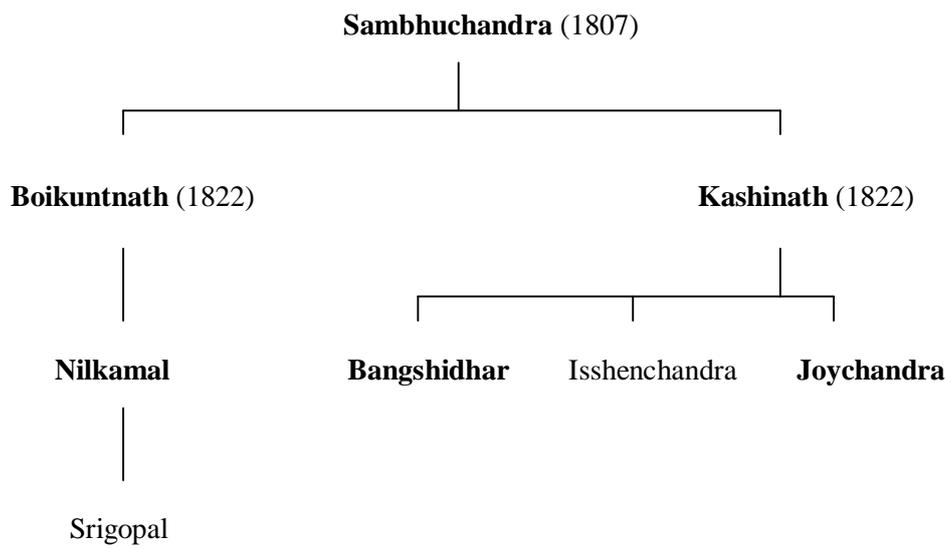
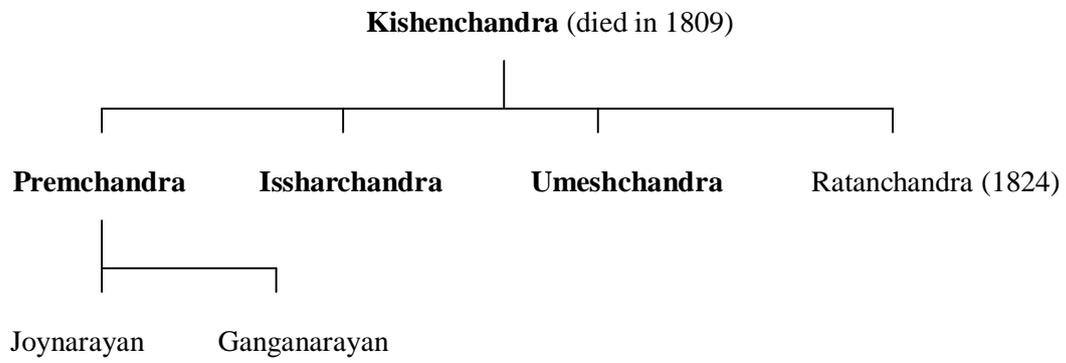


