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Sayako Kanda[†]

Abstract

This paper explores the transformation of the economy and society in early colonial Bengal, roughly between c.1780 and c.1840, through a case study of the salt trade and its changes. It argues that several private trade institutions, particularly various types of intermediaries at different stages of transactions and multi-caste elite organisations, enabled a large flow of commodities, cash, credit and information despite regional and functional divisions in the market as well as social divisions among merchants.

The coming of the British led to an expansion of the market and opened up various commercial opportunities to the socially inferior ‘amateur’ merchants, and this led to a confusion in mercantile communities and necessitated a new order among them. By strengthening the functions of those private trade institutions and utilising the new British legal system, mercantile communities managed to accommodate these new merchants and respond to the increased volume of trade.

JFL Classifications: N45, N75, Z13

Key Words: Colonial Transition, Economic History of India, Private Trade Institutions, Intermediaries, English East India Company

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Introduction

This paper explores the transformation of the economy and society in Bengal during the period between c.1780 and c.1840— ‘a period of colonial transition’ in the history of South Asia, through a case study of the salt market, particularly focusing on the structural characteristics of the market, the features of various private trade institutions, and the changes in them. This period has been seen merely ‘transitional’ with no major economic or political changes, being stuck between the eras of dynamic changes—the eighteenth century and the high imperial era from the late nineteenth century onwards. Though it has recently attracted scholarly attention, empirical studies have just begun.¹ This has made our understanding of India’s colonial transition too simple (and rather teleological), and has blurred the complicated process of transition and changes that occurred in the indigenous economy and society.

Recent studies have emphasised that the indigenous economy was resilient in many respects in the face of the British commercial and political expansion. But, as this study will show, fundamental changes were taking place in the meantime. Changes occurred not only by external forces or internal forces alone but also by repeated interactions between them. This paper stresses the importance of such complexity and interactions—the ways and processes that shaped the colonial economy and society.

In order to do so, this paper particularly examines the market, which has been ignored by recent historical studies, and will take up the following three issues. First, it will show that the market in eastern India was divided both structurally and regionally. Secondly, there were several kinds of trade institutions that enabled a massive flow of commodities, cash, credit and information. This paper particularly focuses on various types of intermediaries and multi-caste merchant organisations, which played a significant role in connecting merchants of various social origins and in acquiring credit at newly entered markets. Their presence was the reason why the divided market structure did not interfere with this region’s buoyant economy. Thirdly, the study will clarify that the advance of the English East India Company (hereafter the Company) rule led to an emergence of new merchants and an expansion of the market, which fuelled confusion in the existing mercantile society. The merchant society adjusted itself to this new situation by strengthening the role of intermediaries and merchant organisations, and by utilising the new legal framework and social order instituted by the British.

¹ For example, *Modern Asian studies*, 38-3 (2004) featured articles on this period.

The significant role of private trade institutions and organisations in economic and historical change has long been studied. In the South Asian studies, *Institutions and Economic Change in South Asia*, edited by Burton Stein and Sanjay Subrahmanyam, generated scholarly attention in 1996. But after that, there has been little advance of historical studies that focuses on institutional aspects. This is partly because of the general decline of the field of economic history particularly on India, and partly because of the widening gap between economics and historical/social studies. This study attempts to fill this gap in order to enhance our understanding of the economic and historical transition.

The Salt Market in Eastern India under the Company Raj

The structure of the market

The Company began to monopolise salt in 1772, and through a series of reforms during the 1780s, it established a stable system of monopoly that produced large profits.² Salt, hereupon, became the second largest revenue source for the Company, playing a crucial role in supporting the Company rule, and consequently in making the British India.

The market and trade in salt in eastern India were largely influenced by this change. The Company took the following five measures in order to control the supply of salt. First, it confined the production in certain districts along the Bay of Bengal, known as salt agencies. Secondly, it banned salt imports on private accounts, which shut out the import of north Indian varieties of salt—the most important item of import for the pre-British Bengal. Thirdly, it began to ‘import’ foreign salt mainly from Coromandel and Orissa instead.³ Fourthly, it prohibited the production of any other saline substances such as by-products of saltpetre within the monopoly area. Finally, various preventive measures were introduced to suppress illicit production and smuggling that was caused and stimulated by these changes. As a result, the market was rather converged in Bengal and Bihar; varieties of salt were restricted; and the strict control of supply and the high price of salt created a market for illicit salt, which became

² 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 in Calcutta. This policy was maintained by the synergy of the Company and large salt purchasers; the Company controlled the supply while large purchasers bought up salt at public sales and kept up prices in the market. This system functioned well until 1836, and the monopoly itself lasted until 1863. For details, see Sayako Miki (Kanda), ‘Merchants, markets, and the monopoly of the East India Company: the salt trade in Bengal under colonial control’ (Unpublished PhD thesis, University of London, 2005).

