
UNIT 9 TRADING COMMUNITIES AND COMMERCIAL PRACTICES*

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9.0 OBJECTIVES

In this Unit, you will learn about the mercantile groups involved in trade and commercial practices of the period. After going through this Unit, you would

- know about the major merchant groups involved in trading activities;
- be able to understand the role of brokers, sarrafs and moneylenders in commerce, and
- know about the bills of exchange, commercial lending, rate of interest and partnership in business.

9.1 INTRODUCTION

You have already read about the inland and foreign trade during the period of our study. A broad spectrum of merchants peddling at the local level of the big traders involved in overseas commerce were to be found in all parts of the country. In the whole commercial process, certain specialised groups of merchants, brokers and sarrafs played their role at various levels.

Large scale trading operation strengthened some of the existing practices and institutions and gave rise to new ones. Systems of banking, bills of exchange and lending of money were important ones. Trading partnership and insurance were also in vogue.

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9.2 PERSONNEL OF TRADE

In this section, we will discuss the merchants, sarrafs, moneylenders and brokers operating in Indian markets. Increasing commercial activities attracted a large numbers of people to these professions. However, the above trading groups were not necessarily divided into watertight compartments. At times the same person did two or more tasks at the same time. Here we will study them in separate groups according to the roles performed by them in trade and commerce of the period.

9.2.1 Merchants

Theoretically, vaisyas were supposed to indulge in commercial activities, but in actual practice people from a wide range of background could and did participate in it. During the period of our study we notice that certain groups and castes dominated in particular regions.

Banjaras

In our sources we get innumerable reference to the banjaras as a trading group who carried on trade between villages and between villages and towns in a region and even at inter-regional level. They were an important link for rural-urban trade. The Banjaras confined their trading activities to some limited commodities like grain, pulses, sugar, etc. They procured a number of animals (mainly oxen to carry the load) and moved from place to place buying and selling goods. Jahangir in his Tuzuk-i Jahangiri records: "In this country the Banjaras are a fixed class of people, who possess a thousand oxen, or more less, varying in numbers. They bring grains from the villages to the towns, and also accompany armies". The Banjaras generally moved with their families and household in groups. These groups moving together were called a Tanda. Each Tanda had its chief Nayaka. At times a Tanda could have upto 600-700 persons (including women and children), each family having their oxen.

The Banjaras were both Hindus and Muslims. Some scholars divide them into four groups on the basis of commodities they traded in: grain, pulses, sugar, salt, and wood and timber.

The Banjaras operated in many parts of North India, but there were other similar traders known by different names. The Nahmardis was one such groups of traders operating in Sindh. Another such nomadic traders were the Bhotiyas operating between the Himalayas and plains.

Merchants in Different Regions

An important vaisya subcaste, that is, the Baniyas were the leading merchants in North India and Deccan. They belonged to the Hindu and Jain (mainly in Gujarat and Rajasthan) communities. Their counterparts were the Khatri in Punjab and Kornatis in Golkunda.

The word Baniya is derived from a Sanskrit word vanilk meaning merchant. Many of the Baniyas carried surnames pointing to the place of their origin. The Agarwals came from Agroha (in present Haryana) and the Oswals from Osian in Marwar. Marwar gave probably the highest number of traders who are generally referred to as Marwaris. They were to be found in all parts of India and were the most eminent merchant group during the period of our study. There was a close caste bond between these merchants. They had their councils (mahajan).

Contemporary European travellers (Linschoten, 1583-89; Tavernier, 1656-67) marveled at the skills of the Baniyas as merchants and had all praise for their accounting and book-keeping. The Baniyas unlike Banjaras were involved in all sorts of trading activities. At the village level, they traded in grain and other agricultural produce. They also acted as moneylenders, giving loans to peasants and other people including state officials and nobles. In towns they dealt in grain, textiles, gold, silver, jewels, spices and sundry other commodities. Some of them possessed assets of millions of rupees. They owned ships also. The community as a whole was known for simplicity and frugality.

In the region of Punjab, the Khatri were a major trading community. Guru Nanak the founder of Sikh religion, was also a Khatri. Many of them were converted to Islam. This community had in fold Hindus, Muslims and Sikhs.

The Multanis were an important trading community of Delhi, parts of Punjab and Sindh in the 13th-17th centuries. We get occasional reference to them in the period of our study also.