Diagram 4: Family Tree of the Sahas of Faridpur

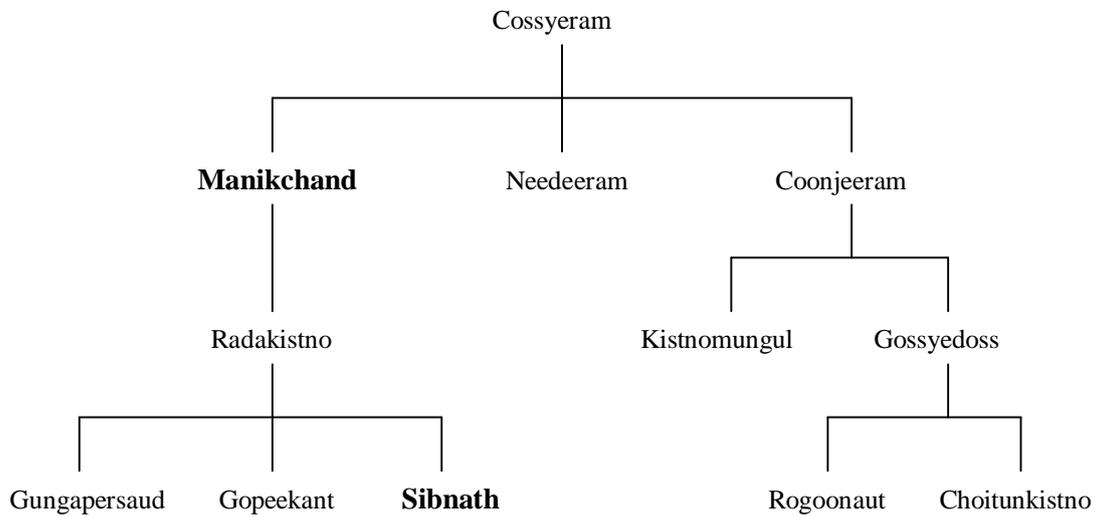
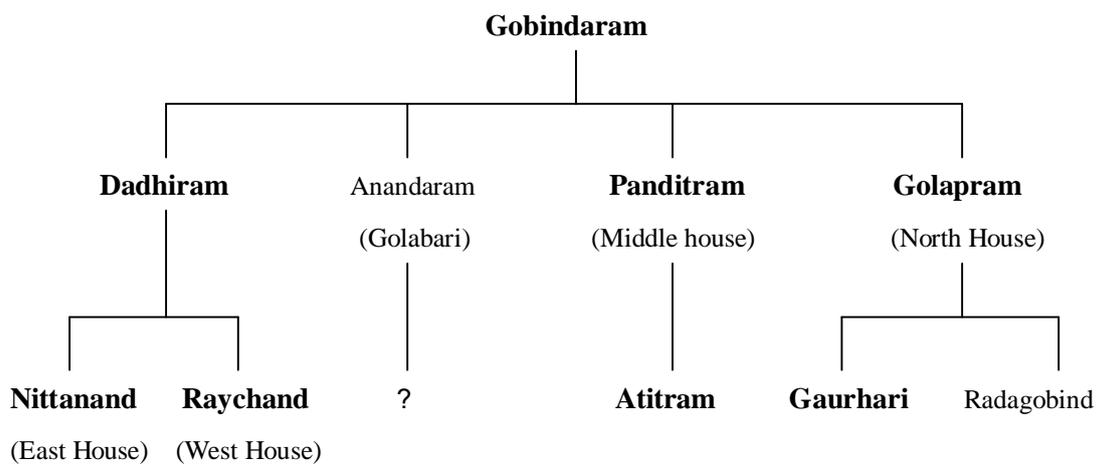