³ Since foreign salt was ‘imported’ on the Company’s account as revenue, this trade was not included in the trade statistics.

an integral part of the salt market in eastern India.⁴ In spite of such changes in the market, the right to trade in salt was given exclusively to indigenous merchants. Study on the market under such governmental control and problems caused by such control will shed light on the actual working of the market.

Salt was produced at six salt agencies (Hijili, Tamluk, Twenty-Four Parganas, Jessore, Bhulua and Chittagong), whence exported northwards to the interior (see Map). Almost all salt was brought to and stored in merchants' warehouses at large salt entrepôts near the salt districts, before being distributed to nearby wholesale markets, bazaars (regular markets) and *hats* (periodic markets) in towns and villages, and distant wholesale markets. These salt entrepôts played a significant role in distributing salt, in adjusting the balance of supply-demand, and in controlling prices, which were the notable functions of wholesale markets in general.⁵ A series of detailed price data at major salt markets⁶ suggest that these entrepôts influenced prices in the neighbouring wholesale markets that depended on them for the supply of salt. Accordingly, the salt market was divided into several regional market zones centred on these entrepôts.⁷

As is shown in Table 1, a chain of several regional market zones formed larger inter-regional commercial zones.⁸ There were roughly four commercial zones in eastern India: western Bengal and Bihar; central Bengal; eastern Bengal; and Midnapur and westwards.⁹ In the western Bengal and Bihar zone, western Bengal salt (the produce of Hijili, Tamluk, and part of Twenty-Four Parganas agencies) and foreign salt were exported from the salt entrepôts along the Hugli to places in western and north-western Bengal, and Bihar.

⁴ Miki (Kanda) 'Merchants, markets, and the monopoly'; Sayako Kanda, 'Energy in indigenous industries: Re-considering the decline of the salt industry in mid-nineteenth century Bengal', *Keio University market quality research project, discussion paper series* DP2006-25 (February 2007).

⁵ See C. A. Bayly, *Rulers, townsmen and bazaars: north Indian society in the age of British expansion 1770-1860*, Indian ed. (Delhi: Oxford University Press, 1992), pp.411-412; Rajat Datta, *Society, economy and the market: commercialization in rural Bengal, c.1760-1800* (Delhi: Manohar, 2000), pp.213-216.

⁶ The Company was extremely keen to collect salt prices in principal markets, since price fluctuations would affect its salt revenues. It obtained prices systematically through the reports of district collectors and magistrates.

⁷ For details, see, Miki (Kanda) 'Merchants, markets, and the monopoly', chapter 2.

⁸ There were salt checkpoints known as *chokis*, along the boundaries of the salt agencies, where all salt cargoes and accompanied *rowanas* or transit passes, were to be examined. Each *rowana* specified the quantity of salt, the name of the agency, the destination, the name of the proprietor(s), and the date of purchase. A close examination of the lists of checked *rowanas* and the price data at major markets makes it possible to identify salt entrepôts, regional market zones, dominant merchant groups and larger inter-regional commercial zones, as is shown in Table 1.

⁹ Regional difference in salt prices and the consumer preference, in addition to eastern India's physical feature, supported such clear regional division of the market. For details, see Miki (Kanda) 'Merchants, markets, and the monopoly', chapter 4.

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 in south Bihar to Chotanagpur, mainly through Kashiganj.

The Ganges and Brahmaputra River systems obviously played a major role in forming such commercial zones, as eastern India's trade was particularly dependent on its sophisticated system of river transport. This determined what varieties of salt to circulate in each zone. But there was also a clear regional difference in the consumer preference in salt, and this suggests that the market for each variety should be determined not only by eastern India's physical environment but also by its social and cultural diversity.¹⁰ Moreover, certain groups of merchants of different social origins dominated the trade in each zone; interestingly their territories and four commercial zones coincided with each other.¹¹

Another important aspect of the market structure was that the trade was functionally divided between the inter-regional and local trade. The former involved large wholesale merchants in urban commercial centres and the transport of goods between wholesale markets (*ganjs*) on a large scale. The movement of commodities between wholesale and rural markets by miscellaneous small merchants, variously known as *byaparis*, *paikars* and *farias*, were categorised as local trade. Rather than being hierarchically structured, each trading process maintained its own structure, and together worked as one trading system, inter-linked by wholesale markets (see Diagram 1).¹²

Private trade institutions and their functions

As was seen in the previous section, the geographical division and the functional dualism were key structural features of the market, and different types of merchants operated in each commercial zone as well as in each trading process. Such divisions and differences did not, however, interfere with the province's buoyant economy. Despite such divisions, certain trade institutions allowed a flow of commodities, cash, credit and information on a large scale, and

¹⁰ For details on the consumer preference and taste, see Kanda, 'Energy in indigenous industries'.