The Bohras were important merchants of Gujarat. They were mostly Muslims. They were an urban community mainly based in Gujarat and other western parts. Apart from Gujarat, they had some settlements in Ujjain and Burhanpur. The Bohra merchants like Mulla Muhammad Ali and Ahmed Ali had assets of millions of rupees. Among Muslims, other merchant communities operating on the western coast were Khojahs and Kutchi Memons of Gujarat.

South India

In the southern part of the sub-continent, various merchant groups played prominent roles. The Chetti was one such group. This term is derived from Sanskrit Shreshthi (Seth). Perhaps the Chetti were very wealthy merchants. The merchants along the Coromandel coast up to Orissa were known as Kling. The Komatis were the merchants belonging to a trading caste. They mainly worked as brokers for textiles and were suppliers of various products from hinterland to the port towns on southern coast. They were mainly Telugu speaking.

Like the Chetties another merchant group called Chulias were also divided into four sub-groups. Of these, the Marakkayar were the wealthiest merchants dealing in the coastal and South East Asian trade. This was a very mobile group and many had settled in Ceylon, the Maldives, Malacca, Johore, Javanese coast, Siam and Burma. In India, they were most active in South Coromande, Madura, Cuddalore, Porto Nova, Nagole, Nagapatnam, Koyalpatnam etc. They mainly dealt in textiles, arecanuts, spices, grain, dried fish salt, pearls and precious metals.

Chrutian Paravas were active in trade from Coromandal to Malabar and Ceylon. They specialised in coastal trading and brokerage.

Among the Muslims, the Golkonda Muslims were involved in overseas shipping. They were prominent in south of Madras and were the main merchants in Bay of Bengal region. The Mopilla Muslims of Indo-Arab origin were also important merchants in the region.

Some Gujarati merchants had also established themselves in the Madras region.

Foreign Merchants

We get a large number of references to the presence of foreign merchants in almost all commercial centres of the period. Of these, the trading activities of Europeans has

already been discussed in Unit. Among other foreign merchants, the Armenians were the most prominent. They dealt in all sorts of commodities from textiles to tobacco. They were settled in Bengal, Bihar and Gujarat. The Khorasanis, Arabs and Iraqis also frequented Indian markets.

Check Your Progress 1

- 1) Describe the role of Banjaras in inland trade.

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- 2) Name four merchant groups operating in different parts of India.

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9.2.2 Moneylenders and Sarrafs

In large parts of Northern India, the traditional merchants played a dual role as traders as well as moneylenders. In villages we hear of traditional Baniya lending money to individual peasants to pay land revenue. In towns and bigger places also merchants acted as moneylenders.

Another category among the personnel of trade which played a significant role was that of the sarrafs. They performed three distinct functions: (i) as money-changers; (ii) as bankers, and (iii) as traders of gold, silver and jewellery. The first two functions need some elaboration.

As money-changers, they were considered as experts in judging the metallic purity of coins as well as their weight. They also determined their current exchange rate. According to Tavernier, "In India, a village must be very small indeed if it has not a money changer called "Cherab" [Sarraf], who acts as banker to make remittance of money and issue letters of exchange".

As well discussed in **Unit 15 of BHIC-109**, the sarraf was also a part of Mughal mint establishment. Every mint had a sarraf who would fix the purity of bullion. He also verified the purity of coins after minting.

As bankers, they would receive deposits and give loans on interest. They used to issue bills of exchange or hundis (we will discuss it in detail later in the Unit) and honour the ones issued by others.

9.2.3 Brokers

Dallals or brokers as specialised mercantile professional trading group seem to have been active in the wake of the Turkish conquest of North India. They worked as middlemen in various commercial activities and transactions. With increasing inter-regional and foreign trade they became crucial. Merchants from foreign lands and distant regions heavily depended on them. According to A. Jan Qaisar, the foreign merchants, who were unacquainted with the centres of production, pattern of marketing

and language had to depend on the native brokers for their trading transactions. The need for brokers in India was mainly due to (i) centres of production for the same commodities were scattered all over the country; (ii) individual output of these centers was small (some centers specialised in particular commodities only), and (iii) large number of buyers competing for the same commodities in the same markets. We get innumerable references to the transactions done through broker. The English East India Company records refer to brokers being employed at their different factories. Fryer (late 17th Century) says that “without brokers neither the natives nor the foreigners did any business”. Ovington (1690) also commented that “For buying and selling company’s goods brokers are appointed who are of the bania caste and are skilled in the rates and value of all the commodities”.