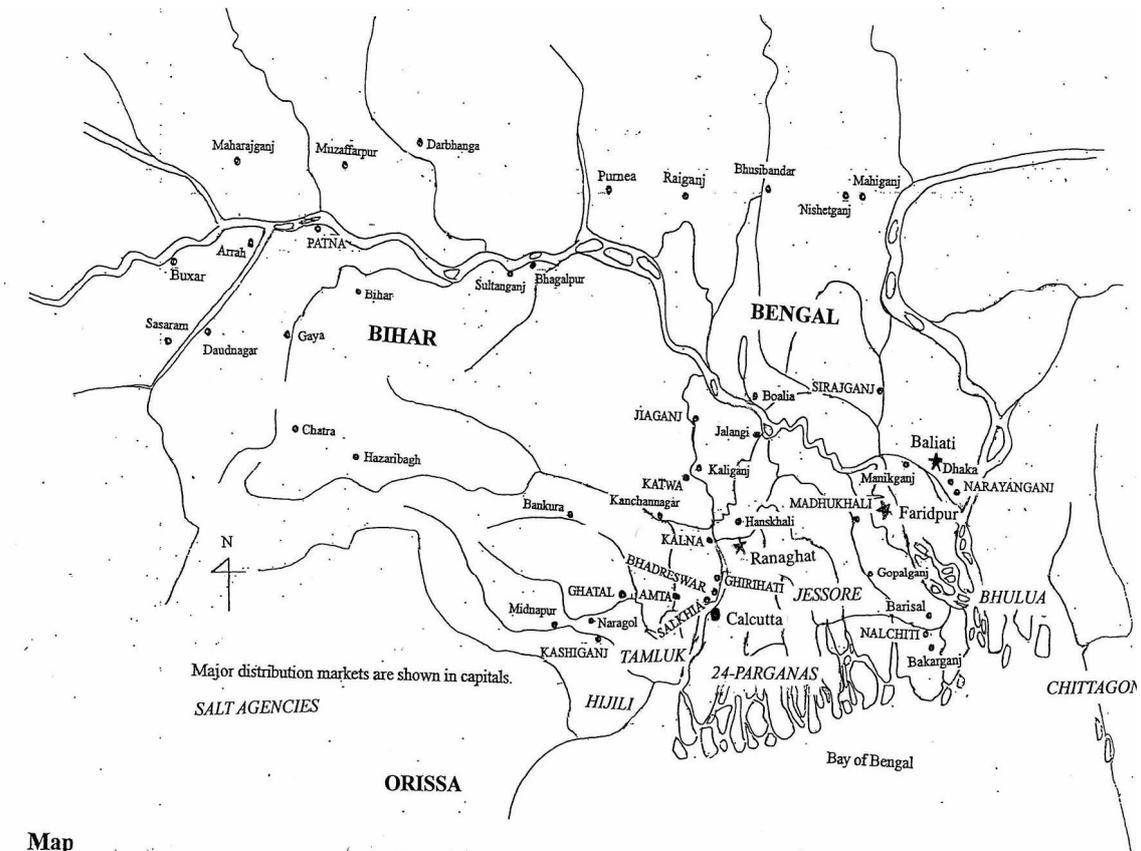
Diagram 5: Family Tree of the Sahas of Baliati (the Baliati Babus)



References

- Ahmed, Sharif Uddin, *Dacca: A study in urban history and development*, London: Curzon, 1986.
- Allen, B. C., *Eastern Bengal district gazetteers: Dacca*, Allahabad: 1912.
- Barui, Balai, *The salt industry of Bengal 1757-1800: A study in the interaction of British monopoly control and indigenous enterprise*, Calcutta: KP Bagchi, 1985.
- Basu, Dilip, 'The Banian and the British in Calcutta, 1800-1850', *Bengal past and present*, vol.92, no.1, 1973.
- Bayly, C. A., 'The age of hiatus: The north Indian economy and society, 1830-50', in Asiya Siddiqi (ed.), *Trade and finance in colonial India 1750-1800*, Delhi: Oxford University Press, 1995.
- Bayly, C. A., *Rulers, townsmen and bazaars: North Indian society in the age of British expansion 1770-1860*, Indian ed. Delhi: Oxford University Press, 1992.
- Bayly, C. A., 'Pre-colonial Indian merchants and rationality', in Munshirul Hasan and Narayani Gupta (eds), *India's colonial encounter: Essays in memory of Eric Stokes*, 2nd revised ed., Delhi: Manohar, 2004, first published 1993.
- Bayly, C. A., 'South Asia and the "great divergence"', *Itinerario*, vol.24, no.3/4, 2000.
- Bhadra, Gautam, 'The role of pykars in the silk industry of Bengal (c.1765-1830)', Part I, *Studies in history*, vol.3, no. 2, 1987.
- Chattopadhyay, Basudeb, 'Police tax and traders' protest in Bengal 1793-1798', in Basudeb Chattopadhyay, Hari S. Vasudevan, and Rajat Kanta Ray (eds), *Dissent and consensus: Protest in pre-industrial societies, India, Burma and Russia*, Calcutta: K P Bagchi, 1989.
- Chaudhuri, B. B., 'Land market in eastern India, 1793-1940', Part I, *Indian economic and social history review*, vol.7, no.1, 1975.
- Chaudhuri, B. B., 'Land market in eastern India, 1793-1940', Part II, *Indian economic and social history review*, vol.2, no.1, 1975.
- Chaudhuri, B. B., 'Agriculture growth in Bengal and Bihar, 1770-1860: Growth of cultivation since the famine of 1770', *Bengal past and present*, vol.95, 1976.
- Cohn, Bernard S., 'The initial British impact on India: A case study of the Banaras region', in Seema Alavi (ed.), *The eighteenth century in India*, Delhi: Oxford University Press, 2002.
- Datta, Rajat, *Society, economy and the market: Commercialization in rural Bengal, c.1760-1800*, Delhi: Manohar, 2000.
- Goody, Jack, *The east in the west*, Cambridge: Cambridge University Press, 1998, first published 1996.
- Majumdar, Durgadas (ed.), *West Bengal district gazetteers: Nadia*, Calcutta 1978.