¹¹ For details on mercantile activities, see Sayako Kanda, 'Family, caste and beyond: the management techniques of Bengal salt merchants, c.1780-1840', the XIV International Economic History Congress, Helsinki, August 2006, <http://www.helsinki.fi/iehc2006/papers2/Kanda.pdf>.

¹² For detailed discussion on the indigenous trading system, see 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 (Kanda), 'Merchants, markets, and the monopoly', chapter 6.

linked merchants of various social backgrounds. Most significant was the existence of a range of intermediaries, especially *gomastas* and *dalals*, and merchants' organisations, known as *dals* (or *dalas*).

Intermediaries played a crucial part in interlinking various merchants, who differed in caste, birthplace, business custom, and culture such as language, taste and appearance. A merchant was generally unable to engage in any commercial transactions outside his local market, because he was not seen as creditworthy and his family's honour would not be protected at places outside his locality, which was seen ritually impure. In other words, in principle, credit of a merchant and his family would not circulate beyond his local community. Therefore, to extend his business to unknown places, a merchant would need to contact local intermediaries (contact men) first. By establishing such linkages, he would be able to conduct business in a new marketplace without damaging his family's reputation. That was why intermediaries were usually men of credit and power in their respective territories. This honour system of family firms, together with the division of the market enhanced the position of intermediaries as sources of information and credit who provided merchants with security, and a way to connect with other people.¹³

A *gomasta* was an agent of a merchant or a manager of a firm. A mercantile house was practically managed by several *gomastas* at its head office and branches. It is well known that *gomastas* were well acquainted with all matters regarding their masters' business since they usually served the same family for generations, and that they even had more information of the state of the market in their charge than their masters as they resided on the spot.¹⁴ In past studies the *gomasta* had been seen just as a paid manager,¹⁵ but their long experience in business affairs, profound knowledge about a particular area, and the ability to deal with local merchants were indispensable to a firm.¹⁶ On the other hand, merchants with no *gomasta* in a

¹³ 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 communicated by touching each other's hands under a cloth (James Taylor, *A sketch of the topography and statistics of Dacca*, Calcutta: G. H. Huttman, Military Orphan Press, 1840, pp.267-268).

¹⁴ BCSO-Salt, the West Bengal State Archives, vol.263 (4/12/1829), no.9.

¹⁵ 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' (Gautam Bhadra, 'The role of pykars in the silk industry of Bengal, c.1765-1830', Part I, *Studies in history*, vol.3, no. 2, 1987, pp.160-161).

¹⁶ Their importance was also clearly shown in the management of estates of new zamindars (landholders). 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 (B. B. Chaudhuri, 'Agriculture growth in Bengal and Bihar, 1770-1860: growth of cultivation since the famine of 1770', *Bengal past and present*, vol.95, 1976, p.319).

particular area had ‘hardly any just or accurate knowledge of the state of the market’,¹⁷ and were likely to be deceived by false information.

Dalals were usually denominated as commission agents or brokers. 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’.¹⁸ 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.¹⁹

A merchant usually found business partners from members of his own family or of the same caste. But these intermediaries were not restricted to the same caste as merchants. Many of them belonged to higher castes such as Brahmins and Kayasthas. Upper-caste intermediaries would make it much easier to deal with merchants of various social origins.

Another significant feature of the indigenous trade during this period was the multi-caste elite organisations, known as *dals*. According to S. N. Mukherjee, *dals* ‘were social factions, formed under the leadership of a rich man, a *dalapati*’.²⁰ *Dals* dealt with all matters concerning caste rules. Importantly, ‘most *dals* were multi-caste bodies; *Baidyas*, *Kayasthas*, *Tilis*, *Kaibartyas*, *Sadgops*, *Weavers*, *Subarnabaniks* and Brahmins could belong to the same *dal* and the Brahmins in many *dals* accepted the leadership of other castes’.²¹ Some castes, like *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 large zamindars, merchants or top administrators, formed the *bhadralok*—an open social group of elites.²² Every *bhadralok* belonged to a *dal*, and influential *bhadraloks* among them set up *dals* and acted as *dalapatis*.