We hear from Manrique (1640) that there were around 600 brokers and middlemen at Patna. Their number might have been much larger in bigger commercial centres like, Surat, Ahmedabad, Agra and other coastal towns.

Indian brokers were to be found in foreign ports also. They were operating at Gombroon (Bandar Abbas), Basra, Bandar Rig, etc. Sometimes, the whole family worked as broker in partnership. Bhimji Parak, a prominent broker, had a joint business with his brothers. He had 8 shares, Kalyandas 5, Kesso and Vithaldas 4 each.

A. Jan Qaisar divides brokers into 4 categories: (i) those employed by companies or merchants, (ii) those who worked for several clients, (iii) those who worked on an adhoc basis as broker-contractors, and (iv) state appointed broker at a commercial centres to register sale and purchase of article.

The brokers operating independently can be divided in various groups on the basis of their areas of partnerships. Some dealt only in one specific commodity like silk, saltpetre, cotton, textile, indigo, etc. others dealt in more than one commodity. Some worked as sub-brokers or under brokers for a well-established brokers.

Brokers’ fees or commission was not strictly fixed. It depended on the commodity and the efforts of the broker to strike the deal or the labour involved in procuring the commodity. In ordinary dealings, the brokerage was two cent of the value of transaction. One per cent was charged from each of the parties (buyers and sellers).

Brokers who were in regular employment were paid fixed salaries and also some commission in some deals. We do not have much information on their total emoluments. However, a few references in English Company records show the salaries of their brokers between Rs. 10 and 38 per month.

Besides helping their clients in procuring and selling goods, the brokers played a key role in the oransiation of production. Most of the money advanced (*dadni*) to the artisans were made through brokers.

Check Your Progress 2

1) What different roles were performed by sarrafs?

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2) Who were brokers? List different categories of brokers.

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9.3 COMMERCIAL PRACTICES

In this section, we will discuss various commercial practices employed in trade and commerce of the period.

9.3.1 Bills of Exchange (Hundi)

During this period hundis or bills of exchange became an important form of money transaction. Hundi was a paper document promising payment of money after a period of time at a certain place. To begin with, the practice started because of the problems involved in carrying large amounts of cash for commercial transactions. The merchants interested in carrying cash to a particular place would deposit it with a sarraf who would issue a hundi to the merchant. The merchant was to present it to the agent of the sarraf at his destination and encash it. This started as a safe and convenient method of transferring money. In due course, hundi itself became an instrument of transaction. It could be presented against a transaction. It could also be freely bought or sold in the market after endorsement.

According to Irfan Habib “the negotiability of hundi led to a situation in which large number of hundis were simply drawn and honoured against other hundis without the intermediation of actual cash payments”. In this process, it became a medium of payment.

The use of hundi was so widespread that even the imperial treasury and state were using it. In 1599, the state treasury sent Rs. 3,00,000 to the army in Deccan through a hundi. Tributes paid by Golkonda (Rs. 10,00,000) and Ghakkar Chief (Rs. 50,000) to the Mughal Emperor were also transferred through hundis.

We get quite a few references where provincial officials were instructed to transfer the revenue through hundis. Even the senior nobles would take the help of the sarrafs to transfer their personal wealth. Muqarrab Khan, the governor of Bihar, when transferred to Agra, gave Rs. 3,00,000 to the sarraf at Patna to be delivered at Agra.

Many big merchants also issued hundi. Such merchants and sarrafs had their agents at important commercial centres. At times, members of one family (father, son, brother, nephew) worked as agents for each other. Big firms had their agents even outside the country.

A commission was charged by the sarrafs on each hundi. The rate of exchange depended on the rate of interest prevalent and the period for which it was drawn. The period was calculated from the date of issue to its presentation for redemption. The rate fluctuated as it also depended on the availability of money at the time of issue and maturity. If money supply was good, the rate would drop. In case of scarcity, the rates rise. According to Irfan Habib, “a sudden spurt of payment in any direction might create pressure upon the sarrafs for cash at one place, while leaving more in their hands at another, a situation that they could rectify by discouraging remittances from the former to the latter and encouraging reverse remittance by modifying the exchange rate”.

To give you a rough idea a few rates are provided. In normal times 1½ per cent was charged for hundis from Patna to Agra and 7-8 per cent from Patna to Surat. For the hundi drawn at Ahmedabad for Burhanpur 7¼ per cent was charged in 1622.