- Marshall, P. J. (ed.), *The eighteenth century in Indian history: Evolution or revolution?*, Delhi: Oxford University Press, 2003.
- Miki (Kanda) Sayako, 'The English East India Company and indigenous trading systems: The grain trade in early colonial Bengal', in S. Sugiyama and Linda Grove (eds), *Commercial networks in modern Asia*, London: Curzon Press 2001.
- Miki Sayako, 'Merchants, markets, and the monopoly of the East India Company: The salt trade in Bengal, c.1790-1836' (unpublished PhD thesis, University of London, 2005).
- Mukherjee, S. N., 'Class, caste and politics in Calcutta, 1815-38', in Edmund Leach and S. N. Mukherjee (eds), *Elites in South Asia*, Cambridge: Cambridge University Press, 1970.
- Nandy, S. C., *Life and times of Cantoo Baboo (Krishna Kanta Nandy): The banian of Warren Hastings*, vol.1, Bombay: Allied Publishers, 1978.
- Ray, Rajat, 'Asian capital in the age of European domination: The rise of the bazaar, 1800-1914', *Modern Asian studies*, vol.29, no.3 (1995).
- Ray, Ratnalekha, *Change in Bengal agrarian society, 1760-1850*, Delhi: Manohar, 1979.
- Risley, H. H., *Tribes and castes of Bengal*, 2 vols, Reprint, Calcutta: J. Mukherjee, Firma Mukhopadyay, 1981, first published in 1891.
- Robb, Peter, 'Peasants' choices? Indian agriculture and the limits of commercialization in nineteenth-century Bihar' *Economic history review*, vol.45, no.1, 1992.
- Sanyal, Hitesranjan, *Social mobility in Bengal*, Calcutta: Papyrus, 1981.
- Sen, Sudipta, *Empire of free trade: The East India Company and the making of the colonial marketplace*, Philadelphia: Pennsylvania University Press, 1998.
- Sinha, N. K., *The economic history of Bengal 1793-1848*, vol.3, Calcutta: Firma K. L. Mukhopadhyay 1984.
- Stokes, Eric, 'The first century of British colonial rule in India', *Past and present*, no.58, 1973.
- Taylor, James, *A sketch of the topography and statistics of Dacca*, Calcutta: G. H. Huttman, Military Orphan Press, 1840.
- Westland, J., *A report on the district of Jessore: Its antiquities, its history, and its commerce*, Calcutta: 1871.
- Wise, James, *Notes on the races, castes, and tribes of eastern Bengal*, London: Harrison & sons, 1883.



Map