Mukherjee did not mention the influence of *dals* on their members’ trading activities. However, *dals* must have affected the business of their members, because the majority of the wealthy population in early nineteenth century Calcutta was associated with commercial or banking activities in one way or another. In Murshidabad, the *dalapatis* ‘managed the business in Murshidabad for the collective body’, and ‘regulated the activities of its members spread out over an extensive catchment area’.²³ In these districts too, *dals* were multi-caste

¹⁷ BRP-Salt, IOR, P/105/5 (21/11/1834), no.1B.

¹⁸ Bhadra, ‘The role of pykars’, p.161.

¹⁹ Peter Robb, ‘Peasants’ choices? Indian agriculture and the limits of commercialization in nineteenth-century Bihar’ *Economic history review*, vol.45, no.1, 1992, p.98.

²⁰ S. N. Mukherjee, ‘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), p.71.

²¹ *Ibid.*

²² Mukherjee, ‘Class, caste and politics’, pp.47, 51-52, 56 and 71.

²³ Datta, *Society, economy and the market*, pp.211-212.

bodies; 'other castes had to be incorporated in the wider network of the *dalas*',²⁴ including lower castes.

Therefore, it is safe to assume that *dals* were equivalent to multi-caste merchants' organisations found in other parts of India.²⁵ The main functions of such organisations were to guarantee members' creditworthiness, to establish rules and regulations, to arbitrate in disputes, and to punish members who broke the rules. The loss of creditworthiness as a merchant indicated the loss of his family's reputation, which could lead to a total ruin of the family, so it was necessary for the heads of mercantile families to take risk-avoiding behaviour and follow the rules of such organisations and the verdict of *dalapatis*.

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.²⁶ North Bengal merchants had regular meetings with their *dalapatis* in Murshidabad. Leading salt merchants of Dhaka, who dominated the eastern Bengal commercial zone, also acted as *dalapatis*.²⁷ It was highly likely that such organisations influenced the formation and division of commercial zones, as was seen earlier.

Confusion and New Order in Mercantile Community

Rise of new merchants

Late eighteenth-century Bengal saw not only an emergence of Calcutta *banians* or compradors who served European traders but also a rise of up-country Bengali merchants who were based on up-country marketplaces and dealt in articles mainly for domestic consumption. A beneficial situation contributed to their rise. The Company's policy-making during this period was based in 'the principle of free trade' and 'the centralisation of tax-collection rights'. Particularly important was 'a permanent settlement of marketplaces', as Sudipta Sen called it.²⁸ Through a series of administrative reforms in the late eighteenth and early nineteenth centuries, the Company state gradually secured control of marketplaces by

²⁴ Ibid.

²⁵ During the pre-British period, multi-caste merchants' organisations were not uncommon in India. Among them were *sabhas* in the north and *mahajans* in the west. In Bengal, unlike other parts of India, there were few 'professional' or 'traditional' mercantile communities, known as *Bania*, so the formation of mercantile and elite communities seems to have been very different from other regions.

²⁶ Mukherjee, 'Class, caste and politics', p.71.

²⁷ For details of one of these merchants (the Baliati Babu family), see Kanda, 'Family, caste and beyond'.

²⁸ Sudipta Sen, *Empire of free trade: the East India Company and the making of the colonial marketplace*, (Philadelphia: Pennsylvania University Press, 1998), especially chapters 4 and 5.

making them ‘public property’, and deprived zamindars (landholders) and other old interests of privileges and authority over marketplaces. This process not only made it easier for the Company to obtain access to production sites, though through intermediaries (the Company *gomastas*), but also led to a proliferation of private marketplaces and enabled merchants ‘to expand their direct control over the internal market’.²⁹

The establishment of the salt monopoly was another favourable chance for their emergence. Many merchants went into the salt trade, as exporters of salt to the market. Among the new up-country merchants, salt merchants attracted much attention by their success and wealth.

As will be examined in the following section, the Company’s salt monopoly brought about an emergence of large salt purchasers in Calcutta where all salt was to be auctioned.³⁰ Many of them were established merchants or bankers (*shroffs*) of Calcutta, belonging to Subarnabaniks, the long-established trading and banking community of Bengal; some belonged to higher castes such as Kayasthas and Brahmans. Since they bought up salt merely for speculative purposes and thus had little interest in the internal trade, up-country merchants began to play a crucial role in exporting salt to the market. Unlike Calcutta’s salt purchasers, many of them were rags-to-riches type of merchants, belonging to certain communities such as Tilis, Tamlis (Tambulis), Sadgops, Basaks and Sahas (or Sunris)³¹—Sahas and Tilis in particular. Therefore, there was a wide social and commercial gap between the established elite merchants who belonged to the *bhadralok* and the new merchants.

