

PREFACE

History is the study of totality of human activity. Historical analysis makes it possible to arrive at a synthesis of economic, social, political, intellectual, psychological and geographical aspects of life in the dimension of time. In a historical study, we are able to understand the universality, intensity and duration of various aspects of human behavior.

Historians have made a detailed study of the various aspects of the above 'totality', for instance the economic development of a particular culture. According to Shepherd B. Clough, economic history focuses on the problem of becoming – with development – and hence places more emphasis upon processes, long term trends and factors of economic change. It predominantly emphasizes on economic growth, which, by antithesis, includes the study of economic decline.

Economic growth is generally explained in terms of interaction of multiple variables. An economic historian organizes his historical analysis around the basic questions of economics. But, in this process, he finds that non-economic factors have a great impact upon economic phenomena, all of which have to be encompassed in his view.

One of the important factors of the economic system is the use, availability, mobility and transferability of capital through the banking system. Banks and banking are an integral part of our society. The daily use of this system had raised my curiosity regarding the working of the system of credit and deposits in the older times. The availability of

records within the reachable vicinity had further encouraged me to attempt an analysis of the general functioning of the banking network in the nineteenth century. Due to the absence of any academic research of the entire banking history of the Baroda State during the 19th century had motivated me to make an attempt to understand its changing processes.

To take a broader look at the origin growth, and decline of indigenous banking through the 19th century, it was essential to take into account the corresponding political and social factors, which affected it. Therefore, throughout the thesis, indigenous banking is constantly seen through the politico-economic nexus. i.e. the ruler-banker relationship.

In terms of the overall pattern of internal finance, the unorganized or non – institutional sector of the Indian banking and financial system may be described, conceptually, as a residual sector, consisting of an amorphous mass of indigenous bankers and moneylenders operating as traditional family businesses, usually in combination with trading and other activities. According to most of the authorities, an indigenous banker, in addition to giving loans, accepts deposits and deals in indigenous bills of exchange or *Hundis*. Most of the indigenous bankers and money lenders in India largely deal with their own capital. Generally, the indigenous bankers are known as *shroffs* or *sahukars*. They belong to some specific regional and caste groups such as Marwaris from Jodhpur and Jaipur in Rajasthan ; Khattris from Punjab, Uttarakhand and Uttar Pradesh ; the Gujaratis ; the Multanis and Shikarapuris from Sind, the Natukottai chettiers and the Kallidaikurichy Brahmins from Tamil Nadu.

Historically, the business of indigenous bankers and money lenders in India, which goes back to an unrecorded past, has covered a wide range of activities, from wholesale and retail trade to acceptance of deposits, loans to individuals and firms as well as to political powers, remittances, discounting of bills of exchange, mint masters and money-changers, revenue-collectors to government etc.

The following study makes an attempt to analyze the above functions in relation to indigenous banking in the Baroda State in the 19th century.

The word indigenous banking had been used in the thesis, as has been defined in the report of Baroda Banking Enquiry committee, 1929-30. According to this,

“By indigenous banking is meant all banks and bankers other than the imperial Bank of India, the exchange banks, joint stock banks and co-operative banks. It includes and individual or private firm receiving deposits, dealing in hundis or lending money”.

The formation of Bank of the Baroda in July 1909 has been discussed to make a comparative analysis between the indigenous banking and modern banking. Thus this study provides a complete picture of the transformation in the banking system of the Baroda State from the late 18th century to the early 20th century.