9.3.2 Banking

The sarrafs, apart from issuing bills of exchange, also received money for safe deposit. This was returned to depositor on demand. The rate of interest payable to depositors kept changing. The rates available for Agra, for 1645 and Surat for 1630 works out around nine and half per cent per annum. The bankers in turn would give money on loan to the needy on a higher rate of interest. We get a number of references where state officers gave money from treasury to these bankers and kept the interest with them. Tapan roy Chaudhuri writing about the Jagat Seth of Bengal says that “their rise to financial eminence was partly due to the access they had to the Bengal treasury as a source of credit”.

Sujan Rai (1694) says that the sarrafs who accepted deposits were honest in dealings. Even strangers could deposit thousands for safe keeping and demand it any time.

9.3.3 Usury and Rate of Interest

Money lending for personal needs and commercial purposes was an established practice. Much of trading was conducted through the money taken on interest. Generally the Sarrafs and merchants both indulged in money lending. Sometimes the moneylenders were called Sah, a distinct category. The lonas were taken for various purposes. The money was taken on loan by peasants for paying revenue and repaid at harvest. Nobles and zamindars would take it for their day-to-day expenses and repay it at the time of revenue collection. Money lending for business purposes was also very common.

The rate of interest for smaller loans is difficult to ascertain. It depended mainly on the individual's need, his credit in the market and his bargaining power. Tapan Roy Chaudhuri shows that peasants took lonas at a high rate of 15 per cent per annum in Bengal in the eighteenth century. For commercial loans, the rate of interest differed from one region to another. Our sources generally refer to interest rates per month. Irfan Habib says that the rate of interest expressed for the month suggests that the loans were generally for short periods.

The rate of interest for Patna in 1620-21 is given as 9 per cent per annum, while around 1680 it seems more than 15 per cent. At Qasimbazar (Bengal) the rate of interest in 1679 is given as high as 15 per cent annum while the rates for the corresponding period for Madras (8 per cent per annum) and Surat (9 per cent per annum) were much less. The English factory kept a vigilant eye on the interest rates and would supply money to their factories in various regions after taking loans from the places where interest was lowest. The rate at Agra and Surat during the 17th century ranged between 6 and 12 per cent per annum. On the Coromandal coast much higher rates (18 to 36 per cent) seem to have prevailed.

The difference in interest rates in various regions suggests that the integration of financial market had not taken places.

Bottomry

A number of uncertainties and risks were involved in long distance sea voyages. These uncertainties gave rise to a new practice called ‘avog’ or bottomry. It was a

type of speculative investment which was quite popular during the period of our study. In Bottomry money was lent at high rates ranging between 14 to 60 per cent. The money was lent to be invested in a cargo for a particular destination. The rate of interest depended on the risks involved. The lenders were to bear all the risks of voyages.

9.3.4 Partnership

In partnership, the merchants pooled their resources to carry on trade. Some persons formed joint ventures for overseas trade. We hear of two nobles, Nawab Qutbuddin Khan and Nawab Qilich Khan having built a ship and taken to trading jointly during Akbar's reign. Banarsidas described his partners trade in jewels during 1611-16. Even brokers at times carried their joint ventures. In 1662, two brokers Chhota Thakur and Somiji of Surat, bought a ship (*Mayflower*) in partnership and fitted her for a voyage.

9.3.5 Insurance (Inland and Marine)

Another important commercial practice prevalent in India on a limited scale was that of insurance or *bima*. In many cases, the sarrafs used to take responsibility for the safe delivery of goods. The English factory records also refer to the insurance of goods, both inland and overseas. At sea, both the ship and the goods aboard were insured. The rates for insurance are also quoted in factory records. By the 18th century, the practice was well-established and widely practised. The rates are also available for different goods for different destinations. The rates for sea voyages were higher than goods going through land.

9.4 MERCHANTS, TRADING ORGANISATIONS AND THE STATE

We have already discussed in **Units 7 & 15 of BHIC-109** the taxes charged by the state on trading activities. The merchants were also charged customs and toll taxes on movements of goods. However, the income from these sources was very small as compared to land revenue.

Since towns were the centres of commercial activities, the administrative officers there looked after the smooth conduct of trade. The maintenance of law and order and providing peace and security were important for better business environment. This was the responsibility of the kotwal and his staff in the towns.