Some of the up-country salt merchants, such as the Pal Chaudhuris of Ranaghat in Nadia District and the Nandis of Kalna in Burdwan District, had moved to Calcutta and settled there.³² Since they were not only principal salt purchasers at public sales like the established

²⁹ Datta, *Society, economy and the market*, pp.200-206.

³⁰ Almost all large salt merchants were Bengali Hindus, except for the Greeks.

³¹ According to the original occupational category, it is said that Tamlis were betel-leaf preparer-cum-dealers; Sadgops were cultivators; Basaks were cloth merchants—the sub-caste of Tantis (weavers); Sahas were the sub-caste of Sunris (distiller-cum-liquor dealers). The traditional occupation of Tilis had been rather controversial. Some say that they were a sub-caste of the oil-pressers (Telis), but others say that they were a traditional trading community (S. C. Nandy, *Life and times of Cantoo Baboo, Krishna Kanta Nandy: the banian of Warren Hastings*, vol.1, Bombay: Allied Publishers, 1978, pp.23-24). Also see, James Wise, *Notes on the races, castes, and tribes of eastern Bengal* (London: Harrison & sons, 1883), 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 in Bengal*, Calcutta: Papyrus, 1981). 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.

³² For details on Bengali family firms including these families, see Kanda, ‘Family, caste and beyond’, in which their family trees and management techniques are re-constructed by collecting and examining

merchants in Calcutta but also large exporters to the market, a small number of such families of up-country origin came to dominate the market across eastern India. These families became extremely wealthy and extended their business operations beyond salt to landholding, money-lending and dealing in other commodities. These new rich merchants, who were socially inferior, became be recognised as the *bhadralok*.

How and when was the social and commercial gap between the established and the new merchants filled? Changes in the composition of participants of petitions to the government indicate the social status of new salt merchants and their relationships with the existing mercantile community over the period. Until the mid-1820s, there were two types of petitions in terms of social status of the participants: those led by speculative purchasers and by ‘real’ merchants. The former organised petitions of their own rather than joining new merchants such as the Pal Chaudhuris. Differences in commercial interests between these two groups characterised this division; the former looked only at the state of the Calcutta market, while the latter were interested in the market both in the interior and in Calcutta.

From the mid-1820s, Calcutta experienced successive financial crises. Since many salt purchasers traded in salt papers (*chars*), on which merchants took out a loan from indigenous bankers or British banks, large salt merchants were easily caught up in the fluctuations in the financial market.³³ This series of financial crises produced many defaulters and bankrupts. Frauds were widespread among large merchants; some of them were even arrested by the police. In the early 1830s, there was still a great deal of uncertainty among Calcutta merchants, and the economic prospect was still poor.

Repeated petitions from the late 1820s involved many large salt purchasers of different social origins. This suggests that the widespread confusion and uncertainty among merchants facilitated the unification of large Calcutta purchasers as a collective body, in order to protect their common commercial and social interests. Around that time, large salt purchasers began to be collectively known as the *dhuratias* (the privileged). This meant that some of the new salt merchants successfully joined the elite community in Calcutta by that time; some of them, such as the Pal Chaudhuris, were even seen as *abhijats* (aristocrats)—the highest social status in the indigenous community.³⁴

court papers preserved in the Calcutta High Court as well as various official documents (the Company papers).

³³ The vulnerability of the monopoly system and the impact of financial crises on salt purchasers are discussed in detail in Miki (Kanda), ‘Merchants, markets, and the monopoly’, chapters 3 and 4.

³⁴ Mukherjee, ‘Class, caste and politics’, pp.46-47.

Changes in trade institutions

This section looks at the background factors that entangled the confusion and brought about a new order among merchants. First, the function of intermediaries became intensified. Secondly, the *dals* played a leading role in mitigating credit uncertainty among merchants by embracing a variety of merchants in the established community. Thirdly, Brahmans acquired much greater importance as intermediaries and as *dalapatis* (the heads of *dals*).

Under the public auction system, the Calcutta-centred salt trading system emerged. This was because up-country merchants had to attend the sales in Calcutta, to send their *gomastas* (agents) to the sales, or to meet first purchasers through *dalals* (brokers) in order to buy salt, to pay for it and to obtain necessary documents (*chars* and *rowanas*) to receive and transport it. When the sale by public auction began in 1788, rich men in Calcutta entered the salt business as *dalals* of up-country merchants, since they were familiar with the business custom and the mode of transactions in Calcutta. This kind of agency system was particularly common among merchants in western Bengal and Bihar, which area was equivalent of the western Bengal and Bihar commercial zone. Merchants in these regions were socially and culturally more diverse. In addition, the role of *dalals* became more important as an intermediate between anonymous buyers and sellers, when the trade in salt papers (*chars*) for speculative purposes in the Calcutta market became popular during the first decade of the nineteenth century. British banks also began to accept salt *chars* as security for loan, which became their main branch of business.

At wholesale markets in the interior too, merchants sold salt at their warehouses to other wholesale merchants and smaller merchants (*byaparis*, *paikars* and *farias*) through their *gomastas* and *dalals* who brought various merchants together. It was crucial for marketing strategies of wholesale merchants to utilise the local information and commercial networks of smaller merchants, through their *gomastas* and *dalals*.³⁵ Though it was strategically important to establish warehouses at major entrepôts, this was not sufficient to be a trader at these markets. It was crucial to establish personal networks and linkages with local intermediaries, who guaranteed merchants' creditworthiness.

The case of the salt trade suggests that the expansion of the market and the growth of trade demanded intermediaries, and inevitably their importance increased.

How did merchants who shared common interests come together? When their common interests were threatened, merchants united and expressed their dissatisfaction. The government tended to see caste linkages as an important reason for enabling merchants 'to

³⁵ For details, see, Miki (Kanda), 'Merchants, markets, and the monopoly', pp.269-275.

form combinations against the public with greater facility than in other countries'.³⁶ Caste certainly played a role in interlinking merchants, but there were many cases where merchants 'combined' across social and regional boundaries.

It had always been said that there was a 'sub-monopoly' by 'combinations' among large salt purchasers. Petitions led by Calcutta's privileged purchasers (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 the opinion that 'there is no general organised system of submonopoly strictly speaking',³⁷ 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'.³⁸

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, especially for respectable men.³⁹ They always tried 'to make all re-sales in short as difficult and disagreeable to this office as they possibly can'.⁴⁰ As Ramratan Mallik, one of the most influential merchants in Calcutta said, being a defaulter was highly injurious to 'a merchant of wealth, opulence and credit', and would 'affect his credit within the mercantile community in Calcutta'.⁴¹ This clearly suggests the importance of reputation, without which a man could not be a merchant.

The *dals* and *dalapatis* always brought merchants or different castes together, and facilitated a circulation of members' credit in the market during this period. A merchant who lost credit due to a failure would be punished by the *dal* or in the worst case would be expelled from it. Therefore, the *dals* seem to have been behind such 'combinations', and tried to save fellow members.

As said, the majority of intermediaries and *dalapatis* were Brahmans by caste. Whenever salt belonging to a Brahman was to be re-sold, the sale became 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'.⁴² Many Brahmans were involved in the salt business during the period. They were at first acting just as *dalals* (brokers), since 'although

³⁶ Datta, *Society, economy and the market*, p.234.

³⁷ BRP-Salt, IOR, P/105/17 (1/12/1835), no.24.

³⁸ BRP-Salt, IOR, P/105/20 (2/1/1836), no.16.

³⁹ BRP-Salt, IOR, 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.

⁴⁰ Ibid.

⁴¹ *Ramruttun Mullick v. East India Company*, SCP (equity), 1818.

⁴² BRP-Salt, IOR, P/105/17 (1/12/1835), no.24.

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'.⁴³ 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. More information thus went to the hands of Brahman *dalals*, who were concurrently *dalapatis* in many cases.

External forces of change

The mercantile communities adjusted themselves to the new economic and social environment by making the most of their existing trade institutions and social relationships. At the same time, institutional changes outside mercantile communities began to affect them.

First, the so-called 'caste society' emerged under the British.⁴⁴ Though controversial, the 'caste society' was a hierarchical society with Brahmans on the top according to the Laws of Manu, and was divided into numerous 'castes', which was translated as classes. This change raised the social and ritual status of high caste intermediaries even further. As was seen earlier, merchants of socially inferior depended more on Brahman *dalals* and *gomastas* not only for business purposes but also for the enhancement of their social status within the indigenous community, which enabled them to enter *dals* and secured their creditworthiness.