The rules and laws governing the day-to-day business were generally framed by business community itself. Merchants had their own guilds and organisations which framed rules. We get references to such organizations in our sources. In Gujarat these were called Mahajan. In the first quarter of the 18th century, we get evidence of 53 Mahajans at Ahmedabad. The mahajan was the organisation of traders dealing in a specific commodity in a particular area irrespective of their castes. The term mahajan was at times used for big merchants also probably because they were the heads of their organisation. There were separate caste based organizations also.

The most influential and wealthy merchant of the town was called *nagar seth*. Sometimes it was treated as hereditary title, Nagar seth was a link between the state and the trading community.

If there were certain disputes among the merchants, the mahajans resolved them. Generally their decisions were respected by all. The Mughal administration also recognised these mahajans and took their help in matters of conflicts and disputes or to seek support for administrative policies. The merchant organisations were strong and fought against high-handedness or repressive measures of the officers of town and ports. We get a number of references where traders organisations gave calls for *hartal* (closing business establishments and shops) against administrative measures. The huge loss of revenue made administrators respond to the protest. One such serious conflict arose in Surat in 1669. Here a large number of businessmen along with their families (a total of 8000 people) left Surat to protest against the tyranny of the new governor. They settled at Broach and sent petitions to Emperor Aurangzeb. The trading activities in the town came to a halt. The Emperor quickly intervened and the problem was resolved. In 1639, Shahjahan invited Virji Vohra, one of the biggest merchants of Surat, to enquire into the grievances of merchants against the governor of Surat. During the war of succession among Shahjahan's sons, Murad raised Rs. 5,50,000 through Shantidas, the nagar seth of Ahmedabad. After Murad's death, Aurangzeb owned the responsibility for paying it.

The merchants in spite of huge resources (Virji Vohra is said to have left an estate of Rs. 80,00,000 at his death) did not take much interest in politics.

While merchants kept away from court politics, the nobles did venture into trading. Many big nobles used their official position to corner the profits from trade.

Shaista Khan tried to monopolise a number of commodities, especially saltpetre. Mir Jumla, another prominent noble, was a diamond merchant. A number of subordinate officers at local level also indulged in business activities using coercive methods.

Check Your Progress 3

- 1) Write five lines on hundi

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- 2) Write three lines on each of the following:

- i) Usury
ii) Insurance

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- 3) Write five lines on the trading organisation of merchants.

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9.5 LET US SUM UP

In this Unit, we studied the activities of a number of specialised groups concerned with trade. The Banjaras played their role at regional and inter-regional levels. They, with a large number of pack animals, moved in groups buying and selling mainly grain, salt and sugar, etc.

In different regions of the country various merchants groups and castes operated. Prominent Indian merchant groups were the baniyas, bohras, khattris, chettis, komattis, etc. The English, Dutch, French, Portuguese, Armenians, Khurananis and Iraqis were important foreign merchants.

Brokers, sarrafs and moneylenders were specialised groups. System of bills of exchanges and money lending was very well developed. The interest rates were quite high.

Merchant guilds and organisation were well established. They generally made rules and regulations for trading and commercial activities.

9.6 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Banjaras dealt mainly in grain, salt and sugar etc. They moved in large groups. For Details see Sub-section 9.2.1
- 2) Marwari, Bohras, Multanis, Chetties, Komatis etc. were different merchant groups. For their areas of operation see Sub-section 9.2.1

Check Your Progress 2

- 1) Sarraf worked as money changers, lenders and verified the purity of coins. See Sub-section 9.2.2.
- 2) Brokers worked as middlemen in commercial transactions. See different categories in Sub-section 9.2.4.

Check Your Progress 3

- 1) Hundi was a convenient and safe method of transferring money. For details see Sub-section 9.3.1
- 2) For both these practices see Sub-sections 9.3.3 and 9.3.5.
- 3) Merchants formed their organisations to protect their interest and formulate rules and regulations. For details see Section 9.4

Recommended Readings

Raychaudhuri, Tapan & Habib, Irfan. ed. 1982. *The Cambridge Economic History of India, Vol. I: c. 1200-1750*, London: Cambridge University Press.

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Haider, Najaf. 1998. 'International Trade in Precious Metals and Monetary Systems of Medieval India: 1200-1500', *Proceedings of the Indian History Congress*, 59th Session, Patiala.