Secondly, as the Company was in the process of materialising 'the rule by law', a new judicial system was established in Bengal in 1793.⁴⁵ From the late eighteenth century, the Company developed the common law by integrating various religious customary laws and interpreting customs and common practices. Adjudications by private judges like *dalapatis* were examined and gradually integrated into official law. At the same time, through extensive projects of discovering and examining the Shastric [Hindu] texts and other indigenous legal codes, 'the Hindu law' was codified and formed. In civil cases, the Hindu law was applied to Hindus, and the Islamic law was applied to Muslims. When the existing laws did not cover a situation, equity was to be applied.

In Calcutta, many merchants began to compete with each other to go to court in order to solve various matters including debts, contracts, joint venture, caste issues, and inheritance, though arbitration by the court was not popular outside Calcutta until the mid-nineteenth century. Many families spent huge sums on litigation, as did the Pal Chaudhuris and other salt

⁴³ BRP-Salt, IOR, P/105/26 (19/7/1836), no.8.

⁴⁴ For example, see Susan Bayly, *Caste, society and politics in India from the eighteenth century to modern age* (Cambridge: Cambridge University Press, 1999), chapter 1.

⁴⁵ Fujii Takeshi, *Rekishī no naka no kāsuto—kindai indo no <jigazō>* [Caste in history—a self-portrait of modern India] (Tokyo: Iwanami-shoten, 2003).

merchants. 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’.⁴⁶ Many rich men in Calcutta, thus, went to court to display their prominence. This situation encouraged particularly *nouveaux riches* like the new salt merchants.

Why did Calcutta elites become so dependent on the new British legal system? It appears that ‘the customary law’ and ‘the arbitration by a respectable merchant according to the tradition of merchants’, which was one of the main roles of *dalapatis*, were no longer working effectively in Calcutta. A rapid growth of the *bhadralok* and diversification of its members’ social backgrounds had gone beyond *dalapatis*’ control in Calcutta.⁴⁷ Even though many cases were judged in accordance with equity as common law and the so-called ‘Hindu law’ were still in the process of being prepared, official judges gradually filled in for *dalapatis*.

In addition, the new legal system was more protective of properties than communal arbitration, so it was highly likely that it became more attractive for merchants whose first priority (*dharma*) was to protect their family’s honour and physical continuance. Especially when the fear of failure prevailed among merchants of credit in the late 1820s and early 1830s, many of them became more dependent on the court in order to avoid default.

Conclusion

By intensifying existent trade institutions, the confusion in mercantile communities caused by the rise of miscellaneous ‘amateur’ merchants was unsnarled, hence did not interfere with the expansion of the market stimulated by the advance of the Company rule. First, the function of intermediaries was strengthened. Credit and information from the intermediaries successfully met the demand of new merchants, and supported the expansion of their commercial networks. More information seems to have come into their hands. Moreover, since the majority of new merchants were socially inferior, intermediaries of higher castes played a crucial role in interlinking various buyers and sellers. Secondly, *dals* incorporated newly emerged merchants

⁴⁶ Cited from Chattopadhyay, ‘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), p.31. Durga Puja is the biggest festival in Bengal held in autumn for worshipping the goddess Durga.

⁴⁷ In the rest of the province, codified legal systems were not yet in effect and ‘traditional’ arbitration was much highly regarded as a trustworthy method (Bayly, *Rulers, townsmen and bazaars*, pp.420-421).

through high-caste *dalals*, which further diversified members' castes. By doing so, the established mercantile communities restored order, while new merchants gained access to credit outside their local community, and both of them successfully avoided their reputation from being harmed. External changes—the emergence of 'the caste society' and the introduction of the new legal system—also influenced private institutions and governance.

It is well known that from the mid-nineteenth century, particular mercantile or banking communities such as the Marwaris, the Parsis and the Chettiyars emerged, based on bazaars in Calcutta, Bombay and Madras. These communities took advantage of the new transportation and communication networks under the British, expanded their commercial and banking networks beyond South Asia, and finally spearheaded India's industrialisation to this day. Though the British occupied the 'organised sector' of the economy, their emergence has been regarded as the symbol of resilience and dynamism of the indigenous economy under colonial control. Even so, the findings of this study strongly suggest that the colonial transition was not as simple as previous studies have claimed, since changes in the economy at the regional level had gone through more complicated processes.

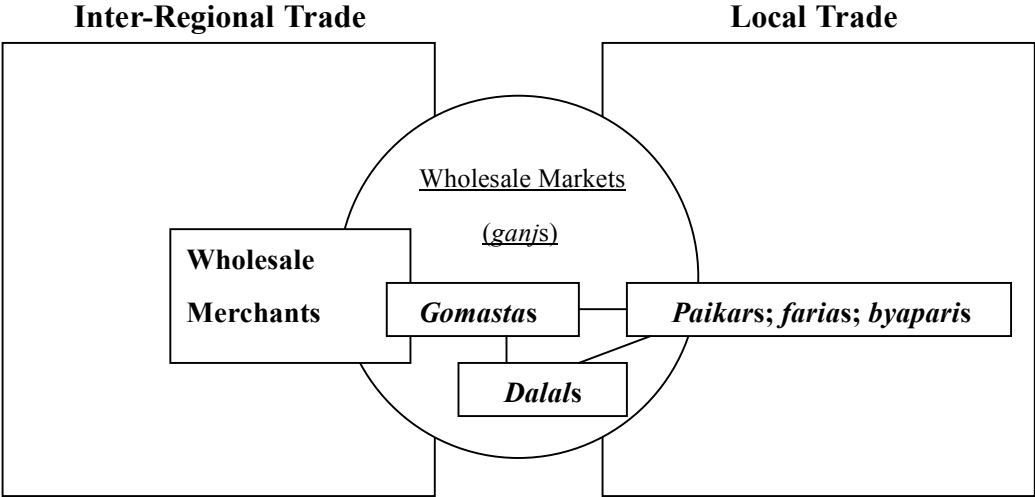
Nevertheless, from the mid-nineteenth century on, the homogenous communities rather than multi-caste or heterogeneous ones obviously responded successfully to changes and further expansion of the market. The role of intermediaries became even stronger. But merchants had become more dependent on intermediaries from their own communities rather than from different castes. This was partly because the emergence of 'the caste society' gradually drove away Brahmans from any commercial activities, as 'the Hindu law' was gradually being enforced. Brahmans lost their information advantage and no longer functioned as the centre of information networks. Moreover, since private law was based on personal law, the ties among the same caste members became strengthened across regional boundaries. This certainly encouraged horizontal ties—caste-based networks over much wider geographical area.

As the new judicial system prevailed, the system of local communal arbitration began to lose its effectiveness throughout the British territories. In Calcutta, *dals*, which were once so powerful in the society, had completely disappeared by 1870. But this did not mean that the state took over all the functions of private institutions. Caste provided its members with credit, information that had been accumulated within the community, personal networks and other necessary facilities. Intermediaries still played a central role in caste-based commercial networks. Meanwhile, caste councils (*panchayats*) worked as a private or communal court, and influenced members' personal and ritual matters. Since honour or reputation was integral part of a firm, caste rules were influential to members' commercial activities.

Table 1: Commercial Zones in Eastern India

| 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? |

Diagram 1: Personal Networks in the Indigenous Trading System



Glossary

| | |
|-----------------------|---|
| <i>Abhijat</i> | An aristocrat |
| Bazaar | A fixed market |
| <i>Bhadralok</i> | A gentleman or the gentry |
| <i>Byapari</i> | A merchant |
| <i>Char (Chhar)</i> | A delivery order |
| <i>Choki (Chokey)</i> | A toll or customs station |
| <i>Dal (Dala)</i> | A social faction among the upper classes in large towns |
| <i>Dalal</i> | A broker |
| <i>Dalapati</i> | A head of a dal |
| <i>Dhuratia</i> | A proprietor or a large salt purchaser at public sales |
| <i>Faria (Pharia)</i> | An itinerant merchant |
| <i>Ganj</i> | A wholesale fixed market |
| <i>Gomasta</i> | An agent or a manager in a firm |
| <i>Gola</i> | A warehouse |
| <i>Hat</i> | A periodic market |
| <i>Hundi</i> | A bill of exchange |
| <i>Paikar</i> | An itinerant merchant, small wholesale trader |
| <i>Rowana</i> | A pass or a permit |
| <i>Shroff</i> | A money-changer or a banker |
| Zamindar | A landholder |
| <i>Zamindari</i> | The estate or tenure of a zamindar |

Abbreviations

| | |
|-----------|--|
| BCSO-Salt | Bengal Board of Customs, Salt and Opium Proceedings—Salt |
| BRC-Salt | Bengal Revenue Consultations (Salt, Opium and c.)—Salt |
| BRP-Salt | Bengal Board of Revenue (Miscellaneous) Proceedings—Salt |
| IOR | India Office Records, British Library |
| SCP | Supreme Court Papers, Calcutta High Court |

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